

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

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TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst



SUBJECT: March 8, 2018 Budget and Finance Sub-Committee Meeting

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Item 5 File 18-0079	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution approves a lease agreement between San Francisco International Airport (Airport) as landlord and DFS Group, LP as tenant for 12 retail facilities totaling 46,295 square feet, a term of 14 years and a possible automatic extension up to 5 years, and initial Minimum Annual Guaranteed (MAG) rent of \$42,000,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • On February 21, 2017, the Airport Commission authorized Airport staff to begin the Request for Proposals (RFP) process for the International Terminal Duty Free and Luxury Stores Lease. On September 15, 2017, the Airport received four proposals. A six-member panel reviewed and scored the proposals and determined DFS Group, LP to be the highest scoring responsible and responsive proposer. • The lease has a term of 14 years, from approximately July 1, 2019 to June 30, 2033, and may be automatically extended by up to five additional years if a new retail plaza is constructed. The lease comprises 46,295 square feet across 12 facilities, 11 of which are in the International Terminal and one in Terminal 1, expected to open in 2022. The initial MAG rent is \$42,000,000. DFS would pay the greater of the MAG or percentage rent based on gross revenues. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Airport would receive at least \$42,000,000 in initial MAG rent. Over the 14-year term of the lease, the Airport would receive at least \$588,000,000 in MAG rent. The MAG would be adjusted annually to the greater of the previous MAG or 90 percent of actual rent paid in the previous year. The Airport expects to receive percentage rent, which would exceed the MAG. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten years or more or that has revenue to the City of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

On February 21, 2017, the Airport Commission authorized San Francisco International Airport (Airport) staff to begin the Request for Proposals (RFP) process for the International Terminal Duty Free and Luxury Stores Lease. On June 6, 2017, the Airport Commission approved minimum qualifications for proposers and lease specifications and authorized Airport staff to accept proposals. On September 15, 2017, the Airport received four proposals, and a six-member panel reviewed the proposals to determine the highest ranking responsive and responsible proposer. The proposals and scores are shown in Table 1 below.

Table 1: Proposals and Scores for RFP

Proposer	Score
DFS Group, LP	96.67
Duty Free Americas San Francisco, LLC	83.59
Dufry North America, LLC	79.83
Travel Retail San Francisco, LLC	60.67

The panel determined that DFS Group, LP was the highest ranking responsive and responsible bidder. On December 5, 2017, the Airport Commission approved the lease with DFS Group, LP.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the International Terminal Duty Free and Luxury Stores¹ Lease with DFS Group, LP for a term of 14 years, from approximately July 1, 2019 through June 30, 2033, and initial Minimum Annual Guaranteed (MAG) rent of \$42,000,000. The lease is comprised of 12 facilities totaling 46,295 square feet, including one facility in Terminal 1 that is expected to open in 2022. The delivery date of the Terminal 1 facility would depend on the Airport’s construction schedule and would not affect the termination date of the lease. The list of facilities is shown in Table 2 below.

¹ Luxury stores proposed by DFS include Gucci, Burberry, Hermes, Coach, and Yves Saint Laurent.

Table 2: Facilities Included in DFS Group Lease

Location	Square Footage
Duty Free Store A	10,005
Duty Free Satellite Store A	1,996
Luxury Space A1	2,968
Luxury Space A2	2,494
Luxury Space A3	1,769
Kiosk	352
<i>International Terminal "A" Total</i>	<i>19,584</i>
Duty Free Store G	17,141
Duty Free Satellite Store G	1,436
Luxury Space G1	730
Luxury Space G2	1,674
Luxury Space G3	2,016
<i>International Terminal "G" Total</i>	<i>22,997</i>
Terminal 1 (Expected in 2022)	3,714
Total	46,295

DFS Group would pay the greater of the MAG, initially \$42,000,000, or percentage rent based on gross revenues. The MAG would be adjusted each year to the greater of the existing MAG or 90 percent of actual rent paid in the previous year. The term would begin when initial improvements are complete or one year after the tenant is given permission to occupy the facility, although the tenant may operate a temporary facility during the development term and pay 30 percent of gross revenues in rent. The key provisions of the lease are shown in Table 3 below.

