# CITY AND COUNTY OF SAN FRANCISCO
## BOARD OF SUPERVISORS
### BUDGET AND LEGISLATIVE ANALYST

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June 24, 2016

**TO:** Budget and Finance Sub-Committee

**FROM:** Budget and Legislative Analyst

**SUBJECT:** June 29, 2016 Budget and Finance Sub-Committee Meeting

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## EXECUTIVE SUMMARY

### Legislative Objectives

- The proposed ordinance would authorize the Recreation and Park Department to enter into an agreement with the Francisco Park Conservancy to accept from the Francisco Park Conservancy (1) $25,000,000 in construction and related services for the new Francisco Park, and (2) annual cash grants of approximately $150,000 per year for future park maintenance.

### Key Points

- The Board of Supervisors approved the jurisdictional transfer of the Francisco Reservoir from the San Francisco Public Utilities Commission to the Recreation and Park Department in 2014. The Francisco Park Conservancy will contribute $25 million in construction and related services to develop the new Francisco Park and approximately $150,000 per year to pay the Recreation and Park Department's costs for one full-time dedicated gardener and custodial staffing.

### Fiscal Impact

- The City's estimated costs under the proposed agreement are $250,000 for environmental review and $180,000 for a Recreation and Park Department project manager to oversee the project, totaling $430,000 in General Fund costs. According to the Recreation and Park Department Director of Partnerships, the Department has received a commitment for funding in the amount of $430,000 to be added to the Recreation and Park Department's FY 2016-17 budget through the Board of Supervisors budget review and re-appropriation process.

### Policy Consideration

- The proposed ordinance provides for the Recreation and Park Department to accept future gifts from the Francisco Park Conservancy without further Board of Supervisors approval. The Francisco Park Conservancy plans to provide future gifts as private funding becomes available for other park amenities, such as a children's playground. However, because future gifts could result in new costs to the City, the Budget and Legislative Analyst recommends revising the proposed ordinance to require Board of Supervisors approval of any future gift from the Francisco Park Conservancy of $100,000 or more if the gift results in new City costs for public outreach, project management, environmental review, or other costs.

### Recommendations

- Amend the proposed ordinance to require Board of Supervisors approval of the acceptance of any future gift from the Francisco Park Conservancy of $100,000 or more if the gift results in new City costs for public outreach, project management, environmental review, or other costs.
- Approve proposed ordinance, as amended, subject to the Board of Supervisors appropriating an additional $430,000 in the Recreation and Park Department's FY 2016-17 budget through the Board of Supervisors budget review and re-appropriation process.

## MANDATE STATEMENT

Administrative Code Section 10.100-305 creates category eight funds or accounts for the purpose of accepting any gift of cash or goods. The acceptance of any gift of cash or goods greater than $10,000 in value requires Board of Supervisors approval.

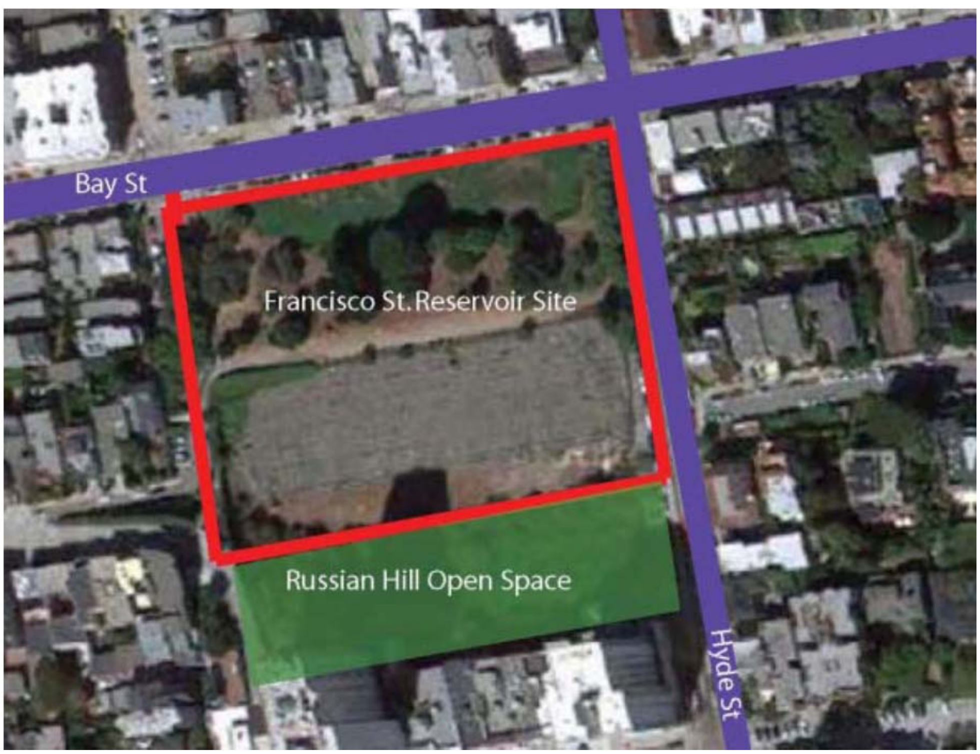
According to Administrative Code Section 10.100-1 a category eight fund (1) automatically appropriates expenditures consistent with the purpose and use of the fund, subject to authorization by the department head; (2) accumulates interest; and (3) carries forward unexpended fund balances.

## BACKGROUND

The Francisco Reservoir is a 3.29 acre site located at 2445 Hyde Street in the Russian Hill neighborhood. The Board of Supervisors approved the jurisdictional transfer of the Francisco Reservoir from the San Francisco Public Utilities Commission (SFPUC) to the Recreation and Park Department in July 2014 (File 14-0782). The Recreation and Park Department and SFPUC entered into a Memorandum of Understanding (MOU) for the jurisdictional transfer of the Francisco Reservoir, in which the Recreation and Park Department would make payments to SFPUC from the Open Space Acquisition Fund totaling an estimated $10,669,725 over 12 years.

The Recreation and Park Department combined the Francisco Reservoir with the adjacent 0.96 acre Russian Hill Open Space for the purpose of creating a new park at the location as shown in the Figure below.

**Figure: Francisco Park**



## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would authorize the Recreation and Park Department to enter into an agreement with the Francisco Park Conservancy[1] to accept from the Francisco Park Conservancy (1) $25,000,000 in construction and related services for the new Francisco Park, and (2) annual cash grants of approximately $150,000 per year for future park maintenance. The proposed ordinance authorizes the Recreation and Park Department to accept and expend future grants and gifts from the Francisco Park Conservancy for possible additional improvements at the new Francisco Park without further Board of Supervisors approval.

The proposed ordinance also amends the Park Code to prohibit consumption of alcoholic beverages in Francisco Park.

**Agreement between the Francisco Park Conservancy and the Recreation and Park Department**

The proposed agreement between the Francisco Park Conservancy and the Recreation and Park Department is for an initial term of 20 years, with three automatic 10-year extensions, for a total term of up to 50 years through 2066. Either party may choose to terminate the agreement at the end of the initial 20-year term or 10-year extensions.

The Francisco Park Conservancy will provide construction and related services to the Recreation and Park Department for the new Francisco Park with a value up to $25 million, subject to design approval by the Recreation and Park Commission. The Francisco Park Conservancy will also provide annual funding of approximately $150,000 per year for future park maintenance.

## FISCAL IMPACT

**Park Construction**

The Francisco Park Conservancy proposes to fund raise for the new park in 2016 to 2019. During this period, the Recreation and Park Department will conduct public outreach and the Planning Department will conduct an environmental review. Actual construction of the new park is expected to occur in 2018 and be completed in 2019.

The Francisco Park Conservancy's budget of $25,000,000 for the new Francisco Park is shown in the Table below.

[1] The Francisco Park Conservancy is a California nonprofit public benefit corporation with tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

**Table 1: Park Construction Budget**

| Task | Amount |
|---|---|
| Design and engineering | $2,250,000 |
| Permits and utilities | 1,000,000 |
| Construction (including construction contingency) | 15,550,000 |
| Project management and administration | 1,325,000 |
| Subtotal | $20,125,000 |
| Program contingency (24 percent) | 4,875,000 |
| **Total** | **$25,000,000** |

**Park Maintenance**

The Recreation and Park Department will be responsible for ongoing park maintenance according to a landscape management plan developed jointly by the Francisco Park Conservancy and the Recreation and Park Department. The Recreation and Park Department and Francisco Park Conservancy will also jointly develop an asset management plan for the new park. The Francisco Park Conservancy will provide annual funding of approximately $150,000 per year to pay the Department's costs for one full-time dedicated gardener and a jointly agreed upon level of custodial staffing.

