

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

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October 12, 2018

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: October 18, 2018 Budget and Finance Committee Meeting

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Item 1 File 18-0906	Department: Sheriff's Department (Sheriff)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a food service contract between the Sheriff's Department and Aramark Correctional Services, Inc. for a term of five years and an amount not to exceed \$20,000,000, with two one-year options to extend the contract. The initial term would last from approximately November 1, 2018 through October 31, 2023. Under the contract, Aramark would provide three inmate meals and three staff meals per day at the Hall of Justice and San Bruno jail facilities, as well as coffee service and garbage service. <p>Key Points</p> <ul style="list-style-type: none"> • Aramark was selected to provide jail food services based on a competitive Request for Proposals, In July 2018, the Board of Supervisors approved the Controller's certification that food service at the County Jails can be performed by a private contractor at a lower cost than if performed by City employees, pursuant to Proposition J (1976). <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The contract amount is based on the unit price of \$1.615 per inmate meal and \$2.99 per staff meal for the first two years of the contract. The contract budget pays for three inmate meals per day for an average daily jail population of approximately 1,460, and for approximately 327 staff meals per day. • After the first 24 months of the contract, either Aramark or the City may request a renegotiation of the unit price per meal up to the amount of the Consumer Price Index (CPI). The Sheriff's Department has set the contract budget based on annual increases of 3.5 percent for inmate meals beginning in Year 3. • The contract amount includes a contingency of approximately 19 to cover possible cost increases due to the Antibiotics Ordinance, the Good Food Purchasing Program, and other increases, such as sales tax and minimum wage pursuant to the City's Minimum Compensation Ordinance. <p>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

On January 5, 2018, the San Francisco Sheriff's Department issued a Request for Proposals (RFP) for vendors to provide food service at the County Jail facilities. Two vendors submitted proposals, and the scores are shown in Table 1 below.

Table 1: Proposals and Scores from RFP

Proposer	Written Proposal (out of 60)	Presentation and Interview (out of 5)	Financial Proposal (out of 35)	Total Score (out of 100)
Aramark	48.0	4.0	31.0	83.0
Trinity	45.0	3.0	29.0	77.0

Aramark was deemed the highest scoring responsive and responsible proposer.

On July 24, 2018, the Board of Supervisors approved the Controller's certification that food service at the County Jails can be performed by a private contractor at a lower cost than if performed by City employees, pursuant to Proposition J (1976) (File 18-0590, Resolution 255-18).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a food service contract between the Sheriff's Department and Aramark Correctional Services, Inc. for a term of five years and an amount not to exceed \$20,000,000, with two one-year options to extend the contract. The initial term would last from approximately November 1, 2018 through October 31, 2023. Under the contract, Aramark would provide three inmate meals and three staff meals per day at the Hall of Justice and San Bruno jail facilities, as well as coffee service and garbage service.

The contract amount of \$20,000,000 includes a contingency of approximately 19 percent for possible cost increases to comply with the Antibiotics Ordinance (File 17-0763, Ordinance 204-17) and the Good Food Purchasing Program (File 17-0843; File 18-0391, Resolution 191-18). According to Mr. Henry Gong, Sheriff's Department Finance, the Antibiotics Ordinance requires the Juvenile Probation, Recreation and Park, Sheriff's, and Public Health Departments to provide annual reports to the Department of the Environment on antibiotic use in meat and poultry purchasing. The Ordinance also requires the Director of the Department of the Environment to submit recommendations to the Board of Supervisors and Mayor on the feasibility of a citywide procurement policy for meat and poultry raised without antibiotics. The contingency is intended to cover any possible cost increases resulting from policy changes related to the ordinance. It also covers potential cost increases from the Good Food Purchasing Program, which facilitates the adoption of a food purchasing policy that prioritizes nutrition,

affordability, geography, and sustainable production practices, such as sound environmental practices, fair prices for producers, safe and fair working conditions for employees, and humane conditions for animals.

FISCAL IMPACT

The cost paid by the Sheriff's Department to Aramark would not exceed \$20,000,000 over five years. The cost breakdown is shown in Table 2 below.