Table 3: Key Provisions of Lease

Term	Fourteen years, from approximately July 2019 through June 2033
Square Footage	Approximately 46,295 square feet across 12 facilities
Initial MAG Rent	\$42,000,000
MAG Adjustment	Annually to the greater of the existing MAG or 90% of rent paid in previous year
Percentage Rent	45.8% of gross revenues up to \$100,000,000 41.8% of gross revenues from \$100,000,000 to \$150,000,000 30% of gross revenues over \$150,000,000
Interim Rent During Construction	30% of gross revenues
Promotional Fee	\$1 per square foot per year
Deposit Amount	½ of the initial MAG (subject to adjustment)
Minimum Investment Amount	\$1,000 per square foot of the premises (\$46,295,000), or a lesser amount deemed sufficient by Design Review Committee

The proposed lease does not provide an option to extend the lease term beyond the initial 14-year term. However, according to Mr. John Reeb, Airport Senior Principal Property Manager, the Airport has plans to construct a Retail Plaza in the International Terminal in the next 7 to 10 years. If the Retail Plaza is constructed, retailers would need to redesign and rebuild their stores at their own expense. Under the proposed lease, if DFS Group redesigns and rebuilds its stores in the Retail Plaza within five years of the lease expiration date, the lease is automatically extended for up to five years to allow DFS to operate in the Retail Plaza and recoup its investment into the new retail space.

FISCAL IMPACT

In the initial year of the lease, the Airport will receive the greater of the MAG or percentage rent based on gross revenues. The MAG would be adjusted annually to the greater of the existing MAG or 90 percent of actual rent paid in the previous year. Over the 14-year term of the lease, the Airport will receive at least \$588,000,000 in MAG rent. According to Mr. Reeb, the Airport expects to receive percentage rent, which would exceed the MAG.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 6 File 18-0113</p>	<p>Department: Airport Police</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> The proposed ordinance would de-appropriate \$926,000 of permanent salaries and re-appropriate \$926,000 to overtime in the San Francisco Police Department (SFPD) Airport Bureau’s FY 2017-18 operating budget in order to fund increased SFPD Airport Bureau overtime. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> The San Francisco Police Department (SFPD) provides police services to the Airport, which are funded in the Airport’s budget. The increase in overtime expenditures in FY 2017-18 of \$926,000 is primarily due to unbudgeted overtime costs including (1) increasing security by maintaining higher police visibility in the Airport terminals (\$791,000), and (2) providing additional police coverage for an increased number of passengers, which average 75,000 or more per day (\$135,000). 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> The SFPD Airport Bureau FY 2017-18 overtime budget is \$2,090,000. The SFPD Airport Bureau spent \$1,838,777 on overtime for operations as of the pay period ending February 9, 2018, resulting in remaining overtime authority of \$251,223 in FY 2017-18. The SFPD Airport Bureau estimates overtime expenditures from February 10, 2018 through June 30, 2018 of \$1,117,223, resulting in a shortfall of \$926,000. The SFPD Airport Bureau has a projected uniform salary surplus in FY 2017-18 of \$1,854,083. According to the SFPD Airport Bureau, the salary surplus is due to high vacancy rates within the department. Re-appropriation of uniform salaries to overtime results in an estimated year-end surplus of \$928,083. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> According to Section 2A.88 of the Administrative Code, the Chief of Police is required to report to the Board of Supervisors on the staffing needs for the SFPD Airport Bureau for each fiscal year. However, the Chief of Police has not reported to the Board of Supervisors for FY 2017-18. The SFPD Airport Bureau and the Airport have yet to discuss the FY 2017-18 memorandum of understanding on staffing levels for FY 2017-18. The Airport currently funds up to 20 recruits in each Police Academy class, and has proposed funding 110 additional recruits in both FY 2018-19 and FY 2019-20, for a total of 130 students each year. The SFPD Airport Bureau expects that the increased funding for the Academy, starting in FY 2018-19, will result in an increase of 19.3 funded full time equivalent positions located at the Airport for FY 2019-20, increasing the current sworn positions in that year from 178 to 197.3. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> Approve the proposed ordinance. 	

MANDATE STATEMENT

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

Administrative Code Section 3.17 requires that the Annual Appropriation Ordinance contain a separate overtime appropriation within the Airport, Emergency Management, Police, Fire, Public Health, Public Utilities, Public Works, Recreation and Park, and Sheriff Departments' operating budgets. In accordance with Administrative Code Section 3.17(b), these nine identified City departments must first obtain Board of Supervisors supplemental appropriation approval if their overtime expenditures are proposed to be greater than the amount of overtime previously appropriated by the Board of Supervisors in the department's budget.

