

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

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: November 30, 2016 Budget and Finance Committee Meeting

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Item 2 File 16-1185	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the first amendment to the existing agreement between the San Francisco Public Utilities Commission (SFPUC) and Carollo Engineers, Inc. to (i) extend the agreement by three years and twenty days from the original end date of November 30, 2020 to a new end date of December 19, 2023, for a total agreement term of nine years from December 19, 2014 through December 19, 2023, and (ii) increase the total not-to-exceed amount by \$19,500,000, from \$14,000,000 to \$33,500,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Southeast Water Pollution Control Plant's (SEP) headworks facility is the first treatment process in the liquid wastewater stream. Replacement of the headworks facility is part of the SFPUC's Sewer System Improvement Program (SSIP). The Board of Supervisors approved the original agreement between the SFPUC and Carollo Engineers, Inc. in November 2014 following a competitive Request for Proposals (RFP) process to provide engineering services to the SEP New Headworks Project. • The original 2012 SEP New Headworks Project budget was \$184.9 million. The Public Utilities Commission approved an increase of \$173.7 million in the SEP New Headworks Project budget in March 2016 to \$358.6 million. The project completion date was extended from 2020 to 2023. Funding for the project is appropriated every two years based on projected expenditures. The Board of Supervisors appropriated \$34,198,000 in the SFPUC's FY 2016-17 capital budget and \$76,427,000 in the SFPUC's FY 2017-18 capital budget from wastewater revenue bond proceeds to fund the SEP New Headworks Project. • According to SFPUC, additional planning and engineering services identified during the completion of Phase 1 and provided under this proposed first amendment to the existing agreement with Carollo Engineers, Inc. are needed to provide engineering support and complete the design during construction for the SEP New Headworks Project. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed amendment to the existing agreement between SFPUC and Carollo Engineers, Inc. increases the agreement amount by \$19,500,000, from not-to-exceed \$14,000,000 to not-to-exceed amount of \$33,500,000. Increased funding is due largely to detailed design, engineering support during construction, project management and quality control. The amended agreement not-to-exceed amount is included in the SEP New Headworks Project revised budget of \$358.6 million. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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.

BACKGROUND

The Southeast Water Pollution Control Plant (SEP), which is owned and operated by the San Francisco Public Utilities Commission (SFPUC), was commissioned in 1952 as a primary water treatment plant and was changed to a secondary plant in 1982. This plant treats 80 percent of the City's wastewater and storm water flows. SEP receives and treats up to 250 million gallons per day (MGD) during wet weather and an average of 60 million gallons per day during dry weather.

Within the SEP, the headworks facility is the first treatment process in the wastewater stream. It contains the critical solids removal equipment such as the fine screens, grit removal, and odor control systems. The existing facility does not meet current operational, maintenance, structural and seismic requirements. It has inefficient debris and grit removal systems resulting in severe impacts on the performance of downstream treatment processes.

As part of the SEP New Headworks Project, SFPUC is constructing a 250 MGD facility to replace the existing headworks facility. The SEP New Headworks Project is included in Wastewater's Ten-Year Capital Plan and the Sewer System Improvement Program (SSIP).

The Board of Supervisors approved the original agreement between the SFPUC and Carollo Engineers, Inc. in November 2014 following a competitive Request for Proposals (RFP) process for specialized planning and engineering services at the new headworks facility at the SEP. This agreement was for a period of six years, from December 19, 2014 through November 30, 2020. The original not-to-exceed amount was \$14,000,000. An estimated total of \$5,849,139 was to be spent on Phase 1 tasks, and an estimated total of \$8,150,861 was to be spent on Phase 2 tasks.

The planning and engineering services began in January 2015 and proceeded in two consecutive phases. Phase 1 consisted of Planning and Preliminary Design and Phase 2 will consist of Detailed Design, Procurement, Engineering Construction and Start-up Support.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the existing agreement between the SFPUC and Carollo Engineers, Inc. to (i) extend the agreement by three years and twenty days from the original end date of November 30, 2020 to a new end date of December 19, 2023, for a total agreement term of nine years from December 19, 2014 through December 19, 2023, and (ii) increase the total not-to-exceed amount by \$19,500,000, from \$14,000,000 to \$33,500,000.

Increase in SEP New Headworks Project

The original budget for the new Headworks Project, approved by the Public Utilities Commission in 2012 was \$184.9 million and the original completion date was March 2020. Based on further engineering analysis by Carollo Engineers, Inc. which identified significant changes to the screening, grit and odor control systems, the project budget increased from \$184.9 million to \$358.6 million, an increase of \$173.7 million.

The SFPUC approved the revised budget of \$358.6 million for the SEP New Headworks Project in March 2016 as part of the SSIP. The project completion date was extended to December 2023. According to Mr. Carlos Jacobo, SFPUC Budget Director, funding for the project is appropriated every two years based on projected expenditures. The Board of Supervisors appropriated \$34,198,000 in the SFPUC's FY 2016-17 capital budget and \$76,427,000 in the SFPUC's FY 2017-18 capital budget from wastewater revenue bond proceeds to fund the SEP New Headworks Project (File 16-0649).

According to Mr. John Scarpulla, SFPUC Policy and Government Affairs Manager, additional planning and engineering services identified during the completion of Phase 1 and provided under this proposed first amendment to the existing agreement with Carollo Engineers, Inc. are needed to provide engineering support and complete the design during construction for the SEP New Headworks Project. According to Mr. Scarpulla, the main causes that have required additional planning and engineering services include the following:

- *Extreme grit loading and handling requirements.* The grit characterization testing revealed high grit loads, up to six times the peak loads seen at other treatment plants across the country (6,200 pounds per million gallons). Additionally, testing revealed the slow settling nature of grit at the SEP. These unanticipated characteristics necessitate a larger, and more robust, grit removal and handling system than originally envisioned.
- *Seismic requirements.* Soil and site characterization studies have shown that the quality of the soil, coupled with the Maximum Credible Earthquake¹ for the San Francisco region, require a significantly more elaborate pile supported system for the Headworks Facility.
- *Odor control.* The baseline odor model and field studies have shown that a higher level of control will be needed to meet the SFPUC endorsed Levels of Service for odors.

For these reasons, according to Mr. Scarpulla, the overall project scope has expanded, requiring a larger number of engineering analyses, drawings, specifications, design modifications, coordination efforts, and quality assurance and control measures.

FISCAL IMPACT

The proposed amendment to the existing agreement between SFPUC and Carollo Engineers, Inc. increases the agreement amount by \$19,500,000, from not-to-exceed \$14,000,000 to not-

¹ The largest hypothetical earthquake that may be reasonably expected to occur along a given fault or other seismic source could produce under the current tectonic setting.

to-exceed amount of \$33,500,000. The amended agreement not-to-exceed amount is included in the SEP New Headworks Project revised budget of \$358.6 million.

According to the budget submitted by SFPUC, estimated expenditures from January 2015 through November 2016 under the Carollo Engineers, Inc. agreement are \$6,397,541, as shown in Table 1 below.