Table 2: Cost Breakdown of Aramark Contract

Year	Inmate Meals	Staff Meals	Coffee Service	Garbage Service	Total
Year 1	\$2,766,670	\$381,911	\$46,800	\$46,800	\$3,242,181
Year 2	2,766,670	381,911	46,800	46,800	3,242,181
Year 3	2,863,503	381,911	46,800	46,800	3,339,014
Year 4	2,963,726	381,911	46,800	46,800	3,439,237
Year 5	3,067,456	381,911	46,800	46,800	3,542,967
<i>Subtotal</i>	<i>\$14,428,025</i>	<i>\$1,909,555</i>	<i>\$234,000</i>	<i>\$234,000</i>	<i>\$16,805,580</i>
Contingency (19%)					3,194,420
Total					\$20,000,000

The contract amount is based on the unit price of \$1.615 per inmate meal and \$2.99 per staff meal for the first two years of the contract. \$2,766,670 pays for three inmate meals per day for an average daily jail population of approximately 1,460, and \$381,911 pays for approximately 327 staff meals per day.¹

After the first 24 months of the contract, either Aramark or the City may request a renegotiation of the unit price per meal up to the amount of the Consumer Price Index (CPI). The Sheriff's Department has set the contract budget based on annual increases of 3.5 percent for inmate meals beginning in Year 3.

As noted above, the contract amount includes a contingency of approximately 19 percent to cover possible cost increases due to the Antibiotics Ordinance, the Good Food Purchasing Program, and other increases, such as sales tax and minimum wage pursuant to the City's Minimum Compensation Ordinance. According to the contract, the prices included in the contract may be increased by mutual agreement between the City and Aramark to cover increased costs.

RECOMMENDATION

Approve the proposed resolution.

¹ \$2,766,670 includes \$2,547,017 for 131,425 meals per month plus \$291,654 for sales tax. \$381,911 includes \$351,732 for 9,803 meals per month plus \$30,179 for sales tax.

Item 7 Files 18-0932	Department:
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <p>The proposed ordinance appropriates up to \$200,000,000 of Special Tax Bonds, Series 2018A and Series 2018B, for financing related to the Transbay Transit Center Project and Transbay Plan Infrastructure Project in FY 2018-19.</p> <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In September 2014, the Board of Supervisor authorized the formation of a community facilities district (CFD) for new large developments located near the new Transbay Transit Center to provide funding for public infrastructure, including the rooftop park, train box, Caltrain extension, and streetscape improvements. In January 2015, the Board of Supervisors authorized the issuance and sale of not to exceed \$1.4 billion in special tax bonds for the Transbay Transit Center CFD. • The City completed the first issuance of bonds in November 2017 in the amount of \$207.5 million. A second issuance in the amount of \$200 million is currently pending before the Board of Supervisors. The bonds are not secured by public funds. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Of the \$200,000,000 appropriation of bond proceeds, \$29,031,261 is appropriated to the Department of Public Works for streetscape improvements in the CFD. • Funding for the streetscape improvements would remain on Controller’s Reserve until cash for the projects is needed in FY 2019-20 and FY 2020-21, at which time the bonds would be sold. • Although the Office of Public Finance currently anticipates selling approximately \$173 million in bonds, a variety of market conditions could change to be more favorable at the time of sale, which would result in project funds above the estimated \$173 million. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

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

In September 2014, the Board of Supervisor authorized the formation of a Mello-Roos community facilities district (CFD) for new large developments located immediately south of Market Street near the new Transbay Transit Center (known as the Salesforce Transit Center) to provide funding for the Transbay project and related public infrastructure (File No. 14-0814; Resolution No. 350-14). Properties that receive a zoning bonus that allows for development exceeding the current height and floor-to-area ratios in the City's Planning Code must participate in the CFD.

In January 2015, the Board of Supervisors authorized the issuance and sale of not to exceed \$1.4 billion in special tax bonds for the Transbay Transit Center CFD (File No. 15-0018; Resolution No. 002-15).

Pursuant to a Joint Community Facilities Agreement between the City and the Transbay Joint Powers Authority, 82.6 percent of the CFD proceeds will finance a portion of the Transbay project, including the rooftop park, train box, and Caltrain extension. The remaining 17.4 percent of proceeds will finance streetscape improvements within the CFD and capacity enhancements for the closest Bay Area Rapid Transit District (BART) stations.