Section 9.113(c) of the San Francisco Charter states that a supplemental appropriation ordinance introduced after the adoption of the budget which had been rejected by the Board of Supervisors in its consideration of the Mayor's proposed budget for the budgetary cycle requires a vote of two-thirds of all members of the Board of Supervisors to approve such supplemental appropriation ordinance. As the Board of Supervisors reduced the budget during the approval process for the current year, the two-thirds requirement applies.

BACKGROUND

The San Francisco Police Department (SFPD) provides police services to the Airport, which are funded in the Airport's budget. In addition to providing basic police services to the Airport, the SFPD Airport Bureau enforces the Airport's Transportation Security Administration's security plan, and supports individual security plans of the airlines.

According to Section 2A.88 of the Administrative Code, the Chief of Police and the Director of the San Francisco International Airport jointly establish a methodology for assessing staffing needs for the SFPD Airport Bureau. In establishing that methodology, the Chief and Director consult with the Controller's Office.¹ The Chief and Director must make the initial baseline staffing determination based on the methodology by no later than July 1 every year. The Chief of Police is then required to report to the Board of Supervisors on the staffing needs methodology and baseline personnel determination for the Airport Bureau.

The Police Chief reported to the Board of Supervisors during the Board's review of the Airport's two-year FY 2016-17 and FY 2017-18 budget that the baseline staffing for FY 2016-17 was 184 uniform positions. However due to staffing constraints within the SFPD, the Airport funded 178 positions in FY 2016-17. The number of budgeted uniform positions has remained steady since FY 2013-14, as shown in Table 1 below.

¹ The methodology takes into account passenger traffic at the Airport; security mandates and restrictions, including any imposed by the Transportation Security Administration and other government agencies; policing activity at the Airport, including calls for service and traffic responsibilities; and any other factors that the Chief and the Director determine are relevant.

Table 1: Authorized and Funded Sworn Positions for the SFPD Airport Bureau

Sworn Positions	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18
Authorized	184	184	185	185	184	184
Funded	173	178	179	179	178	178

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would de-appropriate \$926,000 of permanent salaries and re-appropriate \$926,000 to overtime in the SFPD Airport Bureau's FY 2017-18 operating budget in order to fund increased SFPD Airport Bureau overtime.

According to a memo from the Chief of Police, the increase in overtime expenditures is primarily due to unbudgeted overtime costs such as (1) high visibility terminal coverage (\$791,000) and (2) coverage for an increased number of passengers, which average 75,000 or more per day (\$135,000).

The Airport requested higher visibility coverage due to incidents such as active shooter situations at both Brussels and Fort Lauderdale airports. The SFPD Airport Bureau assigns patrols, consisting of one sergeant and three officers, to remain in public view in the Airport terminals and if need, to assist with other police assignments. According to Ms. Cathy Widener, Airport Director of Government Relations, the SFPD Airport Bureau's current staffing does not allow a sufficient number of officers to provide higher visibility coverage, resulting in the use of overtime to provide the coverage.

FISCAL IMPACT

The SFPD Airport Bureau FY 2017-18 overtime budget is \$2,090,000. The SFPD Airport Bureau spent \$1,838,777 on overtime for operations as of the pay period ending February 9, 2018, resulting in remaining overtime authority of \$251,223 in FY 2017-18, as shown in Table 2 below. The SFPD Airport Bureau estimates overtime expenditures from February 10, 2018 through June 30, 2018 of \$1,117,223, resulting in a year-end overtime shortfall of \$926,000.

Table 2: Airport Uniform Salary and Overtime Expenditures in FY 2017-18

	Uniform Salaries	Overtime	Total
	\$25,918,053	\$2,090,000	\$28,008,053
Expenditures through pay period ending 1/26/18	<u>(13,307,026)</u>	<u>(1,838,777)</u>	<u>(15,145,803)</u>
Remaining expenditure authority	12,611,027	251,223	12,862,250
Projected expenditures 1/27/18 to 6/30/18	<u>(10,756,944)</u>	<u>(1,177,223)</u>	<u>(11,934,167)</u>
Total projected surplus/(deficit)	\$1,854,083	(\$926,000)	\$928,083

The SFPD Airport Bureau has a projected uniform salary surplus in FY 2017-18 of \$1,854,083, as shown in Table 2 above. According to Ms. Jelina Enriquez, Fiscal Manager at the SFPD Airport Bureau, the salary surplus is due to high vacancy rates within the department of between 9 and 12 percent. The current vacancy rate is 5 percent, and the SFPD Airport Bureau believes that future year surpluses will be smaller.