Table 1: Expenditures to Date for Carollo Engineers, Inc. Agreement

Time Period	Amount
Jan – Dec 2015	\$2,549,095
Jan – July 2016	3,140,840
July – Nov 2016 (estimated) ²	707,606
Expenditures Total	\$6,397,541

Table 2 below shows the breakdown of the requested additional \$19,500,000 to be expended on each task and the amended anticipated delivery date for each task.

² This is an estimated amount because these months have not been fully billed yet under SOLIS, SFPUC's online invoicing system.

Table 2: Total Project Budget: Amended Estimated Cost by Task and Delivery Date

Task	Services	Original		Amended		
		Delivery Dates	Original Cost	Delivery Dates	Additional Cost	Total Cost
1	Project Management and Coordination of Proposer's Service	Dec 2015	\$1,401,737	Continuous	\$2,061,835	\$3,463,572
2	Quality Assurance/Quality Control	Dec 2015	856,565	Continuous	1,206,323	2,062,888
3-6	Review Background Information, Surveying Information, Utility Information, Geotechnical and Hazardous Material Investigation	March 2015 – July 2015	784,576	Continuous	568,402	1,352,978
7	Conceptual Engineering Report	Aug 2015	1,094,444	NA	-	1,094,444
8	Design Criteria	Sept 2015	130,049	April 2017	10,800	140,849
9	35% Design Submittal	Dec 2015	2,079,501	NA	-	2,079,501
10	Develop and Run Physical, Hydraulic Scale Model	Dec 2015	146,471	Feb 2018	270,529	417,000
11-13	Detailed Design	Not provided	4,150,000	April 2017 – 65% Feb 2018 – 95% May 2018 – 100%	12,569,701	16,719,701
14-15	Engineering Support During Bid And Award, Engineering Support During Construction, Start-up and Closeout	Not provided	2,100,000	Feb 2017 – June 2022	2,500,000	4,600,000
16	Training and Technology Transfer	Continuous	30,000	Continuous	-	30,000
17	Communication and Public Outreach	Continuous	150,000	Continuous	-	150,000
18	Assistance with BFS Improvements ³	NA	0	July 2017 – 100%	187,210	187,210
19	4D Modeling ⁴	NA	0	Continuous	25,200	25,200
20	Traffic Modification Design ⁵	NA	0	May 2018	100,000	100,000
21	Other Direct Costs and Sub-consultant Markups	NA	1,076,657	Continuous	-	1,076,657
	Total Agreement Cost		\$14,000,000		\$19,500,000	\$33,500,000

RECOMMENDATION

Approve the proposed resolution.

³ This will provide a third-party service to the Department of Public Works for the design and improvement of Bruce Flynn Pump Station.

⁴ This will allow the conversion of a 3D model into a 4D model that will show an animated sequence of construction over the approximate five years. This 4D model will enable plant staff and the construction contractor to mitigate future construction problems.

⁵ This will help prepare, plan and design the traffic control process and requirements during construction.

Item 3 File 16-1096	Department: San Francisco International Airport
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objective</p> <ul style="list-style-type: none"> • The proposed resolution would approve the Airport Director’s Declaration of Emergency due to seawall erosion at the ends of Airport Runways 19L and 19R in accordance with Administrative Code Section 6.60, which requires Board of Supervisors approval of emergency work with estimated costs of more than \$250,000. The Airport Director declared a state of emergency due to the seawall erosion and seepage in a letter to the Airport Commission President on September 6, 2016. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Airport’s runways are protected by a bayside seawall system from flooding by tides, high waves and surges. On July 18, 2016, Airport staff observed significant erosion damages at the end of runways 19L and 19R. The Airport hired AGS, a multidisciplinary engineering firm, to assess the damage. AGS concluded that the section of seawall was in “critical condition” and needed immediate repair before the rain season, during which the seawall was likely to fail and allow flooding. • According to Airport staff, because the competitive bidding process for the Airport usually takes six to nine months, which would not allow for the seawall repair to be begin prior to the rain season, Airport staff selected the Dutra Group, a marine construction and dredging firm, on a sole source basis, to conduct the seawall erosion repairs. According to Airport staff, the Dutra Group was selected after staff research and the geotechnical consultant’s recommendations. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The estimated cost to fix the erosion and seepage problems of the seawall, as well as a potential sinkhole, is approximately \$1,500,000. The funds would come from the Airport Capital Improvement Project. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The Airport has been intermittently inspecting the seawall over the past decades. They are currently developing an inspection program with more regularity as part of a larger, long-term capital plan program. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

Administrative Code Section 6.60 provides that City contracts entered into for emergency work may be executed in the most expeditious manner. However, declarations of emergencies where the repair work is anticipated to be \$250,000 or more are subject to Board of Supervisors approval. Section 6.60(d) also states that if the emergency does not permit Board of Supervisors approval of the emergency before work is commenced or the contract(s) entered into, such approvals from the Board of Supervisors shall be obtained as soon as possible, with the proposed resolution approving the emergency determination submitted to the Board of Supervisors within 60 days of the department head's emergency declaration.

BACKGROUND

The San Francisco International Airport's (Airport) runways are protected by a bayside seawall system from flooding by tides, high waves and surges. On July 18, 2016, Airport staff observed significant erosion damages at the end of runways 19L and 19R. The Airport hired AGS, a multidisciplinary engineering firm, to assess the damage. A geotechnical consultant from AGS observed the site conditions on August 3, 2016, and a later geotechnical engineering analysis assessed the erosion and found seepage problems and a potential sinkhole. AGS concluded in their report that the section of seawall was in "critical condition" and needed immediate repair before the rain season, during which the seawall was likely to fail and allow flooding. According to Ms. Geri Rayca, a manager at the Planning, Design and Construction division at the Airport, the flooding could occur on all eight of the Airport's runways and taxiways and could disrupt all airline operations.

The Airport Director declared a state of emergency due to the seawall erosion and seepage in a letter to the Airport Commission President on September 6, 2016. The Airport submitted the resolution, declaring a state of emergency, to the Board of Supervisors on October 28, 2016.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Airport Director's Declaration of Emergency for repair work pertaining to seawall erosion at the ends of Airport Runways 19L and 19R in accordance with Administrative Code Section 6.60.

The Airport Director declared an emergency for the seawall erosion as it was determined by AGS that the seawall repair work needed to begin before the rain season, which usually begins in November. According to Ms. Rayca, the competitive bidding process for the Airport usually takes six to nine months, which would not allow for the seawall repair to begin prior to the rain season. Therefore, Airport staff selected the Dutra Group, a marine construction and dredging firm, on a sole source basis, which is permissible under the emergency provisions of the Administrative Code, to conduct the seawall erosion repairs and negotiated a new emergency contract in the amount of \$1,500,000 with the Dutra Group. According to Ms. Rayca, the Dutra Group was selected after staff research and the geotechnical consultant's recommendations.

The Controller has certified that funds are available for this emergency contract.

FISCAL IMPACT

The estimated cost of the emergency work to the seawall erosion of Airport runways 19L and 19R, including a \$300,000 contingency¹, is \$1,500,000, shown in Table 1 below. Cost estimates are based on estimates provided by the geotechnical consultant, AGS, and a scoping meeting between the Airport and the Dutra Group to determine the construction phasing.