**City Costs**

The City's estimated costs under the proposed agreement are $250,000 for environmental review and $180,000 for a Recreation and Park Department project manager to oversee the project, totaling $430,000 in General Fund costs. The Recreation and Park Department estimates an additional $10,000 per year in City costs for materials and supplies related to park maintenance. According to Ms. Lisa Bransten, Recreation and Park Department Director of Partnerships, the Recreation and Park Department has received a commitment for funding in the amount of $430,000 to be added to the Recreation and Park Department's FY 2016-17 budget through the Board of Supervisors budget review and re-appropriation process.

**Francisco Park Conservancy Fundraising**

According to the proposed agreement, the Francisco Park Conservancy will use its best efforts to raise sufficient funds to design, construct and maintain the new park. The Francisco Park Conservancy will not begin construction of the new park until the Conservancy has demonstrated to the Recreation and Park Department that it has all the necessary funds to complete park construction.

## POLICY CONSIDERATION

The proposed ordinance provides for the Recreation and Park Department to accept future gifts from the Francisco Park Conservancy without further Board of Supervisors approval. According to Ms. Bransten, the Francisco Park Conservancy plans to provide future gifts as private funding becomes available for other park amenities, such as a children's playground. According to Ms. Bransten, there is a precedent for the Board of Supervisors to authorize the Recreation and Park Department to accept future gifts for ongoing projects. In 2006 the Board of Supervisors approved an ordinance to allow the Recreation and Park Department to accept future gifts for installation of synthetic turf athletic fields as part of the acceptance of $4.5 million in synthetic turf athletic fields at Garfield Square and Silver Terrace Playground from the City Fields Foundation (File 06-0255).

However, because future gifts from the Francisco Park Conservancy to the Recreation and Park Department could result in new costs to the City, the Budget and Legislative Analyst recommends revising the proposed ordinance to require Board of Supervisors approval of any future gift from the Francisco Park Conservancy of $100,000 or more if the gift results in new City costs for public outreach, project management, environmental review, or other costs. This is consistent with Administrative Code Section 10.170-1 that requires Board of Supervisors approval of acceptance of funds from a third party in the amount of $100,000 or more.

## RECOMMENDATIONS

1. Amend the proposed ordinance to require Board of Supervisors approval of the acceptance of any future gift from the Francisco Park Conservancy of $100,000 or more if the gift results in new City costs for public outreach, project management, environmental review, or other costs.
2. Approve proposed ordinance, as amended, subject to the Board of Supervisors appropriating an additional $430,000 in the Recreation and Park Department's FY 2016-17 budget through the Board of Supervisors budget review and re-appropriation process.

| Item 3<br>File 16-0596 | Department:<br>Municipal Transportation Agency (MTA) |
|---|---|

**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution would approve Amendment No. 1 to the contract between the San Francisco Municipal Transportation Agency (SFMTA) and New Flyer of America, Inc. (New Flyer) for SFMTA to purchase an additional 33 articulated low-floor electric trolley buses, increasing the existing not-to-exceed contract amount of $94,950,444 by $55,498,285, for a new total not-to-exceed contract amount of $150,488,729. The contract expiration date will remain 2020.

**Key Points**

- In January 2014, the Board of Supervisors approved a contract between the City and County of San Francisco (City) and New Flyer of America, Inc. (New Flyer) for the San Francisco Municipal Transportation Agency (SFMTA) to purchase 60 60-foot electric trolley buses and associated spare parts, training, manuals, and special tools to maintain the buses. The contract expiration date was 2020, with a not-to-exceed amount of $94,950,444.
- The contract also included options for the SFMTA to acquire up to 33 additional 60-foot electric trolley buses and up to 240 40-foot electric trolley buses at various points during the life of the contract.

**Fiscal Impact**

- The total cost to purchase 33 new electric trolley buses is $55,498,285. The funds to purchase the buses under the first amendment to the contract will be provided by local and regional sources, which include $11,099,657 from San Francisco Proposition K Sales Tax Funds, and $44,398,628 from the Metropolitan Transportation Commission.

**Recommendation**

- Approve the proposed resolution.

## MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

City Administrative Code Section 21.16 authorizes the City to use the competitive procurement process of any other public agency to make purchases of commodities or services for use by the City under the terms established by that other public agency's competitive procurement process, upon determining that (a) the other agency's procurement process was competitive or the result of a sole source award, and (b) the use of the other agency's procurement would be in the City's best interests.

## BACKGROUND

In January 2014, the Board of Supervisors approved a contract between the City and County of San Francisco (City) and New Flyer of America, Inc. (New Flyer) for the San Francisco Municipal Transportation Agency (SFMTA) to purchase 60 60-foot electric trolley buses and associated spare parts, training, manuals, and special tools to maintain the buses. The contract expiration date was 2020, with a not-to-exceed amount of $94,950,444. The contract also included options for the SFMTA to acquire up to 33 additional 60-foot electric trolley buses and up to 240 40-foot electric trolley buses at various points during the life of the contract. The contract was awarded based on a competitive process.[1] SFMTA has spent or encumbered $94,946,595 of the contract's not-to-exceed amount of $94,950,444, as shown in Table 1 below.

**Table 1: Expenditures to Date for New Flyer Contract**

| Category | Amount |
|---|---|
| Expenditures to date | $74,867,345 |
| Encumbrances | 20,079,250 |
| **Total** | **$94,946,595** |

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 1 to the contract between the SFMTA and New Flyer for SFMTA to purchase an additional 33 articulated low-floor electric trolley buses, increasing the existing not-to-exceed contract amount of $94,950,444 by $55,498,285, for a new total not-to-exceed contract amount of $150,488,729. The contract expiration date will remain 2020.

[1] In December 2013, the SFMTA entered into a Bus Options Assignment Agreement with King County, Washington and New Flyer, under which King County assigned to the City the right to purchase buses from New Flyer under a bus procurement contract that King County had previously entered into with New Flyer. Under San Francisco Administrative Code Section 21.16, the SFMTA is authorized to utilize the competitive procurement process of another public agency to purchase commodities for the use of the City under the terms established in that agency's competitive procurement process.

## FISCAL IMPACT

The budget for the increased contract amount with New Flyer is $55,498,285 for 33 additional articulated low-floor electric trolley buses, as shown in Table 2 below.

**Table 2: Budget for New Flyer Contract Amendment**

| Item | Price per Bus | No. of Buses | Cost |
|---|---|---|---|
| Electric Trolley Buses | $1,484,398 | 33 | $48,985,134 |
| Tools & Diagnostics | | | 1,000,000 |
| Training & Manual | | | 1,128,231 |
| Sales Tax | | | 4,384,920 |
| **Total** | | | **$55,498,285** |

The 2017 price for each 60-foot electric trolley bus under the first amendment is $1,484,398, which is $109,745 or 8.0 percent more than the 2014 price for each 60-foot electric trolley bus under the original contract of $1,374,653. According to Mr. Gary Chang, Project Manager at the SFMTA, the 8.0 percent increase in the price of each 60-foot electric trolley bus is based on the average annual increase in the Producer Price Index reported by the U.S. Bureau of Labor Statistics.

The funds to purchase the 33 electric trolley buses under the first amendment to the contract will be provided by local and regional sources, as shown in Table 3 below. Payments for the contract will be ongoing through FY 2018-19 as new buses are built and delivered to SFMTA.

**Table 3: Source of funds for Proposed New Flyer Contract Amendment**

| Funding Source | Amount |
|---|---|
| San Francisco Proposition K Sales Tax Funds | $11,099,657 |
| MTC Transit Capital Priorities | 44,398,628 |
| **Total** | **$55,498,285** |

Of the $44,398,628 funding source from the Metropolitan Transportation Commission (MTC) [2], only $20,000,000 has been secured through FY 2017-18 and new funding of $24,398,628 is not guaranteed. According to Mr. Chang, the SFMTA will re-prioritize other capital projects or reprogram funding from other projects to make up any shortfall in the event that MTC does not provide new funding to the SFMTA.

## RECOMMENDATION

Approve the proposed resolution.

[2] The MTC is a regional transportation planning agency and allocates funding as a pass through from the federal government. Such funds are conditional upon congressional appropriation. SFMTA is currently preparing its list of projects to be considered for funding by MTC, which includes the proposed purchase of electric trolley buses. The SFMTA expects the projects to be adopted by MTC in the winter with final approval by the federal government in spring 2017.

| **Item 4**<br>**File 16-0542** | **Department:**<br>Port Commission (Port) |
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- Approval of Resolution 16-0542 would establish a Cost Reimbursement Agreement between the Port and ExxonMobil Corporation for the management of residual petroleum hydrocarbons on City property in the area known as Wharf J10.