POLICY CONSIDERATION

Delay in reporting on staffing needs to the Board of Supervisors

According to Section 2A.88 of the Administrative Code, the Chief of Police is required to report to the Board of Supervisors on the staffing needs for the SFPD Airport Bureau for each fiscal year. However, the Chief of Police has not reported to the Board of Supervisors for FY 2017-18. According to Ms. Enriquez, the Chief of Police has not reported to the Board of Supervisors on staffing levels as the memorandum of understanding regarding staffing levels for FY 2017-18 has not been signed as of February 2018. The SFPD Airport Bureau and the Airport have yet to discuss the FY 2017-18 memorandum of understanding.

Airport funding of Police Academy

The Airport funds up to 20 recruits in each Police Academy class of 50 recruits to help fill SFPD Airport Bureau vacancies. However, according to Ms. Enriquez, the ongoing funding of 20 recruits produces just enough sworn members to keep up with attrition of officers at the SFPD Airport Bureau.

The Airport has proposed funding 110 additional recruits in both FY 2018-19 and FY 2019-20, for a total of 130 students each year. The Academy lasts 11 months, and therefore will not result in increased staffing levels in FY 2018-19; the currently funded class of 20 recruits will be used to fill the 13 vacancies currently at the SFPD Airport Bureau.² The SFPD Airport Bureau expects that the increased funding for the Academy, starting in FY 2018-19, will result in an increase of 19.3 funded full time equivalent positions located at the Airport for FY 2019-20, increasing the current sworn positions in that year from 178 to 197.3.

RECOMMENDATION

Approve the proposed ordinance.

² These vacancies include 12 officer level and one sergeant level positions.

Item 7 File 18-0186	Departments: Sheriff, Emergency Management, Public Health, Public Utilities Commission, Police, Fire
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <p>The proposed ordinance (a) de-appropriates \$13,348,029 from permanent salaries, fringe benefits, projects, and workers compensation, and (b) appropriates \$13,348,029 to (i) overtime in the Sheriff's Department, Police Department, and the Department of Emergency Management, and (ii) salaries in the Department of Public Health. Approval of the proposed ordinance requires a two-thirds vote of all members of the Board of Supervisors pursuant to Charter Section 9.113(c).</p> <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Sheriff's Department has (a) \$6,000,000 in surplus salaries due to vacant positions; and (b) projected excess overtime expenditures of \$6,000,000 due to backfilling vacant positions to meet minimum staffing levels in the jails and new security needs with the Medical Examiner. • The Department of Emergency Management has (a) \$1,440,728 in surplus project funds and workers compensation due to completed projects, unspent contingency funds and project implementation delays; and (b) projected excess overtime expenditures of \$1,440,728 due to increased emergency call volume and staff attrition, especially for Public Safety Communications Dispatchers. • The Department of Public Health has (a) \$4,730,533 in surplus fringe benefits at Zuckerberg San Francisco General Hospital (ZSFG) as census-driven staffing increases have been met partially using temporary and per diem staffing, which have lower fringe benefit costs than permanent staff; and (b) projected excess salaries expenditures of \$4,730,533 due to increased staffing to meet a higher-than-budgeted patient census. • The Police Department has (a) \$1,176,768 in surplus salaries due the early transfer of officers to the SFPD Airport Bureau to backfill vacancies at the Airport; and (b) projected excess overtime expenditures of \$1,176,768 incurred entirely through mutual aid response in October to the North Bay Fires. <p style="text-align: center;">Policy Considerations</p> <ul style="list-style-type: none"> • The Budget and Legislative Analyst's Office is currently evaluating the Police Department's use of overtime as part of the performance audit of the Police Department's staffing and overtime. The audit report is expected to be completed by May 2018. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

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

Administrative Code Section 3.17 requires that the Annual Appropriation Ordinance contain a separate overtime appropriation within the Airport, Emergency Management, Fire, Police, Public Health, Public Utilities, Public Works, Recreation and Park, and Sheriff Departments' operating budgets. In accordance with Administrative Code Section 3.17(b), these nine identified City departments must first obtain Board of Supervisors supplemental appropriation approval prior to the expenditure of additional overtime if their overtime expenditures are proposed to be greater than the amount of overtime previously appropriated by the Board of Supervisors in the department's budget.