Table 1: Estimated Expenditures for Repairs of the Seawall Erosion

Purpose	Estimate Cost
Placement of 2,000 feet of rip rap along seawall using barge and crane	\$1,050,000
Asphalt pavement repair to eliminate seepage and prevent sinkholes	<u>150,000</u>
Subtotal	1,200,000
Contingency (25 percent)	300,000
Total Cost Estimate	\$1,500,000

The funds for the emergency work will come from the Airport's capital improvement program.

POLICY CONSIDERATION

According to information provided by Ms. Rayca, the Airport has intermittently inspected the seawall over the past decades. Currently, Airport Engineering is researching and coordinating with the Federal Emergency Management Agency (FEMA) and the Port to develop an inspection program to monitor the eight miles of seawalls along the shoreline that will be consistent with the Port and FEMA regulations. The objective is to provide periodic inspection of the seawalls and to have a regular inspection program.

This emergency repair project is an interim repair. For a long-term solution, the Airport is currently pursuing the procurement of environmental permits and design services for a Shoreline Protection Project to provide protection against a 100-year flood. The estimated cost of the Shoreline Protection Project is \$60,000,000. However, the Shoreline Protection Project cannot meet the current schedule required for this emergency repair. The costs of the Shoreline Protection Project are funded through the Airport's capital improvement programs, and include the cost of ongoing maintenance for this seawall erosion repair.

RECOMMENDATION

Approve the proposed resolution.

¹ According to Airport staff, the contingency of 25 percent of the estimated costs of \$1,200,000, which is included in the budget total of \$1,500,000 shown in Table 1 above, is a standard contingency cost for emergency projects and accounts for construction phasing and tide constraints.

Items 5, 6 and 7 Files 16-1192, 16-1193 & 16-1194	Department: Department of Public Works
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • File 16-1192: The proposed resolution would authorize the issuance and sale of not to exceed \$350,000,000 aggregate principal amount of City and County of San Francisco taxable and tax-exempt General Obligation (GO) Bonds (Public Health and Safety, 2016). • File 16-1193: The proposed resolution would authorize the sale of not to exceed \$176,000,000 aggregate principal amount of City and County of San Francisco Tax Exempt General Obligation (GO) Bonds (Public Health and Safety, 2016), Series 2017A, which are the first series of the \$350,000,000 Public Health and Safety, 2016, GO Bonds. • File 16-1194: The proposed ordinance would appropriate \$176,000,000 in Series 2017A bond proceeds to partially finance capital projects to renovate, expand, and seismically enhance fire safety and healthcare facilities, construct a larger and more modern City ambulance center, and to repair and modernize neighborhood fire stations, and to build, acquire, and improve facilities to better serve homeless individuals and families. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • On June 7, 2016, voters of the City approved Proposition A, which authorizes the City and County of San Francisco to issue \$350,000,000 in GO bonds for Public Health and Safety projects. The Office of Public Finance plans to sell \$176,000,000 of the \$350,000,000 in Series 2017A GO bonds in January 2017. • The proposed \$176,000,000 appropriation includes (a) \$146,481,926 for upgrades to San Francisco General Hospital and the City's neighborhood health centers; (b) \$19,920,000 for the construction of a new Fire Department ambulance facility and upgrades to selected neighborhood fire stations; and (c) \$4,850,000 for supporting existing homeless shelters and the potential Homeless Outreach Team deployment facility. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Office of Public Finance estimates that average annual debt service over 20 years on the GO Bonds is \$13,800,000. The estimated total debt service over 20 years is \$267,270,000, of which \$93,210,000 is interest and \$174,060,000 is principal. • If the Board of Supervisors approves the issuance of the GO Bonds, the debt ratio would increase by 0.08 percent to 1.07 percent—within the 3.00 percent legal debt limit. If all of the City's authorized and unissued bonds were issued, the total debt would be 1.80 percent of the net assessed value of property in the City. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolutions (Files 16-1192 and 16-1193) and the proposed ordinance (File 16-1194). 	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Section 9.105 of the City's Charter provides that the issuance and sale of General Obligation (GO) bonds is subject to Board of Supervisors approval in accordance with State law or local procedures adopted by ordinance.

City Charter Section 9.105 states that amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval by ordinance after the Controller certifies the availability of funds.

Background

The Board of Supervisors approved a resolution in January 2016 (File 15-1275) to submit \$350,000,000 in General Obligation (GO) Bonds to the voters to upgrade and enhance seismic safety for healthcare facilities, construct a new ambulance facility and repair neighborhood fire stations, and improve homeless care facilities. On June 7, 2016, a two-thirds majority of voters of the City approved Proposition A, the San Francisco Public Health and Safety General Obligation (GO) Bond. Proposition A authorizes the City and County of San Francisco to issue \$350,000,000 in GO bonds to fund capital projects to renovate, expand, and seismically enhance fire safety and healthcare facilities, construct a larger and more modern City ambulance center, and to repair and modernize neighborhood fire stations, and to build, acquire, and improve facilities to better serve homeless individuals and families.

Proposition A approved expenditures of \$350,000,000 for the following projects:

- \$272,000,000 for the renovation, expansion, and earthquake safety enhancement for fire safety and healthcare facilities (San Francisco General Hospital and other health clinics)
- \$58,000,000 for the construction of a new ambulance facility and the repair and modernization of fire stations
- \$20,000,000 for homeless care facilities

DETAILS OF PROPOSED LEGISLATION

File 16-1192: The proposed resolution would (a) authorize the issuance and sale of not to exceed \$350,000,000 aggregate principal amount of City and County of San Francisco taxable and tax-exempt General Obligation (GO) Bonds (Public Health and Safety, 2016); (b) provide for the levy of property taxes to pay the principal and interest of the GO Bonds; (c) provide for the appointment of depositories and other agents for said bonds; (d) provide for the establishment of related accounts; declare the City's reasonable official intent to reimburse prior expenditures; (e) adopt findings under the California Environmental Quality Act (CEQA), the CEQA Guidelines and San Francisco Administrative Code Chapter 31; (f) find that the proposed project is in conformity with the priority policies of Planning Code Section 101.1(8)

and with the General Plan consistency requirement of Charter Section 4.105 and Administrative Code Section 2A.53; (g) ratify certain actions previously taken; and (h) grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds.

File 16-1193: The proposed resolution would (a) authorize the sale of not to exceed \$176,000,000 aggregate principal amount of City and County of San Francisco Tax Exempt General Obligation (GO) Bonds (Public Health and Safety, 2016), Series 2017A, which are the first series of the \$350,000,000 Public Health and Safety, 2016, GO Bonds; (b) prescribe the form and terms of said bonds; (c) provide for the appointment of depositories and other agents for such bonds; (d) provide for the establishment of accounts related to said bonds; (e) authorize the sale of such bonds by competitive or negotiated sale f) authorize the execution, authentication, and registration of said bonds; (g) approve the forms of Official Notice of Sale and Notice of Intention to Sell Bonds; direct the publication of the Notice of Intention to Sell Bonds; (h) approve the forms of Official Notice of Sale and Notice of Intention to Sell Bonds and direct the publication of the Notice of Intention to Sell Bonds; (i) approve the form of the Purchase Contract; (j) approve the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; (k) approve the form of the Continuing Disclosure Certificate; (l) authorize and approve modifications to documents; (m) ratify certain actions previously taken; (n) grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of such bonds.