In November 2017, the City completed the first issuance of Transbay Transit Center CFD bonds (Series 2017A and 2017B) in the aggregate amount of \$207.5 million.

A proposed resolution currently pending before the Board of Supervisors would authorize the second issuance of Transbay Transit Center CFD bonds (Series 2018A and 2018B) in an amount not to exceed \$200 million (File No. 18-0940). Based on project cost estimates and schedules, the Office of Public Finance expects to deliver approximately \$173 million in bond proceeds based on assumptions about market conditions expected at the time of sale.

Both the 2017 and 2018 bonds are secured by a pledge of special tax revenues collected in the CFD. Special taxes are levied on certain properties in the CFD for 30 years following issuance of both a Certificate of Occupancy and Tax Commencement Authorization. According to the Office of Public Finance, in FY 2018-19, the CFD anticipates collecting approximately \$15.5 million in special tax revenues, with collections increasing to approximately \$19.4 million by the end of FY 2019-20, and to approximately \$19.8 million by the end of FY 2020-21. The bonds are not secured by public funds.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance appropriates up to \$200,000,000 of Special Tax Bonds, Series 2018A and Series 2018B, for financing related to the Transbay Transit Center Project and Transbay Plan Infrastructure Project in FY 2018-19.

Estimated sources and uses of the funds available for FY 2018-19 are shown below.

Sources and Uses of Funds¹

	Amount
Sources	
Bond Proceeds	\$200,000,000
Total Sources	\$200,000,000
Uses	
Transbay Transit Center Project Fund	\$147,741,045
Streetscape Improvements	29,031,261
BART Infrastructure Improvements	2,032,882
Subtotal, Project Costs	\$178,805,188
Debt Service Reserve	15,020,943
Capitalized Interest	2,882,924
Cost of Issuance	3,232,882
City Services Auditor (0.2% of proceeds)	58,063
Subtotal, Reserves, Interest, Issuance, and Other Costs	\$21,194,812
Total Uses	\$200,000,000

The uses of the funding outlined above would be placed on Controller's Reserve pending sale of the special revenue tax bonds and approval from the Controller's Office of Public Finance for the fund release.

FISCAL IMPACT

Of the \$200,000,000 appropriation of bond proceeds, \$29,031,261 is appropriated to the Department of Public Works for the following streetscape improvements.

¹ As discussed further below, the Office of Public Finance expects the bond par amount to be \$173 million rather than \$200 million based on market conditions. According to the September 21, 2018 memorandum from the Office of Public Finance to the Board of Supervisors, a bond par amount of \$173 million would reduce project funds from \$178.8 million (shown in the table above) to \$154.4 million.

Streetscape Improvement Projects and Budgets

Project Description	FY 2019-20	FY 2020-21	Total
Improvements on Howard St between 3 rd St and Embarcadero, including pedestrian signal at under ramp park; reconfigure Steuart St from one-way to two-way between Howard St and Mission St with mid-block pedestrian signal	\$13,135,276	\$8,231,173	\$21,366,448
Beale St loading improvements for Casual Carpool dropoff between Clementina St and Howard St	2,482,125		2,482,125
Beale St sidewalk, bicycle facility, and loading improvements between Market St and Mission St	3,723,188		3,723,188
Install pedestrian crossing signal on Beale St at Clementina St	672,000		672,000
Improve pedestrian connection between MoMA and Transit Center on Natoma St	262,500		262,500
Install striped bike lane on Main Street and pedestrian crossing at Clementina St on Main Street	525,000		525,000
Total	\$20,800,088	\$8,231,173	\$29,031,261

According to Mr. Devin Macaulay, Budget Manager at Public Works, funding for the streetscape improvements would remain on Controller’s Reserve until cash for the projects is needed in FY 2019-20 and FY 2020-21, at which time the bonds would be sold.

According to Ms. Jamie Querubin, Deputy Director of the Controller’s Office of Public Finance, actual bond proceeds will depend on market conditions at time of the bond sales. Although the Office of Public Finance anticipates selling approximately \$173 million in bonds based on current market conditions, the requested appropriation of not-to-exceed \$200 million exceeds this amount to provide flexibility should market conditions be more favorable at the time of sale. Conditions that could result in a change in the anticipated project fund and/or par amount above the estimated \$173 million include: (1) bonds issued on a federally tax-exempt basis; (2) bonds issued with a debt service reserve fund surety policy or smaller cash reserve fund; (3) fluctuations in market interest rates between the date of authorization by the Board of Supervisors and the sale of the bonds; (4) changes in required deposits for capitalized interest; and (5) changes in estimated delivery date expenses.