Charter Section 9.113(c) states that, in the event the Mayor or a member of the Board of Supervisors recommends a supplemental appropriation ordinance after the adoption of the budget and prior to the end to the budget year that contains any item rejected by the Mayor or the Board of Supervisors in the original budget appropriation, the supplemental appropriation can only be approved by a two-thirds vote of the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance (a) de-appropriates \$13,348,029 from permanent salaries, fringe benefits, projects, and workers compensation, and (b) appropriates \$13,348,029 to (i) overtime in the Sheriff's Department, Police Department, and the Department of Emergency Management, and (ii) salaries in the Department of Public Health. Approval of the proposed ordinance requires a two-thirds vote of all members of the Board of Supervisors pursuant to Charter Section 9.113(c).

Table 1 below summarizes the proposed appropriation of \$13,248,029 by department.

Table 1: Appropriation of \$13,248,029 by Department

	Sheriff	Emergency Management	Public Health – Zuckerberg San Francisco General	Police	Total
Sources					
<u>De-appropriation</u>					
Salaries	\$4,200,000			\$1,176,768	\$5,376,768
Fringe Benefits	1,800,000		4,730,533		
Projects		1,173,728			
Workers Compensation		267,000			
Total Sources	\$6,000,000	\$1,440,728	\$4,730,533	\$1,176,768	\$13,348,029
Uses					
<u>Appropriation</u>					
Overtime	6,000,000	\$1,440,728		\$1,176,768	8,617,496
Salaries			4,730,533		4,730,533
Total Uses	6,000,000	1,440,728	4,730,533	1,176,768	\$13,348,029

FISCAL IMPACT

Sheriff’s Department: \$6,000,000

The proposed ordinance de-appropriates \$6,000,000 in surplus salaries, and fringe benefits in the Sheriff’s Department’s FY 2017-18 budget to pay for \$6,000,000 in overtime expenditures, as shown in Table 2 below.

Table 2: Sheriff’s Department Appropriation to Overtime¹

Sources	
<u>De-appropriation</u>	
Permanent Salaries	\$4,200,000
Fringe Benefits	1,800,000
Total Sources	\$6,000,000
Uses	
<u>Appropriation</u>	
Overtime	\$6,000,000
Total Uses	\$6,000,000

¹ De-appropriated salaries and fringe benefits come from positions at County Jail 2 (located at 425 7th Street), County Jail 4 (located at the Hall of Justice, 850 Bryant Street), County Jail 5 (located at 1 Moreland Drive in San Bruno), and the Office of the Sheriff. The requested appropriation for overtime pay is for positions at the same locations.

According to Mr. Crispin Hollings, Sheriff's Department Chief Financial Officer, the savings in salaries and fringe benefits are due primarily to vacant positions. As of January 2018, the Sheriff's Department had 58 open requisitions to hire entry level deputies, of which approximately 35 are expected to be filled by March 2018. There are also 35 deputies attending Academy training, but who would not be available for service for about 9 months.

The overtime was primarily used to backfill vacant positions to meet minimum staffing levels in the jails and meet new security needs with the Medical Examiner. However, some of the backfilling was offset by reduced staffing at Zuckerberg San Francisco General Hospital in the first quarter of FY 2017-18. According to Mr. Hollings, deputy overtime peaked in July 2017 with approximately 15,000 hours per pay period, but has declined to approximately 12,500 hours per pay period in January 2018. As new deputies are onboarded, the Sheriff's Department anticipates ending the fiscal year with approximately 11,000 overtime hours per pay period. According to Mr. Hollings, the overtime is for both uniformed and miscellaneous positions. The new Oracle FSP financial system does not distinguish between uniformed and miscellaneous positions.

The Sheriff's Department's budget for overtime in FY 2017-18 is \$22,674,734. As of the February 9, 2018 pay period, the Sheriff's Department's actual overtime expenditures were \$18,084,678. The requested re-appropriation of \$6,000,000 would increase the overtime budget from \$22,674,734 to \$28,674,734, an increase of 26.5 percent.

The total overtime budget (original budget and the requested appropriation) of \$28.7 million is approximately \$5.4 million or 23 percent more than the Sheriff Department's total overtime expenditures of \$23.3 million in FY 2016-17.²

Department of Emergency Management: \$1,440,728

The proposed ordinance de-appropriates \$1,440,728 in project funds and workers compensation in the Department of Emergency Management's (Emergency Management) FY 2017-18 budget to pay for \$1,440,728 in overtime expenditures, as shown in Table 3 below.