File 16-1194: The proposed ordinance would appropriate \$176,000,000 in Series 2017A bond proceeds to partially finance the following:

1. Seismic and fire safety improvements, as well as consolidation of clinical services and upgrades to the San Francisco General Hospital, Building 5, and expanding services and increasing access to the City's neighborhood health centers (\$146,481,296)
2. Construction of a new ambulance facility for the Fire Department, as well as upgrades at selected neighborhood fire stations (\$19,920,000)
3. Supporting existing homeless shelters and the potential creation of a deployment facility for the San Francisco Homeless Outreach Team to improve coordination and delivery of homeless services (\$4,850,000)

Authorization to Issue \$350,000,000 in GO Bonds and Sale of \$176,000,000 Series 2017A Bonds (Files 16-1192 and 16-1193)

The proposed resolutions would authorize (a) the issuance of \$350,000,000 in Public Health and Safety GO Bonds, to be issued in multiple series (File 16-1192), and (b) the sale of \$176,000,000 Series 2017A bonds, which is the first series of the total \$350,000,000 bond issuance (File 16-1193). According to Mr. Joe Chin, Department of Public Works (DPW) Project Manager, DPW is only anticipating two series of bond sales, of which \$176,000,000 will be sold in January 2017, and \$174,000,000 will be sold in approximately July 2018. The sale of \$174,000,000 to be sold in approximately July 2018 is subject to future Board of Supervisors approval.

Financing Parameters

Of the first series of \$176,000,000 of the total \$350,000,000, the Office of Public Finance expects to sell \$174,060,000 under conservative assumptions of market conditions prevailing at the expected time of sale. The additional authorized amount of \$1,940,000 above the expected issuance amount of \$174,060,000 allows for fluctuations in interest rate market conditions from the date of authorization by the Board of Supervisors to the time of the sale of the Bonds. Table 1 below outlines anticipated sources and uses for the bonds.

Table 1: Sources and Uses of \$176,000,000 in Bond Proceeds

Sources	
Par Amount	\$174,060,000
Reserve Proceeds for Interest Rate Fluctuations	1,940,000
Total Not-To-Exceed Amount	\$176,000,000
Uses	
<u>Project</u>	
Public Health and Safety Project Funds	\$171,251,296
Controller's Audit Fund	342,503
Projects Subtotal	171,593,799
Costs of Bond Issuance	551,541
Underwriter's Discount	1,740,600
Citizens' GO Bond Oversight Committee	174,060
Costs of Issuance Subtotal	2,466,201
Subtotal Uses	174,060,000
Reserve Pending Bond Sale for Interest Rate Fluctuations	1,940,000
Total Uses with Reserve	\$176,000,000

\$176,000,000 Appropriation (File 16-1194)

As shown in Table 2 below, the proposed ordinance would appropriate \$171,251,296 in Series 2017A GO bond proceeds for Public Health and Safety project funds to the Department of Public Works (DPW) specifically for buildings, structures and improvement projects.

Table 2: Public Health and Safety Project Funds Allocation for Series 2017A GO Bonds

	Bond Authorization	Bond Budget	Series 2017A Bond Sale (File 16-1193)	Future Bond Sale	Prior General Fund Appropriation
Public Health					
Zuckerberg San Francisco General Hospital	\$222,000,000	\$218,723,000	\$112,055,942	\$106,667,058	\$10,314,852
Southeast Health Center	30,000,000	29,700,000	18,239,644	11,460,356	2,728,524
Castro Mission, and Maxine Hall Health Clinics	20,000,000	19,800,000	16,185,710	3,614,290	3,575,000
Subtotal, Public Health	272,000,000	\$268,223,000	146,481,296	121,741,704	16,618,376
Fire					
Ambulance Facility	43,500,000	42,800,000	13,270,000	29,530,000	800,000
Neighborhood Fire Stations	14,500,000	14,290,000	6,650,000	7,640,000	
Subtotal, Fire	58,000,000	57,090,000	19,920,000	37,170,000	800,000
Homeless					
Homeless Service Sites	20,000,000	19,700,000	4,850,000	14,850,000	
Total	\$350,000,000	\$345,013,000^a	\$171,251,296	\$173,761,704	\$17,418,376^b

Source: Capital Planning Committee Presentation

^a The bond budget of \$345,013,000 and oversight and total issuance costs of \$4,987,000 equals \$350,000,000

^b The Board of Supervisors previously appropriated \$17,418,376 in General Fund monies to pay for initial project costs; this amount will be reimbursed by the Series 2017A bond proceeds.

Department of Public Health Projects: \$146,481,296 (see Table 2 above)

According to Mr. Chin, the appropriation of \$112,055,942 for San Francisco General Hospital will consist of eight projects:

1. Existing Main Hospital (Building 5) Project: Seismically upgrade existing hospital to enhance building strength
2. Urgent Care Relocation Project: Relocate urgent care services from Building 80 to Building 5, 1st floor
3. Seismic Enabling- 6H Surge Space Project: Build out Ward 6H for office and staff support surge space to enable seismic retrofit construction
4. Physical Therapy Relocation Project: Relocate physical therapy department from Building 5, ground floor to 3rd Floor to create space for the new Public Health Laboratory
5. Public Health Laboratory Project: Relocate public Health Laboratory from 101 Grove Street to Building 5, ground floor
6. Dialysis Project: Relocate Dialysis Clinic from Building 100 to Building 5, 3rd Floor

7. Tuberculosis Clinic Project: Relocate tuberculosis clinic from Building 90 to Building 5, 4th Floor
8. Other tenant and fire/life safety improvement projects

The earliest of these eight projects began in December 2015, and the last of the projects is expected to finish by July 2019.

The \$18,239,644 for the Southeast Health Center will be allocated in two phases. Phase One, which began in August 2015 and extends to August 2018, will consist of renovating the health center by modernizing the existing space, expanding patient capacity and enhancing special services such as dental and optometry services. Phase Two, which began in June 2016 and extends to April 2020, will consist of constructing a new multi-story addition adjacent to the existing structure for family health services.

The \$16,185,710 for the Castro Mission Health Clinic and Maxine Hall Health Clinic will be used to renovate the existing health centers in order to improve and expand primary care services and meet current Americans with Disabilities (ADA) standards. Designs began in October 2016, and the construction is estimated to be finished by September 2019.

San Francisco Fire Department: \$19,920,000 (see Table 2 above)

The \$13,270,000 for the new ambulance facility will be used to construct a new ambulance deployment facility to increase efficiency, improve ambulance turnaround time and address seismic deficiency of the current building. The design process began in August 2016, and the project is scheduled to be completed by May 2020.

The \$6,650,000 for the Neighborhood Fire Stations is in order to rehabilitate or upgrade fire stations to provide improved safety and a healthy work environment for the fire fighters. The funds will be used to initiate studies in January 2017 to develop a better scope definition for capital improvements based on fire station priority locations. The selected fire station locations will be determined according to their importance of delivering fire suppression and emergency medical services to the city. Construction is estimated to be completed in May 2021.