**Key Points**

- Beginning over 100 years ago, General Petroleum Corporation and Mobil Oil, predecessors to ExxonMobil Oil Corporation, operated a fuel storage and distribution facility in the area known as Wharf J10, located at 440 Jefferson Street, within the block bounded by Leavenworth, Jefferson and Hyde Streets, and the San Francisco Bay.
- The historic operations resulted in petroleum hydrocarbon contamination in soil and groundwater beneath the former fuel terminal footprint and surrounding property.
- After ExxonMobil failed to meet initial deadlines to remediate the pollution, the San Francisco Bay Regional Water Quality Control Board issued a cleanup Order to ExxonMobil and the Port of San Francisco in 2008. ExxonMobil completed site investigation, remediation, and risk assessment by 2011.
- The Order required ExxonMobil and the Port to develop a Risk Management Plan (RMP) to ensure that residual contamination could be safely managed on-site.
- As a result of the Order, the Port, tenants within the RMP area, or their agents may incur additional costs to maintain existing, or construct new, facilities in order to comply with the RMP. Such costs may include the professional services of a Certified Industrial Hygienist to evaluate and specify project-specific worker health and safety protections, additional air monitoring and protective equipment, and designing and implementing construction to avoid impact to the permeable reactive barrier (PRB) that was implemented to bind the residual hydrocarbons. To address the potential costs, the Port and ExxonMobil Corporation propose to establish a Cost Reimbursement Agreement.

**Fiscal Impact**

- There is no fiscal impact to the City and County of San Francisco. ExxonMobil will reimburse the Port or Port's tenants for costs incurred to comply with the Risk Management Plan (RMP).

**Recommendation**

- Approve the proposed resolution.

## MANDATE STATEMENT

Charter Section 9.118 (b) of the Municipal Code states that with the exception of construction contracts entered into by the City and County, any other contracts or agreements entered into by a department, board, or commission, having a term in excess of ten years, or requiring anticipated expenditures by the City and County of $10,000,000, or the modification or amendments to such contract or agreement having an impact of more than $500,000 shall be subject to approval of the Board of Supervisors by resolution.

## BACKGROUND

Beginning over 100 years ago, General Petroleum Corporation and Mobil Oil, predecessors to ExxonMobil Oil Corporation, operated a fuel storage and distribution facility in the area known as Wharf J10, located at 440 Jefferson Street, within the block bounded by Leavenworth, Jefferson and Hyde Streets, and the San Francisco Bay. The operations resulted in petroleum hydrocarbon contamination in soil and groundwater beneath the former fuel terminal footprint and surrounding property.

In 2007, the Port demolished and removed Wharf J10 and the overlying fish processing building due to structural instability. Removal of the wharf revealed visible petroleum seepage from the shoreline into the Bay. After ExxonMobil failed to meet initial deadlines to remediate the pollution, the San Francisco Bay Regional Water Quality Control Board issued a cleanup Order to ExxonMobil and the Port of San Francisco in 2008. Subsequently, dissatisfied with ExxonMobil's progress toward completing investigation and cleanup of petroleum contamination, the City and County of San Francisco filed suit against ExxonMobil to compel compliance with the Regional Water Quality Control Board Order. Over the following years, ExxonMobil conducted site investigation, interim remediation, and risk assessment, culminating in a major remedial action in 2011. This final remedial action removed 1,239 tons of petroleum-contaminated fill along the shoreline, replaced it with clean engineered back fill, and covered the new shoreline slope with a layer of permeable material that chemically binds with petroleum hydrocarbons and riprap for slope stabilization and protection from erosion. The City and County of San Francisco settled its suit with ExxonMobil in 2012.

The cleanup removed contamination from the site and eliminated risk that any remaining residual petroleum hydrocarbons could migrate. In compliance with the San Francisco Bay Regional Water Quality Control Board Order, ExxonMobil assessed potential risk to human health and the environment due to the presence of residual petroleum hydrocarbons and found 1) no significant risk to Bay water quality or aquatic life or to current or future site occupants, and 2) potential health risk to workers exposed directly to groundwater or vapor in a below-grade trench, such as plumbers working in a utility trench deep enough to reach saturated soil or groundwater.

The Order also required ExxonMobil and the Port to develop a Risk Management Plan (RMP) to ensure that residual contamination could be safely managed on-site. The RMP requires notification about site conditions to any Port staff, tenant, or contractor undertaking subsurface work within the site, and implementation of appropriate health and safety and waste management measures during such work. It also imposes additional monitoring and reporting requirements related to facilities maintenance or new construction.

As a result of the Order, the Port, tenants within the RMP area, or their agents may incur additional costs to maintain existing, or construct new, facilities within the site in order to comply with the RMP. Such costs may include the professional services of a Certified Industrial Hygienist to evaluate and specify project-specific worker health and safety protections, additional air monitoring and protective equipment, and designing and implementing construction to avoid impact to the permeable reactive barrier (PRB) that was implemented to bind the residual hydrocarbons. To address the potential costs, the Port and ExxonMobil Corporation propose to establish a Cost Reimbursement Agreement.

In 2006, the City and County of San Francisco executed a similar agreement with four oil companies that had formerly operated fuel terminals in the Mission Bay area to reimburse the City for costs incurred due to the presence of residual petroleum hydrocarbons left in place beneath approximately 12.4 acres of land in Mission Bay.

## DETAILS OF PROPOSED LEGISLATION

Approval of Resolution 16-0542 would approve a Cost Reimbursement Agreement between the Port and ExxonMobil Corporation for the management of residual petroleum hydrocarbons on Port property in the area known as Wharf J10.

Port staff, in consultation with the City Attorney’s Office, negotiated the proposed Cost Reimbursement Agreement with ExxonMobil to provide a process for ExxonMobil to reimburse the Port’s or Port’s tenants’ costs incurred to comply with the Risk Management Plan (RMP) to ensure that petroleum contaminants can be appropriately managed at Wharf J10. The San Francisco Bay Regional Water Quality Control Board requires establishment of such an agreement and this is the last task specified by the Order that remains to be completed.

The Cost Reimbursement Agreement would apply only to a portion of the former fuel terminal footprint: approximately 130’ (along the shoreline) by 160’, a total area of approximately 20,800 square feet. The reimbursement total was calculated in part by estimating the cost of re-building a wharf of similar dimension to the former Wharf J10 (130’ by 40’ within the RMP area) at that location.

The provisions of the proposed Cost Reimbursement Agreement between ExxonMobil and the Port are below:

| | |
|---|---|
| **Parties:** | The Agreement establishes a process through which the Port or Port tenants located within the RMP Area may seek reimbursement from ExxonMobil for reimbursable costs. |
| **Term:** | The term is the earlier of 20 years from the Effective Date or when ExxonMobil has reimbursed the total maximum reimbursable amount, known as the Reimbursement Cap. The Agreement specifies that upon its expiration the Port and ExxonMobil will negotiate in good faith to extend the Agreement or enter into a new one that fulfills the same purpose of providing financial responsibility for long-term management of residual petroleum hydrocarbons to be managed in place. |
| **Reimbursement Cap:** | The Reimbursement Cap is $5 million over the 20-year term, increased by 3% annually. Therefore, at the end of the 20-year term the cap will have increased to $8.7 million. |
| **Reimbursable Costs:** | Reimbursable Costs are increased costs and expenses incurred by Port or Port tenants related to management of residual petroleum present within the RMP Area that (a) would not otherwise be incurred in the absence of residual petroleum; and (b) are required to be incurred to comply with the RMP. |
| **Pre-Authorization of Work:** | The Agreement sets forth a process for pre-approval of Port or Port tenant work and for reimbursement of costs by ExxonMobil. Except for emergency work, the Port or Port tenant will request pre-authorization of reimbursable costs greater than $10,000 by submitting a scope of work and cost estimate to ExxonMobil. |
| **Reimbursement:** | ExxonMobil is responsible for any costs and expenses incurred by Port or Port tenant for which the Port or tenant seeks reimbursement provided that such costs are Reimbursable Costs as defined by the Agreement; do not exceed the scope of work required by the RMP; are incurred in accordance with the terms of the Agreement; and were not disputed by ExxonMobil with said dispute resolved or adjudicated in favor of ExxonMobil. |
| **Dispute Resolution:** | The Agreement provides for mediation of disputes by a jointly designated mediator and with mediation costs split equally between the Port or Port tenant and ExxonMobil. |
| **No Release:** | The Agreement does not release ExxonMobil from liability or preclude the Port from seeking judicial remedies with respect to residual petroleum on Port property. |

Source: Port Commission Memoranda

## FISCAL IMPACT

There is no fiscal impact to the City and County of San Francisco. ExxonMobil will reimburse the Port and the Port's tenants for the costs incurred to comply with the Risk Management Plan (RMP).

## RECOMMENDATION

Approve the proposed resolution.

| Item 5<br>File 16-0428 | Department:<br>Human Services Agency (HSA) |
|---|---|

**EXECUTIVE SUMMARY**

**Legislative Objectives**

The proposed resolution would approve a new lease between Opera Plaza, L.P. as landlord, and the City and County of San Francisco, on behalf of its Human Services Agency (HSA), as tenant. The initial term of the lease is five years, with one five-year option to extend and is for the use of office space located at 601 Van Ness Avenue.