Based on current market conditions, the Office of Public Finance estimates average annual debt service of approximately \$10.7 million, based on a 30-year term and an overall borrowing cost of 4.27 percent for the issuance of federally taxable bonds. The anticipated total par amount of \$173 million is estimated to result in \$153 million in interest payments and total debt service of approximately \$328.5 million over the life of the bonds.

RECOMMENDATION

Approve the proposed ordinance.

Items 10 and 11 Files 18-0599 & 18-0602	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolutions would approve specialty retail and casual dining leases between San Francisco International Airport (Airport) as landlord and (i) Canonica New York, LLC, for a term of seven years and Minimum Annual Guaranteed (MAG) rent of \$225,000 (File 18-0599); and (ii) SSP America, Inc., for a term of ten years and MAG rent of \$250,000 (File 18-0602) as tenants. <p>Key Points</p> <ul style="list-style-type: none"> • In August 2017, the Airport Commission authorized Airport staff to issue a Request for Proposals (RFP) for six concession leases in Terminal 2, including (i) a candy/confections retail lease and (ii) a casual dining restaurant lease. A panel reviewed the proposals for these two lease sites and determined Canonica New York, LLC and SSP America, Inc. to be the highest ranking, responsive, and responsible proposers. • The proposed resolutions would approve a lease with Canonica New York, LLC for a term of seven years and a lease with SSP America, Inc. for a term of ten years. The tenants would pay the greater of the MAG rent or percentage rent based on gross revenues. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Over the terms of the two leases, the Airport would receive at least \$4,075,000 in MAG rent. The Airport expects to receive percentage rent, which would exceed the MAG. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolutions. 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, or that had anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

In August 2017, the San Francisco International Airport (Airport) Commission authorized Airport staff to issue a Request for Proposals (RFP) for six concession leases in Terminal 2,¹ including two sites for a candy/confections retail concession lease and a casual dining restaurant lease. In January 2018, the Airport received 11 proposals for these two leases, and a panel reviewed and rated the proposals. The proposers and scores are shown in Table 1 below.

Table 1: Proposers and Scores for Concession Lease RFP

Proposer	Concept Name	Score
<i>Candy/Confections Retail (File 18-0599)</i>		
Canonica New York, LLC	Chocolate Market	81.66
Pacific Gateway Concessions LLC	See's Candies	79.52
Melshire DFW, LP	Natalie's Candy Jar	79.49
<i>Casual Dining Restaurant (File 18-0602)</i>		
SSP America, Inc.	Sweet Maple	86.14
High Flying Foods	Sababa	85.12
Host International, Inc.	Starbelly	82.76
Canonica New York, LLC	Wellness	80.52
Amoura International, Inc.	Amoura Creperie	80.42
Beecher's Airport Restaurants-CA1, LLC	Beecher's Handmade Cheese	79.00
Bayport Concessions, LLC	Mama's of San Francisco	78.20
Gate 74, Inc.	Stack's, All-American Comfort Food	69.50

Canonica New York, LLC and SSP America, Inc. were determined to be the highest ranking, responsive, and responsible proposers for the two lease sites. On March 20, 2018, the Airport Commission approved the proposed leases.

¹ The RFP was for six lease sites; the proposed resolutions (Files 18-0599 and 18-0602) would approve two of the six lease sites. A third lease with Brookstone SFO T2, LLC (Electronics/Travel Retail) was approved by the Airport Commission and submitted to the Board of Supervisors (File 18-0600). Brookstone has declared bankruptcy, and the Airport is not moving forward with the lease at this time. A fourth lease with Avila Retail Development and Management, LLC (Regional Gifts Retail) was approved by the Airport Commission and submitted to the Board of Supervisors (File 18-0601). Avila's principal owners have since decided to retire from the industry, and the Airport Commission rescinded the lease on August 21, 2018. Airport staff will either reissue the RFP or test a new concept in the premises. According to Mr. Reeb, the Airport did not receive any proposals for Specialty Retail Lease No. 4 (Museum Store). The concept has been changed to Sunglasses and Cosmetics and the RFP deadline is August 31, 2018. The deadline for Specialty Retail Lease No. 5 was postponed, as the concept was changed from Sunglasses and Cosmetics to a Wellness Center. A proposal has been selected and approved by the Airport Commission and is awaiting introduction to the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed resolutions would approve leases between the Airport as landlord and the following as tenants:

