CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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February 28, 2020

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: March 4, 2020 Budget and Finance Committee Meeting

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Item 1 **File 20-0005** *(Continued from February 26, 2020)*	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Modification No. 1 to the Curbside Management Services contract between San Francisco International Airport (Airport) and FSP PPM Management, LLC (FSP PPM), exercising the one-year option to extend the contract through June 2021, and increasing the not-to-exceed amount of the contract by $10,428,565, from $19,522,294 to $29,950,859.

Key Points

- In 1999, the Airport established the Curbside Management Program to consolidate the management and monitoring of the Airport's ground transportation services and increase the utilization of ground transportation through improved customer service. In 2016, after conducting a Request for Proposals (RFP), the Airport selected FSP PPM to operate the Curbside Management Program. The Board of Supervisors approved a contract with FSP PPM, for a term of four years, from July 2016 through June 2020, and an amount not to exceed $19,522,294, with a one-year option to extend the term through June 2021.
- In June 2019, the Airport moved all Transportation Network Company (TNC) pickups to the fifth floor of the domestic parking garage to reduce congestion on terminal roadways. The Airport then added an additional TNC staging lot to address congestion along Millbrae Avenue. Due to these changes, extended hours of operations at TNC Lots 1 and 2, and taxi services at the Grand Hyatt Hotel, FSP PPM has increased its staffing at the Airport from approximately 64.4 full-time equivalent (FTE) employees to 96 FTE employees in FY 2020-21, an increase of 50 percent.
- According to the Airport, FSP PPM has met performance standards during the contract term, and the Airport wishes to exercise the one-year option to extend the contract. In December 2019, the Airport Commission approved Modification No. 1, extending the contract through June 2021 and increasing the not-to-exceed amount of the contract to $29,950,859.

Fiscal Impact

- Actual contract expenditures over the three-year period from FY 2016-17 through FY 2018-19 are $14,528,919. Projected expenditures in FY 2019-20 are $7,584,820 and in FY 2020-21 are $7,868,372, resulting actual and budgeted expenditures over five years of $29,982,111 (or $31,252 more than the not-to-exceed amount of $29,950,859). The increased spending in FY 2019-20 and FY 2020-21 is due to the increase in staffing from 64.4 positions to 96 positions, noted above.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

In 1999, San Francisco International Airport (Airport) established the Curbside Management Program to consolidate the management and monitoring of the Airport's ground transportation services and increase the utilization of ground transportation through improved customer service.

In 2016, the Airport conducted a Request for Proposals (RFP) to select a new contractor to operate the Curbside Management Program. FSP PPM Management, LLC (FSP PPM), which had been the existing contractor, was deemed the highest scoring responsive and responsible proposer and was awarded a contract. In July 2016, the Board of Supervisors retroactively approved a contract with FSP PPM for a term of four years, from July 2016 through June 2020, and an amount not to exceed $19,522,294, and a one-year option to extend through June 2021 (File 16-0741, Resolution 333-16).

In June 2019, the Airport moved all Transportation Network Company (TNC) pickups to the fifth floor of the domestic parking garage to reduce congestion on terminal roadways. The Airport then added an additional TNC staging lot to address congestion along Millbrae Avenue. These changes required FSP PPM to hire additional staff, which requires additional funding for the contract. In December 2019, the Airport Commission approved Modification No. 1 to the FSP PPM contract, exercising the one-year option to extend through June 2021, and increasing the not-to-exceed amount by $10,428,565, for a total not to exceed $29,950,859.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Modification No. 1 to the Airport's Curbside Management Program contract with FSP PPM, exercising the one-year option to extend the contract through June 2021, and increasing the not-to-exceed amount by $10,428,565, for a total not to exceed $29,950,859.

The scope of work for the FSP PPM contract includes management of the curbside and staging lots used by commercial ground transportation operators, taxi dispatching, and taxi Smart A-Card management that enables revenue collection of taxi trip fees. FSP PPM also performs janitorial services for the ground transportation facilities.

The current FSP PPM contract budget includes funding for approximately 64.4 full-time equivalent (FTE) employees. The proposed Modification No. 1 budget increases total FTE positions to 96 in FY 2020-21, or an approximately 52 percent increase over the previous staffing levels. According to Mr. Daniel Pino, Airport Landside Operations, the additional positions are needed because of the new TNC Lot 3, extended hours of operations at TNC Lots 1 and 2, TNC operations at Levels 4 and 5 of the domestic parking garage, TNC pick up and drop off at the International Terminal, and taxi services at the Grand Hyatt hotel.