Homeless Services: \$4,850,000 (see Table 2 above)

The \$4,850,000 for Homelessness Service Sites will repair and improve existing City-owned shelter facilities in order to allow the existing City's homeless shelter network to continue to function. The funds will also go towards creating a centralized deployment facility for the SF Homeless Outreach Team to improve the coordination and delivery of services to chronically homeless persons living on the streets. Designs will commence in January 2017, and bidding and construction is estimated for October 2017. The project is estimated to be completed in 2022.

As noted above, the Department of Public Works has already appropriated General Fund monies of \$17,418,376 to the projects in the form of pre-bond funding, which will be reimbursed from the Series 2017A bond proceeds.

FISCAL IMPACT

Annual Debt Service

As noted above, the Office of Public Finance expects to sell \$174,060,000 (see Table 1 above) in par value Series 2017A bonds. Based on a conservative estimate of 3.9 percent interest rate, the Office of Public Finance estimates that average annual debt service over 20 years on the GO Bonds is \$13,800,000. The anticipated total par value of \$174,060,000 is estimated to result in approximately \$93,210,000 in interest payments over the 20-year life of the GO Bonds. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$267,270,000, of which \$93,210,000 is interest and \$174,060,000 is principal.

The Office of Public Finance intends to sell the GO Bonds through a competitive sale process, but in the case of significant change in market conditions, reserves the option to seek a negotiated sale with underwriter(s) selected competitively.

Debt Limit

Section 9.106 of the City Charter limits the amount of GO Bonds the City can have outstanding at any given time to three percent of the total assessed value of property in San Francisco. The City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's Gross General obligation debt limit for FY 2016-17 is approximately \$6.35 billion, based on a net assessed valuation of approximately \$211.5 billion. This net assessed valuation is dated as of August 1, 2016, which is the date of the Controller's Certificate of Assessed Valuation for the fiscal year. As of November 1, 2016, the City had outstanding approximately \$2.09 billion in aggregate principal amount of General Obligation bonds,¹ which equals approximately 0.99 percent of the net assessed valuation for FY 2016-17. If the Board of Supervisors approves the issuance of the GO Bonds, the debt ratio would increase by 0.08 percent to 1.07 percent—within the 3.00 percent legal debt limit. If all of the City's authorized and unissued bonds were issued, the total debt would be 1.80 percent of the net assessed value of property in the City.

Property Tax Rates

For Series 2017A, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller's Office, would be \$0.00652 per \$100 or \$6.52 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds based on current valuations. The owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$38.69 per year if the \$174,060,000 Series 2017A Bonds are sold. However, it is anticipated that as existing outstanding bond debt is retired, this would offset the increase in property taxes.

¹ This number reflects the sale of the Series 2016F Housing Bonds totaling \$75.13 million in October of this year.

Capital Plan:

Under financial constraints adopted by the City's Capital Planning Committee, debt service on approved and issued GO bonds may not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the GO bond fund was \$0.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the GO Bonds, the property tax rate for GO bonds for FY 2016-17 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

RECOMMENDATION

Approve the proposed resolutions (Files 16-1192 and 16-1193) and the proposed ordinance (File 16-1194).

Item 8 File 16-1202	Department: Mayor's Office
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed legislation would authorize the Mayor’s Office of Housing and Community Development (MOHCD) to allocate \$595,000 from the South of Market (SOMA) Community Stabilization Fund. This allocation includes: (1) \$195,000 to Renaissance Entrepreneurship Center to upgrade the HVAC (Heating, Ventilation and Air Conditioning) system in their facility at 275 Fifth Street; and (2) \$400,000 to St. Vincent de Paul Society of San Francisco to rehabilitate administrative offices. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • 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. • After issuing a Request for Proposals, the SOMA Community Stabilization Fund Community Advisory Committee awarded grants of (1) \$195,000 to Renaissance Entrepreneurship Center to upgrade the HVAC (Heating, Ventilation and Air Conditioning) system in their facility at 275 Fifth Street; and (2) \$400,000 to St. Vincent de Paul Society of San Francisco to rehabilitate administrative offices. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The SOMA Community Stabilization Fund currently has an available balance of \$21,859,416. If the Board of Supervisors approves the proposed \$595,000 in awards, the remaining balance in the SOMA Community Stabilization Fund will be \$21,264,416. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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 District¹, (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.

The SOMA Stabilization Fund Community Advisory Committee and MOHCD issued a Request for Proposals (RFP) on December 4, 2015, consistent with the Strategic Plan, for nonprofit organizations and businesses seeking assistance from the SOMA Community Stabilization Fund.

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

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the Mayor's Office of Housing and Community Development to expend SOMA Community Stabilization Fund monies in the amount of \$595,000 to fund capital improvements for two non-profit organizations located in SOMA, the Renaissance Entrepreneurship Center and the St. Vincent de Paul Society of San Francisco, as shown in Table 1 below.

Table 1: Funding Recommendations for SOMA Stabilization Fund

Awardee	Project Description	Amount
Renaissance Entrepreneurship Center	HVAC (Heating, Ventilation and Air Conditioning) System	\$195,000
St. Vincent de Paul Society of San Francisco	Rehabilitation of Administrative Offices	400,000
Total		\$595,000

Renaissance Entrepreneurship Center

Renaissance Entrepreneurship Center is a nonprofit organization that increases the entrepreneurial capacity of socially and economically diverse women and men who want to start or grow their own small businesses in the San Francisco Bay Area. The proposed grant award of \$195,000 will upgrade the HVAC (Heating, Ventilation and Air Conditioning) system in their facility at 275 Fifth Street. The total budget of \$509,462 for the upgrading of the HVAC system is shown in Table 2 below.

Table 2: Renaissance Entrepreneurship Center HVAC Upgrade Project Budget

Sources of Funds	Amount
Community Stabilization Fund (subject of this request)	\$195,000
Other Grant Awards	225,000
Reserves	65,000
Subtotal, Available Funds	485,000
Requested from Identified Funder	25,000
Total Sources	\$510,000
Uses of Funds	
Project Management	\$16,760
Materials, Equipment and Labor	382,750
Contractual Services	43,000
Bidding Materials and Indirect Costs	66,952
Total Uses	\$509,462

According to their proposal, Renaissance Entrepreneurship Center has already been awarded \$225,000 for the proposed project. An additional \$25,000 has been requested from another identified funder. Furthermore, the Center has \$65,000 on reserve for the project.

According to Ms. Claudine del Rosario, MOHCD SOMA Community Stabilization Fund Director, if the Renaissance Entrepreneurship Center is unable to secure an additional \$25,000 in funding, Renaissance Entrepreneurship Center will revise the project budget to match the available funds of \$485,000.

St. Vincent de Paul Society of San Francisco

St. Vincent de Paul Society of San Francisco is a nonprofit organization that provides direct assistance to people in need through homeless shelters, detox centers and domestic violence victim services. The proposed grant award of \$400,000 will be used for the rehabilitation of their administrative offices at 1175 Howard Street. The \$400,000 will all be used for direct renovation costs, which total \$940,538. The entire project is estimated to total \$1,725,000. A breakout of the total \$1,725,000 budget can be seen in Table 3 below.