² The FY 2017-18 budget increased overtime by \$9.5 million, from \$10.5 million in FY 2016-17 to \$20.0 million in FY 2017-18.

Table 3: Department of Emergency Management Appropriation to Overtime

Sources	
<u>De-appropriation</u>	
911 Center Power Upgrade	\$62,033
Workforce Scheduling System	159,000
Radio Site Improvement	300,000
Critical Infrastructure Protection	100,000
Public Safety Radio System	552,695
Workers' Compensation	267,000
Total Sources	\$1,440,728
Uses	
<u>Appropriation</u>	
Overtime	\$1,440,728
Total Uses	\$1,440,728

According to Mr. William Lee, Emergency Management Deputy Director of Administration and Support, funds were available from the above projects because of (i) projects completed with available surplus funds (911 Center Power Upgrade, Critical Infrastructure Protection); (ii) unspent contingency funds (Radio Site Improvement, Public Safety Radio System); and (iii) project implementation delays (Workforce Scheduling System). Workers' Compensation savings is due to a reduced level of claims.

According to Mr. Lee, emergency call volume has increased by about 12 percent in FY 2017-18 compared to the prior year. As daily call volume began to spike in April and May 2017, Emergency Management's service level dropped significantly. Emergency Management's service standard is to answer 90 percent of emergency calls in 10 seconds or less, but it dropped to about 65 percent. Late Mayor Ed Lee directed Emergency Management to achieve the 90 percent service standard as quickly as possible, and with additional overtime, the standard was met in late November 2017.

According to Mr. Lee, another factor contributing to increased overtime is attrition. Emergency Management has improved its hiring process and reduced attrition early in the training process. However, attrition has increased among fully-trained dispatchers. Since new hires spend about 75 percent of their first year in training, they are unable to contribute immediately and fill in for staff vacancies. As a result, additional overtime was needed to address the increased workload. According to Mr. Lee, nearly all Emergency Management's overtime is used for Public Safety Communications Dispatchers, Supervisors, and Coordinators.

Emergency Management's budget for overtime in FY 2017-18 is \$3,295,352. As of the February 9, 2018 pay period, Emergency Management's actual overtime expenditures were \$2,905,923. The requested re-appropriation of \$1,440,728 would increase the overtime budget from \$3,295,352 to \$4,736,080, an increase of 44 percent. The total overtime budget (original budget and the requested appropriation) of \$4,736,080 is approximately \$750,000 or 19

percent more than the Department of Emergency Management's total overtime expenditures of \$3,988,138 in FY 2016-17.

Department of Public Health: \$4,730,533

The proposed ordinance de-appropriates \$4,730,533 in surplus fringe benefits at Zuckerberg San Francisco General Hospital (ZSFG) in the Department of Public Health's FY 2017-18 budget to pay for \$4,730,533 in ZSFG temporary and per diem salaries, as shown in Table 4 below.

Table 4: Department of Public Health Appropriation to Salaries at ZSFG

Sources	
<u>De-appropriation</u>	
Fringe Benefits	\$4,730,533
Total Sources	\$4,730,533
Uses	
Salaries (ZSFG)	\$4,730,533
Total Uses	\$4,730,533

According to Mr. Greg Wagner, Chief Financial Officer at DPH, salaries at ZSFG are projected to exceed budget by approximately \$12.8 million due to higher-than-budgeted patient census, resulting in higher-than-budgeted staffing levels to meet regulatory and patient care requirements. Mr. Wagner states that the average patient census for the past seven months (July 2017 through January 2018) is 200 per day in the medical surgical and critical care units, which exceeds the budgeted patient census of 178 per day by approximately 12 percent. This overage in salary expenditures is partially offset by projected fringe benefit savings of \$4,730,533 as census-driven staffing increases have been met partially using temporary and per diem staffing, which have lower fringe benefit costs than permanent staff. According to Mr. Wagner, the projected average patient census for these units from February 2018 through June 2018 is 202 per day. ZSFG projects a \$27.9 million surplus in net patient revenues resulting largely from the higher-than-budgeted patient census.