Under the contract, FSP PPM is evaluated annually on ten performance measures. According to Mr. Pino, FSP PPM has performed at the highest level through the contract.

FISCAL IMPACT

The proposed contract would increase the not-to-exceed amount of the contract by $10,428,565, for a total not to exceed $29,950,859. The additional $10,428,565 includes an increase of $2,560,193 to the FY 2019-20 not-to-exceed amount, increasing from $5,024,627 to $7,584,821, and a not-to-exceed amount of $7,868,372 for the FY 2020-21 option year. Annual expenditures are shown in Table 1 below.

Table 1: Annual Contract Expenditures

Year	Amount
FY 2016-17 (Actual)	$4,290,625
FY 2017-18 (Actual)	4,708,282
FY 2018-19 (Actual)	5,530,012
FY 2019-20 (Projected)	7,584,820
FY 2020-21 (Projected)	7,868,372
Total	**$29,982,111**

Note: Total actual and projected contract expenditures of $29,982,111 are $31,252 more than the not-to-exceed amount of $29,950,859. According to Mr. Pino, the Airport will work with the contractor to ensure that expenditures do not exceed the contract not-to-exceed amount.

The breakdown for the final two years of the contract budget is shown in Table 2 below. According to Ms. Dyanna Quizon, Airport Government Affairs Manager, the proposed Modification No. 1 provides sufficient authority to fully fund the contract through the end of its term in June 2021.

Table 2: Contract Budget FY 2019-20 and FY 2020-21

	FTE	FY 2019-20	FTE	FY 2020-21
Position				
General Manager	1.00	$141,659	1.00	$146,040
Assistant General Manager	1.00	58,220	1.00	118,770
Curbside Managers	3.00	299,461	3.00	299,869
Taxi/TNC Supervisors	9.00	772,386	8.00	688,307
SRV/Limo Supervisors	2.00	169,390	2.00	153,027
Taxi/TNC Dispatchers	57.00	4,622,718	74.00	5,366,819
SRV/Limo Lot Monitors	17.00	579,041	3.00	180,740
Administrative Assistants	3.00	222,721	3.00	189,232
Janitors	1.00	62,692	1.00	60,235
Labor Subtotal	94.00	$6,928,289	96.00	$7,203,039
Profit (6.7%)		464,195		482,604
Other Direct Costs		95,657		85,529
Administrative Fee		96,679		97,200
Total		**$7,584,820**		**$7,868,372**

Source: Airport

According to Mr. Pino, sufficient funding is available in the FY 2019-20 Airport Operating Budget.

RECOMMENDATION

Approve the proposed resolution.

Item 2 File 20-0111	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) retroactively authorize a not to exceed amount of \$107.9 million related to the first modification to SFPUC's agreement with APX, which is \$2.9 million higher than the amount originally approved by the Board of Supervisors but reflects the actual amount in the first modification and (2) authorize the second modification to the APX agreement, increasing the not to exceed amount by \$42 million, from \$107.9 million to \$149.9 million and increasing the term of the agreement by two years through June 2022.

Key Points

- The SFPUC's Power Enterprise is responsible for the generation, procurement and delivery of power to its electric customers. To do so, it must purchase and sell power, which is transmitted over the state's electric grid, 80 percent of which is managed by the California Independent System Operator (CAISO). The SFPUC does not meet the CAISO requirements for a "scheduling coordinator," an entity that allowed to complete power transactions on the CAISO network and is able to make payments to the CAISO for power transactions, so SFPUC has contracted for these services.
- In September 2014, the SFPUC entered into a \$5 million contract with APX, Inc. for scheduling coordinator services for five years, from June 2015 through June 2020. In December 2015, the Board of Supervisors approved the first modification to the APX agreement, increasing the total not to exceed amount from \$5 million to \$105 million (File 15-1168). The reason for the \$100 million increase was to allow for pass-through sales and purchases of electricity between the SFPUC and the CAISO via APX. Prior to that time, the SFPUC relied on Pacific Gas & Electric to transmit pass-through charges to the CAISO.