Table 3: St. Vincent de Paul Society of San Francisco Rehabilitation of Administrative Offices Project Budget

Sources of Funds	Amount
Community Stabilization Fund (subject of this request)	\$400,000
St. Vincent de Paul's Capital Fund	1,000,000
Other Grant Awards	325,000
Total Sources	\$1,725,000
Uses of Funds	
Architecture	\$102,204
Engineering	57,865
Project Management	30,000
Permits	45,000
Soft Cost Contingency	15,000
Subtotal Soft Costs	\$250,069
Demo/Abatement/Updates	\$434,393
Renovation	940,538
Hard Cost Contingency	100,000
Subtotal Hard Costs	\$1,474,931
Total Uses	\$1,725,000

According to the St. Vincent de Paul Society of San Francisco proposal, St. Vincent de Paul Society has 330 percent in matching funds, as \$1,325,000 of the funds are available from other sources, including \$1,000,000 from St Vincent de Paul's capital funding, \$250,000 from a private foundation, \$50,000 from the Nonprofit Displacement Mitigation Fund, and \$25,000 from Twitter.

FISCAL IMPACT

According to Benjamin McCloskey, MOHCD Deputy Director of Finance and Administration, the current SOMA Community Stabilization Fund balance is \$23,856,769 of which \$1,997,353 is encumbered, resulting in available funds of \$21,859,416. If the Board of Supervisors approves the use of the requested \$595,000 in SOMA Community Stabilization Fund monies to fund the Renaissance Entrepreneurship Center and the St. Vincent de Paul Society capital projects, the SOMA Community Stabilization Fund will have a remaining balance of \$21,264,416.

RECOMMENDATION

Approve the proposed resolution.

Items 10 and 11 Files 16-1227 and 16-1228	Department: Department of Technology (DT)
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> • The proposed resolutions would approve an amendment to two existing agreements between the Department of Technology (DT) En Pointe Technologies Sales, LLC, to (i) increase the total not-to-exceed amount by \$4,335,418 from \$9,574,455 to \$13,909,873 for the Microsoft Office 365 Agreement (File 16-1227), and (ii) to increase the total not-to-exceed amount by \$4,850,304 from \$9,869,293 to \$14,719,597 for the Microsoft Enterprise Software Products Agreement (File 16-1228). 	
Key Points	
<ul style="list-style-type: none"> • DT entered into two agreements with En Pointe Technologies Sales, LLC in 2014 to provide (i) core Microsoft Office 365 subscription services and servers for DT, and (ii) Microsoft enterprise software products at discounted rates for all City Departments. • The total not-to-exceed amount for the agreement between the City and En Pointe Technologies to provide Microsoft Office 365 subscription services and servers was \$9,574,455 for a term of three years from June 1, 2014 through May 31, 2017. The total not-to-exceed amount of the agreement between the City and En Pointe Technologies to provide Microsoft enterprise software products at discounted rates for all City Departments was \$9,869,293 for a term of three years from June 1, 2014 through May 31, 2017. • According to Mr. Hao Xie, Strategic Sourcing Manager at DT, City departments were permitted and encouraged to implement the overall Microsoft Office 365 system, including the subscription services and server licenses, at their own pace in 2011 when the City first decided to upgrade and consolidate its multiple citywide email systems. DT originally anticipated 26,500 end users to use services. However, the popularity of the products and the growth in demand for the Microsoft products and services has been much greater than expected in the past two years. 	
Fiscal Impact	
<ul style="list-style-type: none"> • The total Microsoft Office 365 agreement not-to-exceed amount under the proposed first amendment will increase through May 31, 2017 by \$4,335,418, from \$9,574,455 to \$13,909,873. The total Microsoft enterprise software products agreement not-to-exceed amount under the proposed amendment will increase through May 31, 2017 by \$4,850,304, from \$9,869,293 to \$14,719,597. 	
Recommendation	
<ul style="list-style-type: none"> • Approve the proposed resolutions. 	

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 Department of Technology (DT) entered into two agreements with En Pointe Technologies Sales, LLC in 2014 to provide (i) core Microsoft Office 365 subscription services and servers for DT, and (ii) Microsoft enterprise software products at discounted rates for all City Departments. DT sought and received approval from the Office of Contract Administration to use the County of Riverside's competitive procurement process for an existing online Microsoft services contract under Section 21.16(b) of the Administrative Code.

Under the existing Microsoft Office 365 Agreement, subscription services consist of secure email and administrative tools, server and licenses required to operate the email system, the Microsoft Office Suite, Skype for Business, and trial or development-scale access to new products and features. The total not-to-exceed amount for the agreement between the City and En Pointe Technologies to provide Microsoft Office 365 subscription services and servers was \$9,574,455 for a term of three years from June 1, 2014 through May 31, 2017.

Under the existing Microsoft Enterprise Software Products Agreement, products consist of Windows server licenses required to operate various software applications, Azure, Intune, Microsoft Customer Relationship Management (CRM), Virtual Desktop Access (VDA), SharePoint Online, Access Pro, Visio Pro, Project Pro and training credit and technical support credits usable during the agreement term. The total not-to-exceed amount of the agreement between the City and En Pointe Technologies to provide Microsoft enterprise software products at discounted rates for all City Departments was \$9,869,293 for a term of three years from June 1, 2014 through May 31, 2017.

The City in its sole discretion may extend the agreements for two additional years through May 2019.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would authorize the Department of Technology to amend two agreements between the City and En Pointe Technologies Sales, LLC, to (i) increase the total not-to-exceed amount by \$4,335,418 from \$9,574,455 to \$13,909,873 for the Microsoft Office 365 Agreement (File 16-1227), and (ii) to increase the total not-to-exceed amount by \$4,850,304 from \$9,869,293 to \$14,719,597 for the Microsoft Enterprise Software Products Agreement (File 16-1228). The end date of the agreements of May 31, 2017 is not changed.

According to Mr. Hao Xie, Strategic Sourcing Manager at DT, City departments were permitted and encouraged to implement the overall Microsoft Office 365 system, including the subscription services and server licenses, at their own pace in 2011 when the City first decided

to upgrade and consolidate its multiple citywide email systems. DT originally anticipated 26,500 end users to use services. However, the popularity of the products and the growth in demand for the Microsoft products and services has been much greater than expected in the past two years. Consequently, DT is seeking authorization to amend the two agreements with En Pointe Technologies Sales, LLC to cover projected departmental spending through May 31, 2017 when the current agreements expire. The requested amendment would cover the projected costs for the remaining seven months of the term of the two agreements.

FISCAL IMPACT

According to Ms. Kathy Lu, Principal Administrative Analyst at DT, the number of City staff currently using Microsoft subscription services is difficult to gauge. She estimates that approximately 30,000 end users are currently using Microsoft Office 365 services, but this includes a small percentage of former employees or contractors whose email inboxes must be maintained for archival reasons.

Additionally, the usage estimates for Microsoft enterprise software products are not readily known because this is not centralized through DT. Over 80,000 licenses have been issued to date. In October 2016, DT sent a survey to 27 departments across the City to forecast the potential procurement needs for Microsoft Office 365 subscription services and enterprise software products from October 2016 to May 31, 2017. When a department could not provide a reliable estimate, DT projected a 10% increase in usage based on their FY 2016-17 use rate. These figures were then used to estimate the additional contract value required for the remaining seven months of the contract term. According to Ms. Lu, DT estimates that there should be an increase of approximately 2,100 end users by the end of the contract term. However, this does not include the possible migration of additional City departments to DT's overall Microsoft Office 365 system.