**Key Points**

- The proposed new lease is for premises located at 601 Van Ness Avenue, Suite P, which has about 8,646 square feet of office and conference room space to be used for HSA's Medi-Cal Eligibility Data System (MEDS) Unit, records management, and other administrative functions.
- The proposed new lease has an estimated commencement date of July 15, 2016 with annual base rent of $363,132 ($42.00 per square foot per year) and increases of $1.00 per square foot per year, for a five-year term, ending in 2021. An option to extend the lease may be exercised for an additional five years, ending in 2026.

**Fiscal Impact**

- The proposed new lease includes a rent abatement provision of 50% for the second and third calendar months of the initial lease term, a $30,261 benefit to the City.
- The proposed new lease would result in $1,886,990 in rent payments over the initial five-year term

**Recommendation**

- Approve the proposed resolution.

## MANDATE STATEMENT

San Francisco Administrative Code Section 23.37 states that leases on behalf of the City as tenant are subject to approval by the Board of Supervisors by resolution.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new five-year lease with one five-year option to extend between Opera Plaza, L.P., as landlord, and the City and County of San Francisco, on behalf of the Human Services Agency (HSA), as tenant, for 8,646 square feet of office space at 601 Van Ness Avenue, Suite P. The estimated commencement date of the lease is July 15, 2016, pending approval by the Board of Supervisors.

The 8,646 square foot space at 601 Van Ness Avenue will provide office space for HSA's Medi-Cal Eligibility Data System (MEDS) Unit, records management, and other administrative functions. According to Mr. Robert Walsh, Contracts Manager at HSA, these HSA functions currently operate at 1235 Mission Street and the Department's needs have exceeded the available space, which is presently overcrowded.[1] HSA expects to use the 601 Van Ness Avenue office space for approximately 58 full-time equivalent (FTE) staff.

In addition to the Department's needs for additional space, the 601 Van Ness Avenue office space was selected because HSA desired immediate proximity to City Hall, 24-hour access to facilitate HSA's work shifts, and ground floor location and direct access to the building's loading dock, both of which are necessary for appropriate records management. HSA and the Real Estate Division reviewed other comparable options but none satisfied the above criteria and comparable properties had average rents per square foot greater than the proposed 601 Van Ness Avenue facility.

Table 1 below summarizes the major lease provisions.

[1] HSA has 2,375 workstations in all of its office locations, which are insufficient for its 2,441 budgeted staff.

| Table 1: Summary of the Major Lease Provisions | |
|---|---|
| Square footage leased | 8,646 square feet |
| Lease Term | Approximately five (5) years, estimated to commence July 15, 2016 and end August 31, 2021 |
| Option to Extend | One five-year option to extend through August 2026 |
| First Year Rent* | $348,002 |
| Rent per Square Foot | $42.00 per year |
| Rent Increases in Initial Term | $1.00 per square foot per year of the agreement |
| Rent Adjustment on Exercise of Option to Extend | Increase to Fair Market Value |
| Rent Increases in Extended Five-Year Term | $1.00 per square foot per year of the agreement |
| Utilities | Landlord will be responsible for paying for water and gas service. HSA will be responsible for electricity and telecommunications within the premises. |
| Services | Landlord will provide janitorial services to the premises and will provide security for the building, but not specifically for the premises. |
| Maintenance and Repairs | Landlord is responsible for maintenance of the exterior and structural portions of the building and the building systems such as the heating, ventilating, air conditioning, plumbing, and electrical systems. HSA is responsible for maintenance and repairs to the interior portions of the premises. |
| Tenant Improvement Allowance | None |

*Includes prorated rent from estimated commencement date July 15 through July 31, 2016 and base rent abatement of 50% to $15,130.50 for the second and third calendar months of the initial lease term, resulting in a savings to the City totaling $30,261

## FISCAL IMPACT

Under the proposed new lease, HSA will pay $348,002 in first year rent.

The rent payments in the initial five-year lease term total $1,886,990, as shown in Table 2 below. HSA's FY 2016-17 and FY 2017-18 budgets, pending before the Board of Supervisors, include funds to pay for the proposed lease, subject to appropriation approval by the Board of Supervisors.

**Table 2: Rent Costs for 601 Van Ness Avenue, Suite P for the Initial Five-Year Lease Term**

| Lease Year | Rent Costs* |
|---|---|
| Lease Year 1** | $348,002 |
| Lease Year 2 | 371,778 |
| Lease Year 3 | 380,424 |
| Lease Year 4 | 389,070 |
| Lease Year 5 | 397,716 |
| *Subtotal five-year initial rent* | *$1,886,990* |

*Annual increases are $1 per square foot or $8,646 per year

**Includes prorated rent from estimated commencement date July 15 through July 31, 2016 and base rent abatement of 50% to $15,130.50 for the second and third calendar months of the initial lease term

## RECOMMENDATION

Approve the proposed resolution.

| **Item 6**<br>**File 16-0480** | **Department:**<br>Department of Technology<br>Department of Administrative Services Real Estate Division |
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution would authorize a new lease between the Department of Technology, as tenant, and 200 Paul, LLC, as landlord, for 77,934 square feet of space located at 200 Paul Avenue for the Public Safety Division of the Department of Technology to provide office space and space for the maintenance and repair of telecommunications equipment. Rent in the first year of the lease is $809,010 and is subject to annual increases of 3 percent. The term of the lease is ten years from January 1, 2017**,** through December 31, 2026, with one option to extend the lease for an additional five years.

**Key Points**

- The San Francisco Department of Technology's (DT) Public Safety Division is responsible for maintaining telecommunications infrastructure for City departments, including law enforcement agencies and emergency responders, the San Francisco Municipal Transportation Agency (SFMTA), and the San Francisco Public Utilities Commission.
- The property at 200 Paul Avenue provides the necessary yard, warehouse, production, and office space required for the Public Safety Division's operations. The Public Safety Division will perform tenant improvements to the premises in order refurbish the warehouse to suit its needs, and to comply with City requirements for City-leased space.

**Fiscal Impact**

- Rent for the first year of the lease is $809,010, and will increase by three percent each subsequent year. The expected total rent for the ten years of the lease is $9,274,393.
- The estimated cost of the Tenant Improvements is $6,141,711. The Landlord will provide the City a rent credit for $211,802 for the Tenant Improvements for a net cost to the City of $5,929,909. According to Mr. Leo Levenson, Chief Financial Officer at DT, funding for the tenant improvements will be divided between previously appropriated funds from FY 2015-16, and new funds requested in DT's FY 2016-17 budget.

**Recommendation**

- Approve the proposed resolution.

## MANDATE STATEMENT

City Charter Section 9.118(b) states that any agreement entered into by a department having a term in excess of ten years is subject to Board of Supervisors approval.

## BACKGROUND

The San Francisco Department of Technology's (DT) Public Safety Division is responsible for maintaining telecommunications infrastructure for City departments, including law enforcement agencies and emergency responders, the San Francisco Municipal Transportation Agency (SFMTA), and the San Francisco Public Utilities Commission. The Public Safety Division has 118 employees and 74 trucks, vehicles, and trailers, which require overnight security and vehicle storage.

In 2012 the Board of Supervisors approved an expansion of the San Francisco Wholesale Produce Market, which occupied a portion of City-owned space at 901 Rankin Street and was occupied by the Public Safety Division. The Public Safety Division was subsequently relocated from this location to another City-owned facility at 1800 Jerrold Avenue to facilitate the expansion of the San Francisco Wholesale Produce Market. The Public Safety Division was to be located at 1800 Jerrold Avenue on a temporary basis until the City's Real Estate Division could identify a suitable alternative to be used as the Public Safety Division's permanent location.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new lease between the Department of Technology, as tenant, and 200 Paul, LLC, as landlord, for 77,934 square feet of space located at 200 Paul Avenue for the Public Safety Division of the Department of Technology to provide office space and space for the maintenance and repair of telecommunications equipment. Rent in the first year of the lease is $809,010 and is subject to annual increases of 3 percent. The term of the lease is ten years from January 1, 2017, through December 31, 2026, with one option to extend the lease for an additional five years. Table 1 below shows the key provisions of the lease.