Fiscal Impact

- The increase of \$42 million in the proposed second modification to the agreement between SFPUC and APX, from the current agreement amount of \$107.9 million (for the five-year term from July 2015 to June 2020) to the proposed amount of \$149.9 million (for the seven-year term from July 2015 to June 2022), consists of: (a) \$2 million for scheduling and coordinating electricity transmission on the electrical grid and other tasks and (b) \$40 million of pass-through electricity sales and purchases.
- All payments to APX and to the CAISO through APX will be made from the Hetch Hetchy Power operating fund.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

The San Francisco Public Utilities Commission's (SFPUC) Power Enterprise is responsible for the generation, procurement and delivery of power to electric customers of the City, including: CleanPowerSF customers, City departments and other public entities, entities providing service on behalf of or in coordination with tenants on City property (i.e., at the Port and Airport) and the Hunters Point Shipyard and other redevelopment projects. The California Independent System Operator (CAISO)[1] controls and operates the transporting of electric power over California's electric transmission system.

History of SFPUC Agreement with APX

State and Federal regulations govern payments made to the CAISO. The SFPUC does not meet the CAISO requirements for a "scheduling coordinator," an entity that is allowed to complete power transactions on the CAISO network and is able to make payments to the CAISO for power transactions, so SFPUC has contracted for these services.[2] In September 2014, the SFPUC entered into a $5 million contract with APX, Inc. for scheduling coordinator services for five years, from June 2015 through June 2020.[3] APX was selected through a competitive process; however it was deemed the only qualified firm to submit a proposal in response to the RFP.

In December 2015, the Board of Supervisors approved the first modification to the APX agreement, increasing the total not to exceed amount from $5 million to $105 million (File 15-1168). The reason for the $100 million increase in the not to exceed amount was to allow for pass-through sales and purchases of electricity between the SFPUC and the CAISO via APX, which amounted to approximately $20 million per year. Prior to that time, the SFPUC relied on Pacific Gas & Electric to transmit pass-through charges to the CAISO.

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[1] The CAISO is a nonprofit public benefit corporation that is regulated by the Federal Energy Regulatory Commission (FERC) to manage the flow of electricity across the high-voltage long-distance power lines that make up 80% of California's power grid. The CAISO is responsible for ensuring that there is sufficient, safe, reliable and equal access to power transmission lines and facilitating competitive wholesale power markets to diversify resources and lower prices.

[2] According to Section 4.5.3 of September 2019 CAISO Tariff, the duties of a scheduling coordinator include paying fees to the CAISO, submitting qualified bids and interchange schedules for power, coordinating and modifying demand for power at the direction of the CAISO, tracking and settling trades, and assuming financial responsibility for all requested transactions.

[3] Under the existing agreement, APX, Inc. provides schedule coordination, submitting interchange schedules, bids, energy trades, managing communications between SFPUC schedulers and operators, handling settlements and other related services 7-days per week, 24-hours per day, to allow the SFPUC to transmit electric power over the transmission system controlled by the CAISO. The agreement also provides for as-needed consulting services for the SFPUC.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) retroactively authorize a not to exceed amount of $107.9 million related to the first modification to the APX agreement, which is $2.9 million higher than the amount originally approved by the Board of Supervisors but reflects the actual amount in the first modification and (2) authorize the second modification to the APX agreement, increasing the not to exceed amount by $42 million, from $107.9 million to $149.9 million and increasing the term of the agreement by two years through June 2022.

Retroactive Approval of the First Modification

The resolution approving the first modification to the agreement between SFPUC and APX, approved by the Board of Supervisors in December 2015, increased the agreement amount by $100 million, from $5 million to $105 million. However, the actual agreement increased by $102.9 million, from $5 million to $107.9 million. SFPUC noted the error when preparing the proposed second amendment to the agreement and submitted retroactive approval of the first modification to the agreement, increasing that not to exceed amount to $107.9 million, to correspond with approval of the proposed second modification to the agreement.

FISCAL IMPACT

The increase of $42 million in the proposed second modification to the agreement between SFPUC and APX, from the current agreement amount of $107.9 million (for the five-year term from July 2015 to June 2020) to the proposed amount of $149.9 million (for the seven-year term from July 2015 to June 2022), consists of: (a) $2 million for scheduling and coordinating electricity transmission on the electrical grid and other tasks, as shown in Table 1 below, and (b) $40 million of pass-through electricity sales and purchases.