Based on the estimated departmental usage, according to the budget submitted by DT, the total Microsoft Office 365 agreement not-to-exceed amount under the proposed first amendment will increase through May 31, 2017 by \$4,335,418, from \$9,574,455 to \$13,909,873, as shown in Table 1 below.

Table 1: Increase in the Microsoft Office 365 Agreement's Not-to-Exceed Amount from June 1, 2014 to May 31, 2017 (File 16-1227)

Microsoft Office 365 Agreement	Original Contract Amount	Actual Spent FY14-16	Remaining Contract Value	Projected Additional Need	Amended Total Contract Amount
Core O365 Products (Microsoft Office apps, such as Email and Office Suite)	\$9,566,018	\$7,223,613	\$2,342,405	\$859,781	\$10,425,799
Other Products ¹ (Additional purchases, including step-ups to higher level of products)	8,437	2,021,300	-2,012,863	3,475,637	3,484,074
Total	\$9,574,455	\$9,244,913	\$329,542	\$4,335,418	\$13,909,873

Based on the estimated departmental usage, according to the budget submitted by DT, the total Microsoft enterprise software products agreement not-to-exceed amount under the proposed amendment will increase through May 31, 2017 by \$4,850,304, from \$9,869,293 to \$14,719,597, as shown in Table 2 below.

Table 2: Increase in the Microsoft Enterprise Software Agreement's Not-to-Exceed Amount from June 1, 2014 to May 31, 2017 (File 16-1228)

Microsoft Enterprise Software Products	Original Contract Amount	Actual Spent FY14-16	Remaining Contract Value	Projected Additional Need	Amended Total Contract Amount
Enterprise Products (Windows server license to operate various Microsoft applications)	\$9,246,855	\$6,472,449	\$2,774,406	\$729,448	\$9,976,303
True-Up Cost on Enterprise Products ²	43,914	2,451,685	-2,207,771	3,399,382	3,643,296
Step-Up Cost on Enterprise Products ³	111,623	294,202	-182,579	239,055	350,678
Azure, CRM, Intune and VDA	266,901	588,405	-321,504	482,419	749,320
Total	\$9,869,293	\$9,806,741	\$62,552	\$4,850,304	\$14,719,597

¹ This includes server and bridge licenses that are required to operate the email system. When an enterprise email system is established, these licenses permit access between the email central control system and the internet.

² This reflects the quantity difference between what the City departments reserved in advance in May 31, 2014 compared to City departments' actual purchases. The "true up cost" is the payment due if the number of licenses used is higher than what was reserved.

³ This reflects Microsoft's annual increases in unit cost for the latest version of any given product or license. For example, the cost to license Project Pro 2016 versus Project Pro 2013 will be shown as the "step-up cost" to operate a similar but updated program.

The requested increased costs were based on estimated departmental usage. DT has submitted budgets to reflect the increased costs. The Budget and Legislative Analyst finds the requested increased amounts to be reasonable. Funds to pay the increased agreements' costs are included in the FY 2016-17 budgets of the respective City departments, as previously appropriated by the Board of Supervisors.

RECOMMENDATION

Approve the proposed resolutions.

Item 13 File 16-1015	Department: Department of Children, Youth and Their Families (DCYF)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • Ordinance appropriating \$9,000,000 of Real Property Transfer Tax in FY 2016-17 for funding the Community College Fund to support students attending City College of San Francisco and placing funds on Controller’s Reserve pending the outcome of General Fund tax revenue measures in the November 8, 2016 Election. <p>Key Points</p> <ul style="list-style-type: none"> • On September 27, 2016, the Board of Supervisors amended the Administrative Code to establish the San Francisco City College Enrollment Fee Assistance Fund as a category four fund for use by DCYF to make block grants to City College to offset student enrollment fees and other education-related costs for eligible students. • Proposition W was approved by San Francisco voters in November, 2016, which will increase transfer tax rates for properties over \$5,000,000. The Controller’s Office estimates the new transfer tax rates will generate an additional \$14 million in FY 2016-17. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • DCYF has not yet negotiated nor entered into any agreements with City College regarding the amount of block grants that would be awarded, nor the specific process that would be used to apply for, calculate, award or disburse payments to individual students. DCYF does not yet know how the \$9,000,000 would be allocated, if approved. <p>Policy Consideration</p> <ul style="list-style-type: none"> • Proposition K, which would have increased the City’s Sales Taxes, was not approved by San Francisco voters. However, the FY 2016-17 City budget included \$37.5 million of additional funding from projected increased Sales Tax revenues, with 2/3^{rds} in SFMTA’s budget and 1/3rd in the new Department of Homelessness’s budget. Expenditure reserves prevent these two City departments from incurring these expenditures in FY 2016-17. • The Mayor’s Office will provide a plan to rebalance the FY 2016-17 and FY 2017-18 budgets by mid-December, 2016. <p>Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed ordinance to delete the language on page 1, lines 5-7 “ and placing the funds on Controller’s Reserve, pending the outcome of General Fund tax revenue measures in the November 8, 2016 Election” and all of Section 3 on page 2, “Section 3. The uses of funding outline above for \$9,000,000 are herein placed on Controller’s Reserve pending the outcome of General Fund tax revenue measures to be determined in the November 8, 2016 election.” • Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 9.105 provides that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

City College Enrollment Fee Assistance Fund

On September 27, 2016, the Board of Supervisors approved an ordinance amending the City's Administrative Code to establish the San Francisco City College Enrollment Fee Assistance Fund (File 16-0892; Ordinance No. 186-16). This Fund was established as a category four fund¹ for use by the Department of Children, Youth and Their Families (DCYF) to make block grants to City College to offset student enrollment fees and provide other education-related financial support for eligible students enrolled in credit courses at City College who

(1) Reside in San Francisco; or

(2) Are employees of the City and County of San Francisco (CCSF), San Francisco Unified School District (SFUSD) or City College.

City College would use these funds to

(1) Reduce or waive enrollment fees for eligible students, less any state or federal financial aid the student receives, or

(2) For other education-related financial support, including purchasing required books and supplies, lab fees and activity fees, as specified in the block grant agreement².

While benefits would not be based on individual need, no student can receive more than \$1,000 for any academic year. City College can use up to 1% of the total block grant each fiscal year for administration of the program. An Oversight Committee, consisting of nine members appointed by the City College Board of Trustees (3 members), City College Academic Senate (2 members), City College Associated Students Executive Council (1 member), the Board of Supervisors (2 members) and the San Francisco Board of Education (1 member), would review implementation of the grant agreement and provide annual reports on implementation of the grant agreement and disbursements from the Fund to the Mayor, Board of Supervisors, DCYF and City College.

¹ In accordance with Section 10.100 of the City's Administrative Code, a category four fund (a) is not automatically appropriated, but rather is subject to Board of Supervisors appropriation approval, (b) accumulates interest and (c) the fund balance carries forward.