**Table 1: Key Provisions of Lease for 200 Paul Avenue**

| | |
|---|---|
| Permitted Use | Storage and repair of telecommunications equipment<br>General office use |
| Premises | 53,934 square feet of warehouse and office<br>24,000 square feet of yard area<br>77,934 total square feet |
| Rent in the First Year | $809,010 ($15 per square foot for 53,934 square feet of warehouse and office space) |
| Term | Ten years, from January 1, 2017 to on December 31, 2026<br>Lease will commence upon completion of tenant improvements |
| Options to Extend | One five-year extension through December 31, 2031<br>Rent will be adjusted to 95 percent of Fair Market Value |
| Estimated Expenses | $18,375 per month<br>City pays for trash removal, janitorial, security, electricity |
| Annual Increase to Rent | 3 percent |
| Tenant Improvements | The City will perform tenant improvements to the premises at an estimated total of $6,141,711. The Landlord will provide an allowance of $211,802 for these improvements. |

According to Mr. Charlie Dunn, Senior Property Manager in the Real Estate Division, the property at 200 Paul Avenue provides the necessary yard, warehouse, production, and office space required for the Public Safety Division's operations. The Public Safety Division will perform tenant improvements to the premises in order refurbish the warehouse to suit its needs, and to comply with City requirements for City-leased space. These tenant improvements are estimated to cost $6,141,711, and will include:

- Electrical upgrades for heavy power use and emergency power;
- $CO_2$ venting for vehicles;
- Shower and locker rooms for field staff;
- Vehicle radio installation space;
- Security infrastructure;
- Overnight high-value vehicle storage;
- Upgrades per the American Disabilities Act;
- Leadership in Energy and Environmental Design (LEED) upgrades;
- Increasing bicycle parking per the San Francisco Bicycle Parking Ordinance (#183-13).

Mr. Dunn states that in order to determine fair market value for rent of the 200 Paul Avenue facility, the Real Estate Division reviewed six other potential properties for the Public Safety Division. The rent price per square foot for these properties ranged from $16.20 to $29.40 per square foot. At $15 per square foot, the 200 Paul Avenue facility is the least costly option. Mr. Dunn further states that the market for properties that have adequate warehouse, yard, and office space is limited, and that the 200 Paul Avenue site provides the appropriate space for the Public Safety Division's needs.

To determine the estimated monthly cost of expenses as $18,375, Mr. Dunn reviewed the expenses cost of three other properties that are leased by the City. Mr. Dunn compared these costs to the estimated the need for services at the 200 Paul Avenue. The estimated cost of $18,375 may be adjusted as DT moves into the space and determines its actual needs.

## FISCAL IMPACT

Rent for the first year of the lease is $809,010, and will increase by three percent each subsequent year. As shown in Table 2 below, the expected total rent for the initial ten year term of the lease is $9,274,393. Rent for the first year was requested in DT's FY 2016-17 budget, pending before the Board of Supervisors.

**Table 2: Total Rent Paid by the City to Landlord**

| Year | Rent |
|---|---|
| 2017 | $ 809,010 |
| 2018 | 833,280 |
| 2019 | 858,279 |
| 2020 | 884,027 |
| 2021 | 910,548 |
| 2022 | 937,864 |
| 2023 | 966,000 |
| 2024 | 994,980 |
| 2025 | 1,024,830 |
| 2026 | 1,055,575 |
| **Total** | **$9,274,393** |

The estimated cost of the Tenant Improvements is $6,141,711. The Landlord will provide the City a rent credit for $211,802 for the Tenant Improvements for a net cost to the City of $5,929,909, as shown in Table 3 below. Tenant improvement costs to the City equal $109.95 per square foot based on 53,934 square feet of office space. According to Mr. Dunn, the tenant improvement costs to the City are necessary and reasonable because the Public Safety Division has highly specialized facility requirements, as discussed above, which are not typically found in other properties. Mr. Dunn states that the Real Estate Division evaluated tenant improvement costs as well as base rent when evaluating comparable properties; for example, one property evaluated by the Real Estate Division had tenant improvement costs estimated by the Department of Public Works to be $11.9 million. Mr. Dunn further states that the Real Estate Division will require competitive bids from three contractors for the tenant improvements in order to have the work performed at the lowest cost.

According to Mr. Leo Levenson, Chief Financial Officer at DT, funding for the tenant improvements will be divided between previously appropriated funds from FY 2015-16, and new funds requested in DT's FY 2016-17 budget.

**Table 3: Budget for Tenant Improvements**

| Category | Amount |
|---|---|
| Project Costs | |
| Construction Costs | $5,268,594 |
| Planning, Design, Permitting and Other Soft costs | 474,500 |
| Subtotal Project Costs | $5,743,094 |
| Project Management Fee (2.1% of construction costs) | 111,462 |
| Contingency (5.5% of construction costs) | 287,155 |
| Total Cost of Tenant Improvements | $6,141,711 |
| Landlord Credit | ($211,802) |
| **Net Cost to City** | **$5,929,909** |

## RECOMMENDATION

Approve the proposed resolution.

| Item 7<br>File 16-0598 | Department:<br>Mayor's Office of Housing and Community Development |
|---|---|

**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution would (1) authorize the Mayor's Office of Housing and Community Development (MOHCD) to expend $635,000 from the SOMA Community Stabilization Fund; and (2) reaffirm an Administrative Support Plan for the Fund. Expenditure of these funds will include: (1) $400,000 to South of Market Child Care, Inc. to construct its Transbay Child Development Center; (2) $25,000 Arc San Francisco to plan for construction of new housing units; and (3) $210,000 to the San Francisco Municipal Transportation Agency for a pedestrian cross light.

**Key Points**

- Under the City's Planning Code, developers constructing new residential development in the Rincon Hill Downtown Residential District pay development impact fees (South of Market Community Stabilization Fee) of $10.95 per square foot. Fee revenues are deposited into the SOMA Community Stabilization Fund to be used for housing and economic and workforce development. The MOHCD administers the SOMA Community Stabilization Fund, and the Community Stabilization Fund Community Advisory Committee advises on the use of fees allocated to the SOMA Community Stabilization Fund revenues, subject to Board of Supervisors approval.
- Based on a competitive process, the SOMA Community Stabilization Fund Community Advisory Committee awarded grants of (1) $400,000 to South of Market Child Care, Inc. to construct its Transbay Child Development Center; and (2) $25,000 Arc San Francisco to plan for construction of new housing units.
- The proposed resolution also approves an Administrative Support Plan for the SOMA Community Stabilization Fund. The total cost of the Administrative Support Plan is $278,673, which includes staff costs, City Attorney fees for legal costs, and advertising.

**Fiscal Impact**

- The SOMA Community Stabilization Fund currently has an available balance of $25,239,137. If the Board of Supervisors approves the proposed $635,000 in awards, the remaining balance in the SOMA Community Stabilization Fund will be $23,945,992.

**Recommendation**

- Approve the proposed resolution.

## MANDATE STATEMENT

In accordance with Planning Code Section 418.7, all monies in the South of Market Area (SOMA) Community Stabilization Fund are to be expended to address the effects of destabilization on residents and businesses in SOMA due to new residential development in the Rincon Hill Area. SOMA Community Stabilization Fund expenditures are administered by the Mayor's Office of Housing and Community Development (MOHCD), subject to approval by resolution of the Board of Supervisors.

## BACKGROUND

The Board of Supervisors approved a new Section 418 in the City's Planning Code in 2005, which among other provisions, (a) established the Rincon Hill Downtown Residential District[1], (b) created a Rincon Hill Community Improvement Fund, (c) imposed a South of Market Area (SOMA) Community Stabilization Fee of $14 per square foot (subsequently amended down to $10.95 per square foot by the Board of Supervisors under Ordinance 270-10) on developers who build new residential development within the Rincon Hill Downtown Residential District, (d) created the SOMA Community Stabilization Fund, and (e) established a SOMA Community Stabilization Fund Community Advisory Committee (CAC) to advise the MOHCD and the Board of Supervisors on the uses of the SOMA Community Stabilization Fund (Ordinance 217-05).

The Planning Code stipulates that monies from the Rincon Hill Community Improvement Fund be expended for streetscape improvements, open space acquisition, public library resources and other public uses. Monies from the SOMA Community Stabilization Fund are to be expended to provide assistance to SOMA residents including affordable housing, community asset building, employment development, job growth and job placement, and other services to address impacts of destabilization.

The Board of Supervisors approved a resolution in 2008 (Resolution 0216-08) (a) approving the SOMA Community Stabilization Fund Strategic Plan, (b) authorizing MOHCD to administer the SOMA Community Stabilization Fund ("Fund") in accordance with this Strategic Plan, and (c) authorizing MOHCD to work with the SOMA Stabilization Fund Community Advisory Committee to issue Requests for Proposals (RFPs) for non-profit agencies to provide services addressing the effects of destabilization on residents and businesses in SOMA, consistent with the Community Stabilization Fund Strategic Plan.

In 2010, the Board of Supervisors authorized MOHCD to spend funds to support general administrative costs associated with the Fund, with annual costs not to exceed the salary and fringe costs of one 1.0 FTE 9775 Senior Community Development Specialist II and 1.0 FTE 9772 Community Development Specialist. The total cost for these positions in FY 2015-16 is $284,655.

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[1] The Rincon Hill Downtown Residential District is the area bounded by Folsom Street, The Embarcadero, Bryant Street, and Essex Street.

Request for Proposals Process

In December 2015, MOHCD issued two RFPs to further the goals of the Fund; one for public space improvement planning projects, and one for capital projects. The RFPs were written to align with MOHCD's 2015-2019 Consolidated Plan, which identified three objectives that include: (1) families are stably housed; (2) communities have healthy, physical, social and business infrastructure; and (3) families and individuals are resilient and economically self-sufficient. To evaluate proposals, MOHCD staff and the SOMA Community Advisory Committee used specific evaluation metrics, as shown in Table 1 below.