Table 1: Increase in Scheduling, Coordinating and Other Services

	Original Agreement July 2015 to June 2020	Proposed Second Modification July 2015 to June 2022	Increase
Scheduling/ coordinating electricity transmission	$2,100,000	$2,940,000	$840,000
Other tasks as needed	2,900,000	4,060,000	1,160,000
Total	$5,000,000	$7,000,000	$2,000,000

Source: First and second agreement modifications

SFPUC was not able to provide actual expenditures for scheduling and coordinating electricity transmission and other tasks, or for pass-through of electricity sales and purchases from the current agreement term from July 2015 through December 2019. According to Ms. Sunita Jones, the SFPUC Energy Scheduling and Settlement Manager, the move from the City's former financial system, FAMIS, to the new financial systems, FSP in 2017 resulted in incomplete and inaccurate financial system reports for calendar years (CY) 2015, 2016, and 2017. However, based on agreement spending of $26.9 million in CY 2018 and $30.3 million in CY 2019, as shown in Table

2 below, SFPUC considers the requested increase of $42 million (including $40 million for pass-through electricity sales and purchase) to be sufficient for the additional two-year extension of the agreement through June 2022. According to Ms. Jones, the SFPUC plans to issue a new request for proposals prior to the expiration of the proposed second modification's end date of June 2022.

Table 2: Actual APX Payments

Calendar Year	2018	2019	2020
Total Payment	$26,928,521	$30,332,203	$5,859,775

Source: SFPUC

All payments to APX and to the CAISO through APX will be made from the Hetch Hetchy Power operating fund.

RECOMMENDATION

Approve the proposed resolution.

Item 4 File 20-0115	Departments: Department of Public Health (DPH) Real Estate Division

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would (1) approve a lease between the City and The Salvation Army for property located at 1156 Valencia Street for a term of three years with two one-year options to extend at a base rent of $404,000 per year; (2) authorize the reimbursement by the City to the landlord up to $300,000 plus a 4 percent construction management fee towards the cost of tenant improvements and (3) authorize the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the lease and the resolution to commence following Board of Supervisors' approval.

Key Points

- The property at 1156 Valencia Street will be used for a 30-bed Navigation Center serving adults experiencing homelessness and with behavioral health issues. The proposed Navigation Center will be based on the Department of Public Health's Hummingbird Navigation Center model located at San Francisco General Hospital.
- The landlord will construct tenant improvements, including showers and laundry facilities, which costs will be reimbursed by the City up to $300,000 plus a 4 percent construction management fee. The Navigation Center is expected to open in April 2020 following completion of construction.
- The landlord is offering a short-term, three-year lease because the landlord is expecting to develop the property as affordable housing and, therefore, is unwilling to commit beyond three years. If construction on the affordable housing project is delayed, the City expects to exercise one or both options to extend the lease term. The proposed resolution authorizes the Director of Real Estate to enter into the lease extensions without further Board of Supervisors approval if the lease extension does not increase the rent or otherwise materially increase the obligations or liabilities of the City.

Fiscal Impact

- Under the proposed lease, the City would pay an initial annual rent of $404,000, escalating by 3 percent per year over the three-year term Total rental costs over the 3-year lease term for 1156 Valencia Street are estimated at $1,248,724.
- The proposed lease requires the City to pay for utilities, services, routine maintenance and repair and other operating expenses. The proposed operating costs for a Navigation Center site at 1156 Valencia Street from March 1, 2020 through June 30, 2021 will be $3,878,000.

Recommendations

- Amend the proposed resolution to state that the rent on exercise of the option to extend the lease cannot increase by more than 3 percent per year
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

Administrative Code Section 23.27 requires Board of Supervisors approval of leases of one year or more in which the City is the tenant.

BACKGROUND

The Navigation Center model was first piloted in March 2015 to provide a low-barrier, service-rich alternative to traditional homeless shelters, with the goal of transitioning people off the streets and into longer-term solutions. As of January 2020, seven Navigation Centers are active.