DPH's budget for salaries at ZSFG in FY 2017-18 is \$374,802,322. Given the higher-than-budgeted staffing levels, the projected budget for salaries in FY 2017-18 is \$387,588,938, for a salary shortfall of \$12,786,616. The requested re-appropriation of \$4,730,533 will increase the DPH salaries budget from \$374,802,322 to \$379,532,855. The revised salary budget of \$379,532,855 is still \$8,056,032 less than the projected salaries in FY 2017-18 of \$387,588,938. According to Mr. Wagner, DPH projects that the remaining salary shortfall of \$8,056,032 will be partially offset by personnel savings in Behavioral Health, Jail Health, and Public Health divisions. In addition, Mr. Wagner states that there will likely be salary expenditures that are more appropriately charged to projects, partially relieving the projected deficit in operating accounts. Additional salary spending controls have also been implemented at ZSFG. This includes a greater number of approvals for hiring of non-clinical positions and a review of overtime and per diem expenditures.

Police Department: \$1,176,768

The proposed ordinance de-appropriates \$1,176,768 in surplus salaries in the Police Department’s FY 2017-18 budget to pay for \$1,76,768 in Police Department overtime expenditures, as shown in Table 5 below.

Table 5: Police Department Appropriation to Overtime

Sources	
De-appropriation	
Permanent Salaries	\$1,176,768
Total Sources	\$1,176,768
Uses	
Overtime	1,176,768
Total Uses	\$1,176,768

According to Ms. Carolyn Welch, Budget Manager for the San Francisco Police Department, the overtime was incurred entirely through mutual aid response in October to the North Bay Fires. The San Francisco Police Department worked 14,015 hours on the North Bay Fires, of which 105 hours were non-uniformed officers. The San Francisco Police Department is working with Sonoma County, the applicant agency for the joint California Office of Emergency Services and Federal Emergency Management Agency (FEMA) Public Assistance Grant claim, to reimburse the amount, but expects the process to take a few years.

The salary savings are from the transfer of officers to the SFPD Airport Bureau to backfill vacancies at the Airport – implemented a few months earlier than planned to meet Airport staffing needs. According to Ms. Welch, the Police Department does not expect additional salary savings at the end of the fiscal year. The Police Department has a few uniform vacancies due to higher than projected Academy attrition. The Police Department is using Airport funds to increasing the size of the next Academy class in order to fill these vacancies, as discussed in File 18-0113 of this report. There are no funded non-uniform position vacancies.

The Police Department’s budget for overtime in FY 2017-18 is \$18,027,240. The Police Department’s actual overtime expenditures to date are \$12,327,153. The requested re-appropriation of \$1,176,768 would increase the overtime budget from \$18,027,240 to \$19,204,008, an increase of approximately seven percent. The total overtime budget (original budget and the requested appropriation) of \$19,204,008 is \$1,440,540 or seven percent less than the Police Department’s total overtime expenditures of \$20,644,548 in FY 2016-17.

The Budget and Legislative Analyst’s Office is currently evaluating the Police Department’s use of overtime as part of the performance audit of the Police Department’s staffing and overtime. The audit report is expected to be completed by May 2018.

RECOMMENDATION

Approve the proposed ordinance.

<p>Item 8 File 18-0116 <i>(Continued from the March 1, 2018 Budget and Finance Committee)</i></p>	<p>Department: General Services Agency - Department of Public Works</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance appropriates \$2,500,000 of the prior year’s unassigned General Fund balance to the Department of Public Works (Public Works) to fund Street and Sidewalk Cleaning in FY 2017-18. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Street Environmental Services bureau of Public Works provides street and sidewalk cleaning Citywide. Street Environmental Services has zone teams that provide scheduled street sweeping, steam cleaning, manual cleaning, and litter removal on predetermined routes, as well as response to service requests. There are also crews that focus on hot spots, encampments, alleys, and swing and night shift operations. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$2,500,000 from the prior year’s unassigned General Fund balance to Public Works to enhance street cleaning operations. • The a \$1,610,000 to pay for approximately 41,150 hours of temporary labor for street cleaning services, equal to approximately 19.8 full-time equivalent (FTE) positions over the course of one year, an increase of approximately 8 percent from Street Environmental Services current 247.5 budgeted FTE positions. • The proposed ordinance appropriates \$230,000 to community grants, which would be allocated to the Tenderloin Neighborhood Litter Reduction and Workforce Development Grant (TL Clean), which provides street cleaning in the Tenderloin neighborhood. The \$230,000 in funding would allow TL Clean to increase operations from five days per week to seven days per week. • The appropriation would also allocate \$100,000 for street cleaning materials and supplies, and \$560,000 to purchase two RAVO street sweepers. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy decision for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 9.105 states 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

The Street Environmental Services bureau of the Department of Public Works (Public Works) provides street and sidewalk cleaning services citywide. Street Environmental Services has zone teams that provide scheduled street sweeping, steam cleaning, manual cleaning, and litter removal on predetermined routes, as well as response to service requests. There are six zones in the City, each approximately corresponding with two supervisorial districts, with the exception of a zone that approximately covers District 6. There are also crews that focus on hot spots, encampments, alleys, and swing and night shift operations. According to Mr. Bruce Robertson, Public Works Finance Manager, Street Environmental Services has a FY 2017-18 budget of \$64,992,106, and it typically expends its full budget each year.