² The ordinance specified that DCYF and City College develop and execute an agreement governing the block grants and the process for applying for, calculating, awarding and disbursing payments to individual students. The block grant agreement would give priority to offsetting enrollment fee increases over other education-related financial support.

City Real Property Transfer Tax

Currently, the City collects a one-time real property transfer tax at the time of most transactions of residential and commercial real estate in San Francisco, based on the sales price. This transfer tax also applies to leases that extend for 35 years or more and on real estate owned when a business changes ownership. The revenues collected from transfer taxes are deposited into the City's General Fund. Table 1 below shows the actual and budgeted transfer taxes over the past three fiscal years.

Table 1: Transfer Tax Revenues in FY 2014-17

Fiscal Year	Transfer Taxes
FY 2014-15 (actual)	\$314.6 million
FY 2015-16 (actual)	269.1 million
FY 2016-17 (budgeted)	235.0 million

Proposition W

Proposition W, which was approved by San Francisco voters on the November 8, 2016 San Francisco ballot, will increase transfer tax rates for real estate with a sale price of more than \$5,000,000, including leases of 35 years or more. Table 2 below shows the existing and new transfer tax rates based on Proposition W.

Table 2: Current and New City Transfer Tax Rates based on Proposition W

Real Estate Sale Price	Current Transfer Tax Rates	New Transfer Tax Rates	Change
Greater than \$250,000 and less than \$1,000,000	0.68%	0.68%	No change
At least \$1,000,000 and less than \$5,000,000	0.75%	0.75%	No change
At least \$5,000,000 and less than \$10,000,000	2.00%	2.25%	0.25%
At least \$10,000,000 and less than \$25,000,000	2.50%	2.75%	0.25%
At least \$25,000,000	2.50%	3.00%	0.50%

The new transfer tax rates will become effective when the election results are certified, or approximately mid-December 2016. The Controller's Office estimates the new transfer tax rates under Proposition W will generate an additional \$14 million in FY 2016-17.

The Controller's statement in the San Francisco Voters Information Pamphlet estimates that Proposition W would result in additional annual revenue to the City's General Fund ranging from \$10,000,000 to \$73,000,000, with an average of \$45,000,000 annually. However, the Controller cautions that transfer taxes are the City's most volatile revenue source and that this estimate is based on recent economic cycle transactions. Therefore, the Controller notes that estimates based on prior years' activity may not accurately predict future revenues.

DETAILS OF PROPOSED LEGISLATION

Ordinance (a) appropriating a total of \$9,000,000 of Real Property Transfer Tax in FY 2016-17 for funding the Community College Fund to support students attending City College of San Francisco and (b) placing funds on Controller's Reserve, pending the outcome of General Fund tax revenue measures in the November 8, 2016 Election.

The proposed sources and uses for the requested \$9,000,000 are shown in Table 3 below.

Table 3: Proposed Sources and Uses

Sources	
General Fund-Real Property Transfer Tax	\$9,000,000
Uses	
City Grants-Financial Support for City College Students	\$9,000,000

Given that the November 8, 2016 Election has already occurred, and based on discussions with the Controller's Office, the proposed ordinance should be amended to delete the language placing the funds on Controller's Reserve, pending the outcome of General Fund tax revenue measures in the November 8, 2016 Election.

FISCAL IMPACT

According to Mr. Leo Chyi, Chief Financial Officer for the Department of Children, Youth and Their Families (DCYF), the proposed ordinance that created the San Francisco City College Enrollment Fee Assistance Fund (File 16-0892) specified under Administrative Code Section 10.100-288(d)(4) the Fund "shall not become operative until the City appropriates monies to the Fund". The proposed \$9,000,000 supplemental appropriation of Transfer Tax revenues would be the first monies appropriated into the Fund. Therefore, DCYF has not yet negotiated nor entered into any agreements with City College regarding specifics of the amount of block grants that would be awarded, nor the specific process that would be used to apply for, calculate, award or disburse payments to individual students. As a result, DCYF does not yet know specifically how the \$9,000,000 would be allocated, if approved by the Board of Supervisors.

The Controller's Office conducted a cost analysis of providing City funding for City College for students who live in San Francisco or work for City College, SFUSD or the City, assuming implementation beginning in FY 2017-18. Table 4 below summarizes the Controller's cost analysis which shows a range of estimated costs based on various assumptions regarding City College enrollment and fee levels.

Table 4: Controller's Analysis of Estimated Costs

Cost Estimates (\$Mil)	FY 2017-18		Average Annual	
	Low	High	Low	High
Enrollment Fee	\$6.5	\$8.8	\$8.3	\$12.1
Financial Aid Support	\$5.1	\$7.9	\$6.8	\$10.9
Total	\$11.6	\$16.7	\$15.1	\$23.0

While the above analysis is for FY 2017-18, the requested \$9,000,000 supplemental appropriation would be appropriated for FY 2016-17. If approved, the \$9,000,000 would be deposited into the newly created San Francisco City College Enrollment Fee Assistance Fund, which as a category four fund, would carry forward any fund balance to the following fiscal years. Revenue transfers into this Fund and expenditures from this Fund would be subject to future annual appropriations by the Board of Supervisors.

POLICY CONSIDERATION

As noted above, Proposition W was approved by San Francisco voters on November 8, 2016, which increased City Real Property transfer taxes. However, Proposition K, also on the November 8, 2016 ballot, which would have increased the City's Sales Taxes by 0.75% for a total tax rate of 9.25%, was not approved by San Francisco voters. The FY 2016-17 City budget assumed that Proposition K would be approved, and included \$37.5 million of additional funding from the projected increased Sales Tax revenues.

Of the \$37.5 million in the FY 2016-17 budget, approximately 2/3rds is in the San Francisco Municipal Transportation Agency's (SFMTA) budget and approximately 1/3rd is in the new Department of Homelessness's budget. The Controller's Office has placed expenditure reserves on the \$37.5 million of funds, which prevents these two City departments from incurring these expenditures in FY 2016-17. The FY 2017-18 City budget also assumed \$155 million of increased revenues from the passage of Proposition K, such that \$155 million is also on expenditure reserve in the FY 2017-18 budget. The Controller's Office, Mayor's Budget Office and the Board of Supervisors Budget and Legislative Analyst's Office are currently preparing the FY 2018-2022 Five Year Budget Projections, which should be completed on December 8, 2016. The current FY 2017-18 budget projection reflects an approximate \$130 million shortfall.

Ms. Melissa Whitehouse, Mayor's Budget Director, advises that the Mayor's Office is currently analyzing the FY 2016-17 and FY 2017-18 budgets and will provide a plan to re-balance these budgets by mid-December, 2016. As part of this re-balancing plan, the Mayor's Office is reviewing the proposed expenditures for transportation, homelessness, street trees, free City College and also potential impacts from the federal election.

RECOMMENDATIONS

1. Amend the proposed ordinance to delete the language on page 1, lines 5-7 “ and placing the funds on Controller’s Reserve, pending the outcome of General Fund tax revenue measures in the November 8, 2016 Election” and all of Section 3 on page 2, “Section 3. The uses of funding outline above for \$9,000,000 are herein placed on Controller’s Reserve pending the outcome of General Fund tax revenue measures to be determined in the November 8, 2016 election.”
2. Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.