The Board of Supervisors approved an ordinance in April 2019 (File 19-0047, Ordinance 61-19) to streamline the process for entering leases and contracts for homeless shelters in order to expedite the opening of homeless service sites, including Navigation Centers. The ordinance waived competitive bidding requirements for construction work and professional and other services for homeless service sites.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) approve a lease between the City and The Salvation Army for property located at 1156 Valencia Street for a term of three years with two one-year options to extend at a base rent of $404,000 per year; (2) authorize the reimbursement by the City to the landlord up to $300,000 plus a 4 percent[1] construction management fee towards the cost of tenant improvements and (3) authorize the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of the lease and the resolution to commence following Board of Supervisors' approval. The property at 1156 Valencia Street includes a 10,833 square foot building and adjacent parking lot and utility area. The City is leasing 10,100 square feet of the property[2].

According to Ms. Kelly Hiramoto, Special Projects Manager at the Department of Public Health, the site at 1156 Valencia Street will be used as an approximately 30-bed Navigation Center serving unsheltered adults with behavioral health issues experiencing homelessness. Ms. Hiramoto states that the site will serve as a community-embedded behavioral health respite program based on the Hummingbird Navigation Center model located at Zuckerberg San Francisco General Hospital.

Table 1 below lists the terms of the proposed lease.

[1] According to the Section 6.1(d) of the proposed lease, the 4 percent fee is based on the reimbursable leasehold improvements, which, as noted above, are capped at $300,000.

[2] According to Mr. Josh Keene, Special Projects and Transactions Manager at the Real Estate Division, when the City and landlord originally negotiated the financial terms of the lease, it was based on the assumption the building was 10,100 square feet, although the City later determined it was actually 10,833 square feet. Despite actually being larger than expected, the parties agreed to pay rent as already negotiated based on the 10,100 square feet, and the landlord reserved a 200 square foot portion of the building for its Salvation Army Chaplain.

Table 1. Proposed Lease Terms for 1156 Valencia Street

Landlord	The Salvation Army
Tenant	City
Area	10,100 rentable square feet
Rent (monthly and annual)	• $33,666.67 (monthly) • $404,000 (annually)
Rent adjustments	3 percent increase annually
Term	36 months or 3 years. Estimated to begin on approximately March 1, 2020 and expire on approximately February 28, 2023.
Options to extend	Two one-year options determined by mutual agreement
Rent during extension	Determined by mutual agreement
Services and Operations	City to pay operating expenses (e.g., utilities) of the building.
Taxes and Insurance	Landlord to pay real estate taxes and landlord's insurance.
Tenant and Capital Improvements	Landlord to perform capital and tenant improvements needed to occupy and operate the property for the intended purposes. These improvements are expected to include installation of shower and laundry facilities and improvements to accessibility. The City will reimburse the landlord for the cost of the improvements up to $300,000 and pay landlord a four percent construction management fee for the improvements.
Additional Services	None expected to be contracted through landlord.

Source: Proposed Lease

Short-Term Lease

According to Mr. Josh Keene, Special Projects and Transactions Manager at the Real Estate Division, the landlord is offering a short-term, three-year lease because the landlord is expecting to develop the property as affordable housing and, therefore, is unwilling to commit beyond three years. If construction on the affordable housing project is delayed, the City expects to exercise one or both options to extend the lease term.

The building on the property will be delivered vacant to the City on approximately March 1, 2020.

The proposed resolution authorizes the Director of Real Estate to enter into the lease extensions without further Board of Supervisors approval if the lease extension does not increase the rent or otherwise materially increase the obligations or liabilities of the City. Because the lease states that the rent during the extended lease term would be "determined by mutual agreement", the proposed resolution should be amended to state that the rent on exercise of the option to extend the lease cannot increase by more than 3 percent per year.

Capital and Tenant Improvements

Under the proposed lease, the landlord will perform capital and tenant improvements needed to occupy and operate the property for the intended purposes as a Navigation Center site. The City will reimburse the landlord for the cost of the improvements up to $300,000 and pay the landlord a four percent construction management fee[3] for the improvements. According to Ms. Hiramoto, the current layout of the building does not include showers or laundry facilities. Capital improvements include the addition of showers and outlets that can support washers and dryers, as well as upgrading accessibility of bathrooms. An architecture firm will be providing design services at no cost to the City as part of the firm's community benefit program. The design plans will be used by the landlord to solicit bids from a contractor to complete the renovation work. Total costs to complete the renovations will be known after the bid process is completed.

According to Ms. Hiramoto, it is anticipated that the proposed Navigation Center at 1156 Valencia Street would be operational by April 2020 if renovations are completed as anticipated.