- i. Canonica New York, LLC, for a term of seven years and Minimum Annual Guaranteed (MAG) rent of \$225,000 (File 18-0599); and
- ii. SSP America, Inc., for a term of ten years and MAG rent of \$250,000 (File 18-0602).

Under each lease, the tenant would pay the greater of the MAG rent or percentage rent based on gross revenues. According to Mr. John Reeb, Airport Principal Property Manager, the leases are expected to commence by December 2018 or January 2019, although each tenant may establish a temporary location during the construction period. The details of the proposed leases are shown in Table 2 below.

Table 2: Key Provisions of Proposed Leases

Tenant	Canonica (File 18-0599)	SSP America (File 18-0602)
Term	7 years	10 years
Square Footage	740	1,597
Initial MAG Rent²	\$225,000	\$250,000
Percentage Rent	12% of revenues up to \$500,000; 14% of revenues from \$500,000 to \$1,000,000; 16% of revenues over \$1,000,000	8% of revenues up to \$600,000; 10% of revenues from \$600,000 to \$1,000,000; 12% of revenues over \$1,000,000
Minimum Investment	\$700 per square foot (\$518,000)	\$1,000 per square foot (\$1,597,000)
Interim Rent during Construction	16% of gross revenues	12% of gross revenues
MAG Adjustment	Increased annually based on Consumer Price Index (CPI)	
Deposit	Equal to one half of the initial MAG	
Early Termination	Airport may terminate with six months written notice	

² Beginning with the Airport's 2016 competitive solicitation for food and beverage leases, the Airport sets MAG rents for each fully leased area, on an average, at 65 percent of projected percentage rent. The MAG for retail lease sites is set at approximately 75 percent of projected percentage rent.

FISCAL IMPACT

Under the terms of each lease, the tenants would pay the greater of the MAG rent or percentage rent of gross revenues. Over the terms of the leases, the Airport would receive at least \$4,075,000 in MAG rent. The MAG rent paid by each tenant over the lease terms are shown in Table 3 below.

Table 3: MAG Rent Paid by Each Tenant

Tenant	Initial MAG Rent	Lease Term	Total MAG Rent Paid
Canonica (File 18-0599)	\$225,000	7 years	\$1,575,000
SSP (File 18-0602)	\$250,000	10 years	\$2,500,000
Total			\$4,075,000

According to Mr. Reeb, the Airport expects to receive percentage rent, which would exceed the MAG.

RECOMMENDATION

Approve the proposed resolutions.

Item 12 File 18-0852	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the contribution agreement between United Airlines and the Airport that provides for a financial contribution of \$6,250,000 from United Airlines toward the costs for the design, acquisition, construction, and installation of the ten ground power converter units and ten preconditioned air units. <p>Key Points</p> <ul style="list-style-type: none"> • Parked aircraft require power and cooled air for cleaning and maintenance of the aircraft. Currently, parked aircraft at the Airport use the aircraft's auxiliary power units powered by jet fuel to provide power and cooled air during maintenance and cleaning. To reduce emissions from burning jet fuel, the Airport's Capital Improvement Plan allocated \$25 million to install ten 400 Hz ground power converter units and ten preconditioned air units for use by parked aircraft. Of the ten ground power convertor and preconditioned air units, five are located on premises leased by United Airlines. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Sources of funds for the \$25 million project include \$10.58 million in Federal Aviation Administration grant funds, \$6.25 million in United Airlines contribution, and \$8.17 million in Airport Revenue Bond proceeds. The Airport Revenue Bond proceeds of \$8.17 million will be repaid from airline rates and charges, based on the terms of the Airport's Lease and Use Agreement with the signatory airlines. • The project consists of substation and other infrastructure upgrades and installation of the ten ground power converter and preconditioned air units. According to the Airport, substation and other infrastructure upgrades, which are attributable mostly to areas outside of United Airline's leased premises, make up the majority of the \$25 million project cost. The Airport requested a contribution from United Airlines of \$6.25 million, based on the Airport's estimate of costs attributable to United Airline's share of project costs. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of \$1 million or more, or (ii) have anticipated revenues of \$1 million or more and require modifications, are subject to Board of Supervisors approval.