**Table 1: RFP Evaluation Criteria**

| Criterion | Capital Projects | Planning Projects |
|---|---|---|
| Alignment with Consolidated Plan objectives | x | x |
| Project eligibility | x | |
| Connection to priority populations | x | x |
| Serves the SOMA neighborhood | x | x |
| Project has matching funds | x | |
| Agency capacity | x | x |
| Project readiness and feasibility | x | x |
| Capital needs assessment | x | |

The Capital Projects RFP received three proposals for funding, and the Public Space Improvement Planning RFP received one proposal for funding. Ms. Claudine del Rosario, Program Manager for the SOMA Community Stabilization Fund, states that numeric scoring was not used to evaluate proposals against these criteria. MOHCD staff made recommendations on the proposals at a public meeting and discussed the relative strengths and weaknesses of each proposal. After deliberating at the meeting, the SOMA Community Advisory Committee voted unanimously to award funds to South of Market Child Care, Inc. for its capital project, and Arc San Francisco for its planning proposal.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) authorize MOHCD to expend $635,000 from the SOMA Community Stabilization Fund; and (2) reaffirm an administrative support plan for the Fund. Recommendations for funding are shown in Table 2 below.

**Table 2: Funding Recommendations for SOMA Stabilization Fund Awards**

| Awardee | Project Type | Amount |
|---|---|---|
| South of Market Child Care, Inc. | Capital | $400,000 |
| Arc San Francisco | Capital | 25,000 |
| San Francisco Municipal Transportation Agency (SFMTA) | Infrastructure | 210,000 |
| **Total** | | **$635,000** |

South of Market Child Care, Inc.

South of Market Child Care, Inc. (SOMACC) is a non-profit organization that provides child care and education services to low-income families living in SOMA. The grant award will provide $400,000 to construct the Transbay Child Development Center, a new child care facility located in an affordable housing development in the Transbay Redevelopment Area. The budget for the proposed project is $2,157,350, as shown in Table 2 below.

**Table 2: SOMACC Project Budget**

| Budget Item | Amount |
|---|---|
| Construction | $1,752,911 |
| Design, Engineering, and other Soft Costs | 202,029 |
| Program startup and other costs | 202,410 |
| **Total Project Expenses** | **$2,157,350** |

According to their proposal, SOMACC has raised $1,134,695 to date for the proposed project. If the Board of Supervisors approves the grant award of $400,000, SOMACC will need to raise an additional $622,655. SOMACC's proposal states that their capital campaign publicly commenced in January 2016 and expects to complete its fundraising goal in December 2016. According to Ms. del Rosario, the grant agreement between MOHCD and SOMACC states that if SOMACC is unable to successfully raise the remaining funds for the project they will repay the $400,000 to MOHCD. Table 3 below shows remaining fundraising goal for SOMACC.

**Table 3: Amount Remaining to be Raised by SOMACC**

| Item | Amount |
|---|---|
| Project Cost | $2,157,350 |
| Funds raised to date | (1,134,695) |
| Subject Grant Award | (400,000) |
| **Amount remaining to be raised** | **$622,655** |

Arc San Francisco

Arc San Francisco (Arc) is a non-profit organization that provides services to people with intellectual and developmental disabilities. The grant award of $25,000 will provide funds to plan for constructing new housing units in SOMA and a new facility for Arc at 1500 Howard Street, the location of Arc's current headquarters. In order to implement this project, Arc has partnered with Mercy Housing, a non-profit affordable housing developer. According to Arc's proposal, the $25,000 grant award will be spent on architect and design fees for the project.

SFMTA Infrastructure Allocation

MOHCD proposes to allocate $210,000 to the San Francisco Municipal Transportation Agency (SFMTA) to install a pedestrian cross light at the intersection of 7th Street and Minna Street in SOMA. This intersection has been listed as a priority by the SFMTA and was a high priority of community members who have attended meetings of the SOMA Community Advisory Committee. The Community Advisory Committee voted unanimously to approve the allocation. The total cost of the project is $347,164, as shown in Table 4 below. Of the total $347,164 project cost, $210,000 will come from the SOMA Community Stabilization Fund allocation, and the remaining $137,164 will be provided by the SFMTA.

**Table 4: Cost for Pedestrian Cross Light**

| Cost Category | Amount |
|---|---|
| Construction | $167,000 |
| Construction Contingency | 16,700 |
| Planning & Design | 59,851 |
| Engineering & Inspection | 27,281 |
| Other costs | 76,332 |
| **Total** | **$347,164** |

Administrative Support Plan

As stated above, the Board of Supervisors previously authorized MOHCD to spend funds to support the administrative cost associated with the SOMA Community Stabilization Fund. These funds may not exceed $284,655. According to the Administrative Support Plan, the funding required to administer the SOMA Community Stabilization Fund is $278,673 in FY 2016-17, which includes staffing costs, City Attorney fees for legal costs, and advertising, as shown in Table 5 below.

**Table 5: Annual Cost for SOMA Fund's Administrative Support**

| Administrative Support Plan | Amount |
|---|---|
| Staffing | |
| 1.0 FTE 9775 Senior Community Development Specialist II | $164,677 |
| .2 FTE 0904 Mayoral Staff | 42,870 |
| .1 FTE 1657 Accountant IV | 17,128 |
| .1 FTE 9772 Community Development Specialist | 11,999 |
| *Staffing Subtotal* | *$236,673* |
| City Attorney | $40,000 |
| Advertising | 2,000 |
| **Total** | **$278,673** |

MOHCD's FY 2016-17 budget, pending before the Board of Supervisors, includes funds of $278,673 to pay for the Administrative Support Plan.

## FISCAL IMPACT

The SOMA Community Stabilization Fund currently has an available balance of $25,239,137. If the Board of Supervisors approves the proposed $635,000 in awards, as shown in Table 2 above, the remaining balance in the SOMA Community Stabilization Fund will be $23,945,992, as shown in Table 5 below.

**Table 5: SOMA Community Stabilization Fund Balance**

| Item | Amount |
|---|---|
| Current Balance | $25,239,137 |
| Encumbered Funds | ($2,748,595) |
| Projected Fees FY 2015-16 | 2,090,451 |
| *FY 2015-16 Year End Total* | *$24,580,993* |
| Awards from Subject Resolution | ($635,000) |
| **Balance after Proposed Awards** | **$23,945,993** |

## RECOMMENDATION

Approve the proposed resolution.

| Item 8<br>File 16-0538 | Department:<br>Public Utilities Commission (PUC) |
|---|---|

**EXECUTIVE SUMMARY**

### Legislative Objectives

The proposed resolution would authorize a new Memorandum of Agreement (MOA) between the San Francisco Public Utilities Commission (SFPUC) and the National Park Service (NPS) for comprehensive management of watersheds within Yosemite National Park that supply the San Francisco Regional Water System.

### Key Points

- The Hetch Hetchy reservoir and watershed is located in Yosemite National Park, which is operated by the U.S. Department of the Interior's National Park Service (NPS). Water and power facilities at Hetch Hetchy supply 85 percent of the San Francisco Regional Water System's water supply.
- The proposed MOA formalizes efforts to maintain Hetch Hetchy's water supply filtration avoidance designation by demonstrating a watershed control program that controls all human activities which have an adverse impact on the quality of the water. The MOA also outlines the responsibilities of the SFPUC and the NPS as they relate to the following programs: (1) Source Water Protection Program, (2) Environmental Stewardship Program, and (3) Security Program.
- SFPUC entered into the current MOA with the NPS in June 2010 for a five-year term through July 1, 2015, and a total not-to-exceed amount of $27,487,504. This MOA was extended for an additional year on June 30, 2015 through June 29, 2016, to coincide with the SFPUC's two-year budget process. The current total not-to-exceed amount for the original five-year term plus the one-year extension is $34,073,384.

### Fiscal Impact

- The proposed MOA would include a total not-to-exceed amount of $12,500,000 payable by the SFPUC to the NPS for an agreement term of two years from July 1, 2016 through June 30, 2018.
- Projected expenditures payable by the SFPUC to the NPS under the proposed two-year MOA are $12,326,507, or $6,165,701 in FY 2016-17 and $6,160,806 in FY 2017-18

### Recommendations

- Amend the proposed resolution to reduce the not-to-exceed amount of the MOA by $173,493, from $12,500,000 to $12,326,507, based on the Department's submitted budget.
- Approve the proposed resolution, as amended.

## MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

## BACKGROUND

The Hetch Hetchy reservoir and watershed is located in Yosemite National Park, which is operated by the U.S. Department of the Interior's National Park Service (NPS). The 1913 Raker Act authorized the City of San Francisco to construct the O'Shaughnessy Dam at Hetch Hetchy and other water and power facilities to supply water to the San Francisco Regional Water System. Water from Hetch Hetchy currently provides 85 percent of the Regional System's water supply.

