

File No. 171009

Committee Item No. 2
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date October 5, 2017

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Linda Wong Date September 28, 2017
Completed by: Linda Wong Date _____



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September 14, 2017

Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

**Subject: Pacific Rod & Gun Club Remediation Project
Release of Reserve, \$2,400,000**

I would like to request your assistance to calendar the release of \$2,400,000 from the Pacific Rod & Gun Remediation Project 10015216.

In February 2015, the Board of Supervisors approved a \$9,500,000 supplemental appropriation for remediation work at Lake Merced. The \$9,500,000 was placed on reserve pending receipt of bids. On April 15, 2015, at the request from PUC, the Budget and Finance Committee released \$3,210,989; the balance \$6,289,011 remains on reserve.

The \$2,400,000 is needed to pay for the preparation of the CEQA document to facilitate site reuse as well as cleanup of residual contamination.

Sincerely,

A handwritten signature in black ink, appearing to read "Harlan L. Kelly, Jr.".

Harlan L. Kelly, Jr.
General Manager

Edwin M. Lee
Mayor

Anson Moran
President

Ike Kwon
Vice President

Ann Moller Caen
Commissioner

Francesca Vietor
Commissioner

Vince Courtney
Commissioner

Harlan L. Kelly, Jr.
General Manager



<p>Item 2 File 17-1009</p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The San Francisco Public Utilities Commission (SFPUC) requests to release \$2,400,000 of the \$6,289,011 on Budget and Finance Committee Reserve to pay for additional environmental review, design, and construction activities associated with cleanup of residual contamination at the Lake Merced site formerly occupied by the Pacific Rod and Gun Club. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • SFPUC had a long term lease with the Pacific Rod and Gun Club for a site on Lake Merced, in which the Club used lead shot and clay pigeons for skeet and trap shooting, resulting in contamination to the site. • The Board of Supervisors previously appropriated \$22,005,000 for environmental review and cleanup of the site, placing \$9,500,000 on Budget and Finance Committee Reserve. The Budget and Finance Committee previously released \$3,210,989 of the \$9,500,000 and retained \$6,289,011 on reserve. • The first phase of environmental review and cleanup was completed in March 2016. Subsequently, SFPUC found ground contamination beneath one of the buildings on site. Because the original environmental review and remediation plan did not allow for demolition of the building, which is considered an historical structure, SFPUC needs to develop a new remediation plan. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • Total actual and projected expenditures for environmental review and cleanup of the Lake Merced site are less than the \$22,005,000 appropriation. SFPUC has spent \$15,715,989 and estimates additional expenditures of \$2,440,381, totaling \$18,156,370. • SFPUC is requesting release of \$2,400,000 of the \$6,289,011 on reserve to pay for additional environmental review and cleanup of the Lake Merced site, leaving \$3,889,011 on reserve. • The proposed budget for new environmental review services contains two contingencies. Because the new contract for environmental review services contains a 15 percent contingency, the additional 15 percent contingency for environmental review services of \$105,000 should be removed. Further, SFPUC does not anticipate needing the remaining funds of \$3,889,011 on Budget and Finance Committee Reserve. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Reduce the requested release of funds on reserve by \$105,000, from \$2,400,000 to \$2,295,000. • Return \$3,994,011 (\$105,000 recommended reduction of the requested release of funds on reserve and \$3,889,011 remaining on Budget and Finance Committee Reserve) to the Water Enterprise fund balance. 	

MANDATE STATEMENT

City Administrative Code Section 3.3(e) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City's budget and may reserve proposed expenditures to be released at a later date subject to release by the Budget and Finance Committee.

BACKGROUND

On January 1, 1934, the City and the Pacific Rod and Gun Club (Club), a nonprofit organization, entered into a month-to-month lease agreement for use of City property at Lake Merced for skeet and trap shooting and fly casting. In 2007, the Board of Supervisors approved a resolution urging the San Francisco Public Utilities Commission (SFPUC) to manage the City's approximately 811 acre Lake Merced Tract and assume a greater role in the protection of water quality, as Lake Merced is an emergency back-up water supply for the City (Resolution No. 14-07).

On June 12, 2013, the San Francisco Bay Regional Water Quality Control Board (RWQCB) issued an Order to both the Club and the SFPUC, as joint dischargers, requiring site investigations and a plan for corrective measures to address soil contamination, and requiring the Club and the SFPUC to clean up and remediate the site. In response, the SFPUC prepared a Remedial Action Plan to clean up the site, which was approved by the RWQCB in November 2014.

On March 27, 2014, the City sued the Club for nuisance and breach of contract to recover the costs of remediation. The lawsuit was settled for \$8,250,000, which is currently pending Board of Supervisors approval (File 17-0927). The funds are currently in a trust account held by the Club's outside insurance counsel and would go to the Water Enterprise account to help offset the costs of remediation.

In FYs 2013-14 and 2014-15, the Board of Supervisors appropriated \$12,505,000 in the SFPUC's Water Enterprise budget to clean up and remediate the site. On February 24, 2015, the Board of Supervisors appropriated an additional \$9,500,000 in Water Enterprise revenues to clean up and remediate the site, for a total appropriation of \$22,005,000. The Board of Supervisors placed \$9,500,000 on Budget and Finance Committee reserve pending the receipt of the bids and selection of the contractor to clean up and remediate the contaminated soil at Lake Merced (File 14-1296).