BACKGROUND

Parked aircraft require power and cooled air for cleaning and maintenance of the aircraft.¹ Currently, parked aircraft at San Francisco International Airport (Airport) use the aircraft's auxiliary power units powered by jet fuel to provide power and cooled air during maintenance and cleaning. The jet fuels burns at rates between 30 and 110 gallons per hour. To reduce emissions from burning jet fuel, the Airport is installing 10 ground power converter units², and 10 preconditioned air units³, and related infrastructure. The ground power converter units and the preconditioned air units will reduce emissions by precluding the need for aircraft to run auxiliary power units for cooling and power.

In the Airport's Capital Improvement Plan, the Airport allocated \$25 million⁴ to install ten 400 Hz ground power converter units and ten preconditioned air units at ten remain-overnight aircraft parking positions⁵ on Plots 40 and 41 at the Airport. Four of the parking positions included in the project are located at the SuperBay Hangar at Plot 40, which is leased by United Airlines, Inc. (United). A fifth parking location located in Plot 41 has historically been primarily used by United. The remaining five parking positions are used by other airlines at the Airport.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the contribution agreement between United Airlines and the Airport that provides for a financial contribution of \$6,250,000 from United Airlines toward the costs for the design, acquisition, construction, and installation of the ten ground power converter units and ten preconditioned air units.

According to the contribution agreement, the Airport agreed to install five of the ten ground power converter units and preconditioned air units on premises currently leased by United Airlines. United Airlines will make a lump sum contribution of \$6,250,000 toward the costs of installation and will be responsible for ongoing maintenance of the five ground power converter units and preconditioned air units on its leased premises.

¹ Aircraft quickly become too hot for employees to perform maintenance operations unless the interiors are cooled while aircraft are on the ground.

² Ground power converter units are external power sources that provide power for the aircraft system, engine starting, and aircraft servicing.

³ Pre-conditioned air units provide temperate air to an aircraft separate from the aircraft's air conditioning system.

⁴ The Airport estimates that the cost of this project will be approximately \$25 million, but that the total cost of the project including City administrative costs, design fees, and construction costs may be higher.

⁵ A remain-overnight aircraft parking position is a location where an aircraft can park away from the terminals.

FISCAL IMPACT

Sources of funds for the \$25 million project include \$10.58 million in Federal Aviation Administration grant funds, \$6.25 million in United Airlines contribution, and \$8.17 million in Airport Revenue Bond proceeds, as shown in the Table below.

Table: Sources and Uses of Funds

Sources		
Federal Aviation Administration Grant		\$10,577,000
United Airlines Contribution		6,250,000
Airport Revenue Bonds		8,173,000
	Total	\$25,000,000
Uses		
Engineering		\$298,129
Project Management		120,000
Construction Services ^a		180,000
Construction Management		820,000
Construction		20,750,000
Construction Contingency (7.5% of Construction)		1,556,250
Airfield Operations (Airfield Safety Officers)		50,000
Specialized Services ^b		1,225,621
	Total	\$25,000,000

Source: Airport

^a Construction services consist of surveys, inspections, construction activities coordination

^b Includes as-needed design services

The project consists of substation and other infrastructure upgrades and installation of the ten ground power converter and preconditioned air units. According to Ms. Tina Ko, Airport Finance, substation and other infrastructure upgrades, which are attributable mostly to areas outside of United Airline's leased premises, make up the majority of the \$25 million project cost. The Airport requested a contribution from United Airlines of \$6.25 million, which the Airport considered attributable to United Airline's share of project costs.

According to Ms. Ko, the Airport Revenue Bonds of \$8.17 million will be repaid from airline rates and charges, based on the terms of the Airport's Lease and Use Agreement with the signatory airlines.

RECOMMENDATION

Approve the proposed resolution.