The Memoranda of Agreement (MOA) between SFPUC and the NPS formalizes efforts to maintain Hetch Hetchy's water supply filtration avoidance designation by demonstrating a watershed control program that controls all human activities which have an adverse impact on the quality of the water, as regulated by federal law.[1] The MOA additionally outlines the responsibilities of the SFPUC and the NPS as they relate to the following programs: (1) Source Water Protection Program, (2) Environmental Stewardship Program, and (3) Security Program.

Under the Raker Act, SFPUC is required to reimburse the NPS for:

(1) Cost of the inspection necessary to secure compliance with the sanitary regulations;

(2) Costs of road and trail maintenance; and

(3) Expenses incurred by the NPS in making investigations or decisions with respect to SFPUC's rights, benefits, and obligations under the Raker Act.

Existing Memorandum of Agreement

SFPUC entered into the current MOA with the NPS in June 2010, for a five-year term through July 1, 2015, and total not-to-exceed amount payable by the SFPUC to NPS of $27,487,504. This MOA was extended for an additional year on June 30, 2015 through June 29, 2016, to coincide with the SFPUC's two-year budget process. The current total not-to-exceed amount for the original five-year term plus the one-year extension is $34,073,384.

As shown in Table 1 below, actual and estimated expenditures under the existing six-year MOA from FY 2010-11 through FY 2015-16 are $33,791,546, which is $281,838 less than the agreement's not-to-exceed amount of $34,073,384, as shown in Table 1 below.

[1] Title 40 Code of Federal Regulations (CFR), Part 141, Subpart H (40 CFR §141.71), and in the California Code of Regulations (CCR), Title 22, Section 64652.5(e)(3), (22 CCR § 64652.5).

**Table 1: Historical Expenditures Under Existing Memorandum of Agreement between the SFPUC and the NPS**

| Fiscal Year | Historical Expenditures |
|---|---|
| FY 2010-11 | $4,831,871 |
| FY 2011-12 | 5,455,925 |
| FY 2012-13 | 5,581,877 |
| FY 2013-14 | 6,016,018 |
| FY 2014-15 | 5,913,584 |
| FY 2015-16 | 5,992,271 |
| **Total** | **$33,791,546** |

Source: SFPUC

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new MOA between SFPUC and the NPS for comprehensive management of watersheds within Yosemite National Park that supply the San Francisco Regional Water System. The proposed MOA would include a total not-to-exceed amount of $12,500,000 payable by the SFPUC to the NPS for an agreement term of two years from July 1, 2016 through June 30, 2018.

SFPUC identifies three major changes from the previous MOA:

1. Restructuring of core tasks to align with NPS organizational structure
2. Identification of program management as a separate budgeted line item
3. Reduction in the MOA term from five years to two years

According to Mr. Carlos Jacobo, SFPUC Budget Manager, the proposed MOA term is only two years rather than five years because SFPUC requested that the NPS keep the budget relatively flat over FY 2016-17 and FY 2017-18 due to budget constraints. As a result, both parties determined the agreement and funding should be reevaluated at the end of SFPUC's two-year budget cycle in FY 2017-18.

Environmental Findings

The SFPUC Bureau of Environmental Management determined that adoption of this resolution does not constitute a project under the California Environmental Quality Act (CEQA).

## FISCAL IMPACT

Projected expenditures payable by the SFPUC to the National Park Service under the proposed two-year Memorandum of Agreement are $12,326,507, or $6,165,701 in FY 2016-17 and $6,160,806 in FY 2017-18, as shown in Table 2 below.

**Table 2: Projected Expenditures of Proposed Memorandum of Agreement**

| Program Category | FY 2016-17 | FY 2017-18 | FY 2016-18, Two-Year Total |
|---|---|---|---|
| Source Water Protection | $4,808,194 | $4,803,652 | $9,611,846 |
| Environmental Stewardship | $323,046 | $322,693 | $645,739 |
| Security | $748,566 | $748,566 | $1,497,132 |
| Program Manager | $169,394 | $169,394 | $338,788 |
| Raker Act Fee | $30,000 | $30,000 | $60,000 |
| Special Projects* | $36,501 | $36,501 | $73,002 |
| Contingency | $50,000 | $50,000 | $100,000 |
| **Total** | **$6,165,701** | **$6,160,806** | **$12,326,507** |

Source: SFPUC

*Proposed special projects include portable toilets on Tioga Road.

The Budget and Legislative Analyst recommends reducing the agreement not-to-exceed amount by $173,493 from the requested $12,500,000 to $12,326,507 to equal the proposed two-year budget.

Source of Funds

The funds for this agreement will be available from the Hetch Hetchy operating budget as appropriated by the Board of Supervisors through the City's two-year budget process.

## RECOMMENDATIONS

1. Amend the proposed resolution to reduce the not-to-exceed amount of the Memorandum of Agreement by $173,493, from $12,500,000 to $12,326,507, based on the Department's submitted budget.
2. Approve the proposed resolution, as amended.

| Items 9 and 10<br>Files 16-0622 and 16-0623 | Department:<br>San Francisco Public Utilities Commission (SFPUC) |
|---|---|

**EXECUTIVE SUMMARY**

### Legislative Objectives

- 16-0622: Resolution approving a Second Extension Agreement between the City and County of San Francisco, acting by and through its Public Utilities Commission, and the Turlock Irrigation District, to extend the term of the existing Long Term Power Sales Agreement to the earlier of the approval of a replacement agreement by both parties, or June 30, 2017.
- 16-0623: Resolution approving a Second Extension Agreement between the City and County of San Francisco, acting by and through its Public Utilities Commission, and the Modesto Irrigation District, to extend the term of the existing Long Term Energy Sales Agreement to the earlier of the approval of a replacement agreement by both parties, or June 30, 2017.

### Key Points

- The 1913 Federal Raker Act obligates the City and County of San Francisco to sell or supply excess Hetch Hetchy electrical power, upon request to the Modesto Irrigation District (MID) and the Turlock Irrigation District (TID) for these Districts' municipal public purposes and irrigation pumping needs at a price which reimburses Hetchy for the cost of developing, maintaining and transmitting the surplus electrical energy.
- Based on litigation settlement, in 2007 the Board of Supervisors approved a Long Term Energy Sales Agreement with the MID, which extended through June 30, 2015. Similarly, based on litigation settlement, in 2004, the Board of Supervisors approved an Amended Long Term Power Sales Agreement with the TID, which extended through June 30, 2015. In June of 2015, the Board of Supervisors approved a one-year extension to extend the term of both of these agreements through June 30, 2016 (Files 15-0484 and 15-0486).
- The proposed resolutions would approve the second extensions of these Agreements with MID and TID until the approval of new Agreements or June 30, 2017, whichever is earlier.

### Fiscal Impact

- During the 11-year period between FY 2004-05 and FY 2014-15 the SFPUC generated and sold $59,304,096 of power to MID and $62,476,170 to TID.
- Power generation for Hetch Hetchy is dependent on water conditions, such that in dry weather years Hetch Hetchy generates less power and therefore can make less energy sales available to MID and TID.

### Recommendation

- Approve the proposed resolutions (Files 16-0622 and 16-0623).

## MANDATE STATEMENT

Charter Section 9.118(a) requires all contracts entered into by a department having anticipated revenue to the City of $1,000,000 or more or the modification of such agreement to be subject to approval by resolution by the Board of Supervisors.

## BACKGROUND

Section 9(l) of the 1913 Federal Raker Act obligates the City and County of San Francisco to sell or supply excess Hetch Hetchy electrical power, upon request to the Modesto Irrigation District (MID) and the Turlock Irrigation District (TID) for these Districts' municipal public purposes and irrigation pumping needs at a price which reimburses Hetch Hetchy for the cost of developing, maintaining and transmitting the surplus electrical energy. Under two existing long term agreements with MID and TID, the San Francisco Public Utilities Commission (SFPUC) currently sells electric energy to these two irrigation Districts from Hetch Hetchy generating facilities, delivering the energy over City-owned transmission facilities. In accordance with the Raker Act, both Districts may use Hetch Hetchy power for:

1. District water pumps used for irrigation or drainage purposes;
2. Landowners in the Districts' territories needing to pump water for irrigation or drainage purposes; and
3. Municipal public purposes for the cities within the two irrigation Districts' territories.

In addition, TID has the right to purchase additional Hetch Hetchy energy for non-Raker Act purposes, as specified in their current contract with the City.

In 1987, San Francisco entered into a Long Term Energy Sales Agreement with the MID, which extended for 27 years from April 1, 1988 through June 30, 2015. In 2003, the Board of Supervisors approved a litigation settlement with MID (Ordinance 26-03) for an amended and restated Energy Sales Agreement, and agreed to enter into a new Long Term Energy Sales Agreement with the MID by December 31, 2007. On December 17, 2007, the Board of Supervisors approved a new Long Term Energy Sales Agreement with the MID, which extended for 6.5 years from January 1, 2008 through June 30, 2015 (Resolution No. 689-07).