FISCAL IMPACT

Under the proposed lease, the City would pay an initial annual rent of $404,000, escalating by 3 percent per year over the three-year term. Under the proposed lease, two additional one-year extension options exist with rent determined by mutual agreement between the City and the landlord. Table 2 below summarizes the rental costs of the three-year term of the proposed lease. Total rental costs over the 3-year lease term for 1156 Valencia Street are estimated at $1,248,724.

[3] According to Mr. Keene, management (including the contracting aspect) of construction projects are time intensive and often require pre-payment for work performed. A standard fee for oversight typically ranges between three to five percent.

Table 2. Total Rental Costs Under Proposed Lease for 1156 Valencia Street

Year	Square Feet[4]	Annual Rent per Square Foot	Total Rental Costs
1	10,100	$40.00	$404,000
2	10,100	$41.20	416,120
3	10,100	$42.44	428,604
Total			**$1,248,724**

Source: Real Estate Division

First year rent of $40.00 per square foot is less than the $45 per square foot requiring an appraisal in accordance with Administrative Code Section 23.27. [5] Mr. Keene states that the fair market rental rates for available property in the area range from $41 to $55 per square foot per year[6].

Proposed Operating Costs of 1156 Valencia Street Navigation Center

In addition to leasing costs, as noted above in Table 2, the proposed lease requires the City to pay for utilities, services, routine maintenance and repair and other operating expenses. These costs have been incorporated into the operating costs for the proposed Navigation Center at the site. According to Ms. Hiramoto, the proposed operating costs for a Navigation Center site at 1156 Valencia Street from March 1, 2020 through June 30, 2021[7] will be $3,878,000, as shown in Table 3 below[8].

[4] Although the proposed lease states that the square feet are 10,833, the initial measurement for setting the rent was 10,100 square feet.

[5] Per City Administrative Code Section 23.27, the Director of Property shall determine the Market Rent of such lease based on a review of available and relevant data. If the Market Rent of the lease is more than $45 per square foot per year as base rent, the Director of Property shall obtain an appraisal for such Lease

[6] According to Mr. Keene, the following comparable properties were used to determine the base rental rate: $55 per square foot for 11,100 square feet, $45 per square foot for 5,600 square feet, $41.12 per square foot for 5,408 square feet, and $41 per square foot for 7,500 square feet. The average of all comparable properties is $45.53 per square foot per year.

[7] According to Ms. Hiramoto, costs will be adjusted to reflect finalized commencement date of proposed lease.

[8] According to Ms. Hiramoto, the nonprofit operator will be Positive Resource Center/Baker Places, Inc. The contract amounts have not been finalized yet.

Table 3. Proposed Operating Costs for Navigation Center at 1156 Valencia Street from March 1, 2020 through June 30, 2021

Operating Costs	Amount
Salaries and Benefits[9]	$2,318,568
Operating Expense[10]	1,053,606
Indirect Cost (15 percent)[11]	505,826
Total Costs	**$3,878,000**

Source: Department of Public Health

According to Ms. Hiramoto, the operating costs reflect staffing and programs for a behavioral health respite site serving clients with behavioral health needs.

Source of Funds

According to Ms. Hiramoto, the Department of Public Health plans to utilize the $3 million Tipping Point grant (File 20-0116), pending Board of Supervisors approval, to fund the operating costs, rental costs and start-up costs for the first and second year. In addition, the General Fund, as appropriated in the Department of Public Health's FY 2019-20 budget, will provide supplemental funding for the first, second and third years of the lease.

RECOMMENDATIONS

1. Amend the proposed resolution to state that the rent on exercise of the option to extend the lease cannot increase by more than 3 percent per year
2. Approve the proposed resolution, as amended.

[9] This includes staffing costs for a Project Director, Assistant Program Director, Residential Counselors, Relief Residential Counselor, Program Assistant, Peer Counselors, and Receptionist/Clerk.

[10] This includes costs such as utilities, building maintenance supplies and repair, office supplies, medical supplies, medical professional service, insurance, equipment lease and maintenance, household supplies, computer supplies, security guard service, housekeeping and janitorial services, and client food.

[11] This is the allowable 15 percent of direct salary and operating expenses to cover the program's indirect cost to the provider's overhead. 15 percent is the standard percentage used by the Department of Public Health.