The construction contract for the cleanup and removal of the contaminated soil and the replacement with clean soil on the site was advertised on December 24, 2014. The SFPUC received seven bids on February 5, 2015 and selected ERRG, Inc. as the lowest responsive bidder at \$9,210,715. Subsequently, on April 8, 2015, the Budget and Finance Committee approved the release of \$3,210,989 of the previously reserved \$9,500,000, retaining \$6,289,011 on Budget and Finance Committee Reserve.

The first phase of remediation was completed in March, 2016.

DETAILS OF PROPOSED LEGISLATION

SFPUC requests to release \$2,400,000 of the \$6,289,011 on Budget and Finance Committee reserve to pay for additional California Environmental Quality Act (CEQA) review, design, and construction activities associated with cleanup of residual contamination at the Lake Merced site formerly occupied by the Pacific Rod and Gun Club.

According to Mr. Obi Nzewi, SFPUC Project Manager, SFPUC found ground contamination beneath one of the buildings on site. Because the original Mitigated Negative Declaration, prepared as part of the CEQA review of the site, did not allow for demolition of the building, which is considered an historical structure, SFPUC needs to prepare a new Mitigated Negative Declaration to allow for demolition and construction of a new building, complete remediation of the residual material, and facilitate site reuse.

The Recreation and Park Department¹ plans to use the Lake Merced site for recreation purposes. The Department selected ESA Associates (ESA), an environmental consultant, to conduct the new CEQA review and prepared the Mitigated Negative Declaration through a competitive Request for Proposals (RFP). ESA, who had conducted the original CEQA review of the site, was the only respondent to the RFP.

Upon completion of remediation, the Recreation and Park Department will begin working with Lake Merced Recreation, LLC, selected through a competitive process, on a new recreational use for the site. According to the Department's staff report to the Recreation and Park Commission, Lake Merced Recreation, LLC will construct improvements to the site in three phases between 2018 and 2020, for an estimated project cost to Lake Merced Recreation, LLC, of \$3 million.

FISCAL IMPACT

As of April 2015, the Board of Supervisors had appropriated \$22,005,000 to the remediation of the Lake Merced site previously occupied by the Pacific Rod and Gun Club, of which \$6,289,011 are on Budget and Finance Committee Reserve. SFPUC has spent \$15,715,989 and projects additional expenditures of \$2,440,381, totaling \$18,156,370, as shown in Table 1 below.

¹ Under a Memorandum of Understanding (MOU) between SFPUC and the Recreation and Park Department, the Recreation and Park Department manages recreation at the site.

Table 1: Sources and Uses of Funds

Sources	
Previously Appropriated and Available Funds	\$15,715,989
Funds on Budget and Finance Committee Reserve	6,289,011
Total Sources	\$22,005,000
Uses	
Actual Expenditures as of September 2017	\$15,715,989
Projected Expenditures (see Table 2)	2,440,381
Total Uses	\$18,156,370
Appropriation > Expenditures	\$3,848,630

SFPUC projects expenditures of \$2,440,381 for the additional CEQA review and remediation of the Lake Merced site previously occupied by the Pacific Rod and Gun Club, as shown in Table 2 below.

Table 2: Projected Expenditures

Task/Activities	Expenditure
Project Support	
Environmental Review Support (SFPUC and Department of Environment Staff)	\$205,216
EMB & CMB During Environmental Review	
SFPUC Project Manager	149,898
Construction Oversight Consultant (Kennedy Jenks)	<u>80,000</u>
Support (Subtotal)	\$435,114
Construction	
Construction Contractor (ERRG)	\$600,000
Board of Equalization Fee	<u>95,000</u>
Construction (Subtotal)	\$695,000
Environmental Review	
Project CEQA Consultant (Environmental Science Associates)	\$700,000
Contingencies	
Support Staff (15%)	\$65,267
Project CEQA Consultant (15%)	105,000
Construction (30%)	<u>210,000</u>
Contingency (Subtotal)	\$380,267
Permitting	100,000
Ongoing Compliance Monitoring Consultant (2 Years of Monitoring)	130,000
Total	\$2,440,381

SFPUC is requesting release of \$2,400,000 of the \$6,289,011 on Budget and Finance Committee Reserve to pay for additional environmental review and cleanup of the Lake Merced site. If the

Budget and Finance Committee approves the request, SFPUC would have \$3,889,011 remaining in reserves.

Because the contract between SFPUC, the Recreation and Park Department, and the environmental consultant, ESA, contains a 15 percent contingency, the Budget and Legislative Analyst recommends deleting the additional 15 percent contingency for the Project CEQA Consultant of \$105,000 (see Table 2 above). Therefore, the requested release of funds on reserve should be reduced by \$105,000, from \$2,400,000 to \$2,295,000.

SFPUC does not anticipate needing the remaining funds of \$3,889,011 on Budget and Finance Committee reserve. Therefore, the Budget and Legislative Analyst recommends returning \$3,994,011 (\$105,000 recommended reduction of the requested release of funds on reserve and \$3,889,011 remaining on Budget and Finance Committee Reserve) to the Water Enterprise fund balance.

RECOMMENDATIONS

1. Reduce the requested release of funds on reserve by \$105,000, from \$2,400,000 to \$2,295,000.
2. Return \$3,994,011 (\$105,000 recommended reduction of the requested release of funds on reserve and \$3,889,011 remaining on Budget and Finance Committee Reserve) to the Water Enterprise fund balance.