On January 30, 2018, the Board of Supervisors approved an ordinance appropriating \$300,000 of cigarette litter abatement fees to Public Works to approximately 8,979 hours of temporary salaries for manual street cleaning services (File 17-1282).¹

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$2,500,000 from the prior year's unassigned General Fund balance to Public Works to fund street and sidewalk cleaning. The proposed ordinance would appropriate \$1,610,000 for temporary salaries, \$230,000 for community grants, \$100,000 for materials and supplies, and \$560,000 for equipment.

FISCAL IMPACT

The City's Comprehensive Annual Financial Report (CAFR) for the year ending June 30, 2017, identified \$14.4 million in unassigned General Fund monies that are available for future appropriations. The December 21, 2017 Financial Plan Update, prepared jointly by the Controller's Office, Mayor's Office, and Budget and Legislative Analyst's Office, assumed that \$11.9 million would be allocated to balance the FY 2018-19 budget, leaving \$2.5 million unallocated. The proposed ordinance appropriates the \$2.5 million for enhanced street cleaning services, as shown in Table 1 below.

¹ The cigarette litter abatement fee increased on January 1, 2018 from \$0.60 per pack to \$0.75 per pack, resulting in an estimated \$300,000 in increased fee revenues in FY 2017-18 to be allocated to street cleaning services. Increased cigarette litter abatement fee revenues in FY 2018-19 will be used to offset the General Fund contribution to street cleaning services.

Table 1: Spending Plan for Supplemental Appropriation

Staffing	Hourly Wage	Fringe Benefits and Overhead	Full Hourly Cost	Hours	Total Cost
9916 Public Service Aide	\$17.71	120.89%	\$39.31	41,150	\$1,610,000
Community Grants		Additional Days Per Week	Total Additional Days	Total Cost	
TL Clean		2	104	\$230,000	
Materials and Supplies					Total Cost
Brooms, shovels, pickers, bags, chemicals, uniforms, personal protective equipment					\$100,000
Equipment			Cost Per Unit	Units	Total Cost
RAVO Street Sweeper			\$280,000	2	\$560,000
Total					\$2,500,000

The proposed ordinance would appropriate funding for approximately 41,150 hours of temporary labor for street cleaning services, equal to the amount of labor provided by approximately 19.8 full-time equivalent (FTE) positions over the course of one year. Street Environmental Services currently has 247.5 budgeted FTE positions, so the supplemental appropriation would increase the bureau's staffing by about 8 percent. According to Mr. Robertson, the Public Service Aide classification is not typically a budgeted position, but it is used for entry level temporary workers to gain experience for higher level positions. Temporary staff would be assigned to the Community Corridors program, which provides sidewalk sweeping and maintenance services along designated routes in commercial corridors citywide.

According to Mr. Robertson, the community grants would be allocated to the Tenderloin Neighborhood Litter Reduction and Workforce Development Grant (TL Clean),² which provides street cleaning in the Tenderloin neighborhood. TL Clean currently operates five days per week, but the \$230,000 in funding would allow it to operate seven days per week. The appropriation would fund additional service for one year, a total of approximately 104 additional days of service.

The proposed ordinance also appropriates \$100,000 for materials and supplies. According to Mr. Robertson, this includes brooms, shovels, pickers, bags, cleaning chemicals, uniforms, and personal protective equipment. The proposed ordinance also appropriates \$560,000 to purchase two RAVO street sweepers. Public Works currently owns four RAVO sweepers, and each has a useful life of about ten years. According to Mr. Robertson, Street Environmental Services currently has sufficient staffing to utilize all six sweepers.

RECOMMENDATION

Approval of the proposed ordinance is a policy decision for the Board of Supervisors.

² The original \$650,000 grant for the Tenderloin Neighborhood and Workforce Development Program for litter reduction and workforce development was awarded through a Request for Qualifications process in July 2017.