Similar to MID, the City previously had a Long Term Energy Sales Agreement with TID. In 2004 the Board of Supervisors approved an ordinance (Ordinance 285-04) for the City Attorney to settle litigation with TID and enter into an amended Long Term Energy Sales Agreement. In 2004, the Board of Supervisors subsequently approved an Amended and Restated Long Term Power Sales Agreement with the TID, which extended for approximately 11 years and four months from February 14, 2004 through June 30, 2015.

On June 9, 2015, because the SFPUC needed additional time to negotiate two remaining issues with MID and TID, the Board of Supervisors approved one-year extensions to extend the terms of both the MID and TID agreements through June 30, 2016 (Files 15-0484 and 15-0486).

## DETAILS OF PROPOSED LEGISLATION

16-0622: Resolution approving a Second Extension Agreement between the City and County of San Francisco, acting by and through its Public Utilities Commission, and the Turlock Irrigation District, to extend the term of the existing Long Term Power Sales Agreement to the earlier of the approval of a new agreement by both parties, or June 30, 2017.

16-0623: Resolution approving a Second Extension Agreement between the City and County of San Francisco, acting by and through its Public Utilities Commission, and the Modesto Irrigation District, to extend the term of the existing Long Term Power Sales Agreement to the earlier of the approval of a new agreement by both parties, or June 30, 2017.

As noted above, the existing Long Term Energy Sales Agreements between the City and the MID and TID were scheduled to expire on June 30, 2015. However, because the SFPUC and the MID and TID each agreed that additional time was required to negotiate two remaining issues and then finalize the terms and conditions of each new long term energy sales agreement, in June 2015 the Board of Supervisors agreed to extend the terms of the two agreements by one year, or through June 30, 2016. The proposed resolutions would approve a second one-year extension of the existing Agreements between the SFPUC and the MID and TID until the approval of new Agreements or June 30, 2017, whichever is earlier.

According to Mr. Manuel Ramirez of the SFPUC's Power Enterprise Division, the two main issues still being negotiated are:

(1) Revising the rate methodology to explicitly charge MID and TID for the SFPUC's cost of transmission, and

(2) Revising the availability and scheduling of Hetch Hetchy power.

Mr. Ramirez explains that initially both the MID and TID proposed alternative transmission options, such that the SFPUC was negotiating with each irrigation district separately. However, in February of 2016, the TID proposed a transmission option that requires coordination with the MID, which is favorable to the SFPUC. However, these three-way discussions now require more analysis to determine the overall impacts, coordination and time to negotiate. Any subsequent agreements with the Modesto and Turlock Irrigation Districts will be subject to Board of Supervisors approval. Mr. Ramirez advises that the SFPUC anticipates bringing back the new agreements to the Board of Supervisors no later than spring of 2017.

## FISCAL IMPACT

As shown in the Table below, during the 11-year period between FY 2004-05 and FY 2014-15 the SFPUC generated and sold $59,304,096 of power to MID and $62,476,170 to TID.

| Annual Energy Sales and Revenues | | | | |
|---|---|---|---|---|
| | Modesto Irrigation District (MID) | | Turlock Irrigation District (TID) | |
| **FYE** | **Volumes (MWh)** | **Revenues** | **Volumes (MWh)** | **Revenues($1000)** |
| 2005 | 518,911 | $16,973,000 | 299,387 | $8,049,000 |
| 2006 | 592,555 | 13,651,000 | 412,301 | 10,876,000 |
| 2007 | 359,548 | 8,426,000 | 188,911 | 5,838,000 |
| 2008 | 203,597 | 4,378,000 | 182,971 | 6,085,000 |
| 2009 | 74,789 | 1,322,000 | 183,479 | 3,717,000 |
| 2010 | 77,745 | 2,437,000 | 209,163 | 5,093,000 |
| 2011 | 113,843 | 3,264,000 | 345,477 | 7,302,000 |
| 2012 | 77,938 | 2,718,000 | 199,900 | 4,622,000 |
| 2013 | 58,623 | 2,283,000 | 168,921 | 5,100,000 |
| 2014 | 28,412 | 1,879,000 | 75,077 | 3,263,000 |
| 2015 | 45,484 | 1,973,096 | 69,542 | 2,531,170 |
| **Total** | **2,151,445** | **$59,304,096** | **2,335,129** | **$62,476,170** |

Mr. Ramirez explains the fluctuation in the amount of energy sold and revenues received by the SFPUC varies based on how much excess Hetch Hetchy power is available after serving Hetch Hetchy's own customers. Power generation for Hetch Hetchy is dependent on water conditions, such that in dry weather years Hetch Hetchy generates less power and therefore can make less energy sales available to MID and TID.

## RECOMMENDATION

Approve the proposed resolutions (File 16-0622 and 16-0623).

| Item 11<br>File 15-0729 | Department:<br>Mayor's Office |
|---|---|

## EXECUTIVE SUMMARY

### Legislative Objectives

- The proposed ordinance amends the Administrative Code to direct the Chief Data Officer to develop a pilot program for expanding public notice of significant projects and permitting decisions.

### Key Points

- The program will consist of a notification system through which the City sends on a periodic basis, by e-mail or other electronic means, information regarding City projects and permitting decisions to members of the public who sign up for the service. It will also consist of a website where members of the public may find information from responsible City departments regarding City projects and permitting decisions for a particular supervisorial district.
- Initially, the pilot program will cover projects and permitting decisions in the areas of: construction and infrastructure repair work; public health and safety services and facilities; environment, and transportation.
- The program will not include Planning Department notices for Environmental Review, Discretionary Review, Conditional Use, Planning Code Section 311 Review ("Residential Permit Review Procedures for RH, RM and RTO Districts"), and Planning Code Section 312 Review ("Permit Review Procedures for all NC, RED, and Eastern Neighborhoods Mixed Use Districts.")

### Fiscal Impact

- The Chief Data Officer proposes to hire one 1043 IS Senior Engineer, with salary and fringe benefit costs of $190,024 in FY 2016-17. Funding for this program in the amount of $200,000 was included in the Department of Administrative Services FY 2015-16 budget.

### Recommendation

- Approve the proposed ordinance.

## MANDATE STATEMENT

City Charter Section 2.105 states that the Board of Supervisors shall act only by written ordinance or resolution.

## BACKGROUND

The City's municipal codes set public notice requirements for various City actions and decisions, but there is no program that gathers in one place all or most such notices for review by members of the public, Board of Supervisors, or departmental staff.

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance amends the Administrative Code to direct the Chief Data Officer in the Mayor's Office to develop a pilot program for expanding public notice of significant projects and permitting decisions.[1] The program would be in addition to, rather than in place of, other official noticing requirements.

The program will consist of a notification system through which the City sends on a periodic basis, by e-mail or other electronic means, information regarding City projects and permitting decisions to members of the public who sign up for the service. It will also consist of a website where members of the public may find information from City departments responsible for significant City projects which need public notice and permitting decisions for a particular supervisorial district.

Initially, the pilot program will cover projects and permitting decisions in the areas of: construction and infrastructure repair work; public health and safety services and facilities; environment, and transportation.

The program will not include Planning Department notices for Environmental Review, Discretionary Review, Conditional Use, Planning Code Section 311 Review ("Residential Permit Review Procedures for Residential Housing (RH), Residential Mixed-Use and Residential Transit-Oriented Districts"), and Planning Code Section 312 Review ("Permit Review Procedures for all Neighborhood Commercial, Residential Enclave District, and Eastern Neighborhoods Mixed Use Districts.")

The Chief Data Officer could exempt a City department from participating in the pilot program where it is not currently feasible to provide the department's public notices by e-mail or other electronic means on a regular basis.

## FISCAL IMPACT

The Chief Data Officer proposes to hire one 1043 IS Senior Engineer, with salary and fringe benefit costs of $190,024. This position will conduct user research, work with departments to

[1] This report is based on a revised version of the ordinance to be submitted by the Sponsor to the June 29 Budget and Finance Committee meeting.

prepare and automate data, write widgets for new data feeds to CityGram[2], redeploy a local, branded version of CityGram, and finally, develop a website to combine and summarize data by Supervisorial District. The Chief Data Officer anticipates being able to absorb ongoing costs for the project, such as the annual renewal of the website domain, in her annual budget.

According to the Chief Data Officer, the funding for this program was previously approved by the Board of Supervisors in the amount of $200,000 and was included in the Department of Administrative Services FY 2015-16 budget.

## RECOMMENDATION

Approve the proposed ordinance.

[2] Citygram is a notifications platform in which residents can subscribe to obtain information about their city. A "widget" is the term for the part of a graphical user interface that allows the user to interface with Citygram.