


**CITY AND COUNTY OF SAN FRANCISCO**

**BOARD OF SUPERVISORS**

**BUDGET AND LEGISLATIVE ANALYST**

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May 8, 2020

**TO:** Budget and Finance Committee  
**FROM:** Budget and Legislative Analyst   
**SUBJECT:** May 13, 2020 Budget and Finance Committee Meeting

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<b>Item 1</b> <b>Files 20-0356</b> <i>Continued from 5/6/20</i>	<b>Department:</b> Airport Commission
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution approves the 14<sup>th</sup> modification to the existing contract between the Airport and T1 Partners for program management services for the T1 Program, increasing the contract amount by \$6 million from \$32 million to a new not-to-exceed amount of \$38 million, and extending the contract term through July 7, 2023.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The Board of Supervisors approved the original contract with T1 Partners in 2013, following a competitive solicitation. Under the contract, T1 Partners provides program management services to the Harvey Milk Terminal (Terminal 1) renovation project (T1 Program). These services include terminal program planning and phasing, program- level costs and schedule controls, contractor solicitation and contract preparation, coordination of program management with construction management, cost estimating, and other program services.</li> <li>• The original contract was for one year with nine one-year options to extend. The Airport previously exercised six of the nine one-year extension options to July 2020 (and modified the contract 13 times) within the original \$32 million contract amount; the proposed 14<sup>th</sup> modification exercises the final three one-year extension options.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• Actual and forecasted contract spending through FY 2019-20 is \$32 million and forecasted expenditures through FY 2022-23 are \$38 million. Source of funding for this project will come from Airport Revenue Bonds that are funding Ascent Program – Phase 1 under the Airport’s Capital Improvement Plan.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>• The T1 Program budget is \$2.6 billion, of which \$2.0 billion had been spent as of March 31, 2020. According to the Airport Finance Director, the Airport has sufficient funds to complete the T1 Program, including \$1 billion in available Airport Revenue Bond proceeds as of April 30, 2020.</li> <li>• In order to address the projected revenue shortfall due to COVID-19 and reduced air travel, estimated by the Controller and Mayor's Budget Office to be from \$190 to \$220 million in FY 2019-20, the Airport will evaluate other projects/programs within Phase 1 of the Ascent Program that can be deferred. In addition, according to the Airport Finance Director, the Airport has other sources of funds to offset reductions in operating revenues, including \$254.8 million in Coronavirus Aid, Relief and Economic Stimulus (CARES) Act funds, \$530 million in Passenger Facility Fund balance, and \$500 million in Commercial Paper authority</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

**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 Board of Supervisors approved a contract between the Airport and T1 Partners, Joint Venture, a joint venture between The Allen Group, LLC and EPC Consultants, Inc. in June 2013 for program management support services to the Airport’s Terminal 1/Boarding Area B Redevelopment Program (T1 Program) (File 13-0393). The program management support services include terminal program planning and phasing, program-level costs and schedule controls, contractor solicitation and contract preparation, coordination of program management with construction management, cost estimating, and other program services.

The original contract was in an amount not to exceed \$32,000,000 over an initial term of one-year with nine one-year extensions for a total term of 10 years to July 2023. The Airport Commission previously approved 13 modifications to the contract within the original \$32,000,000 not to exceed amount. Table 1, on the next page, details the history of these contract modifications.

**Solicitation of Program Management Support Services Consultant**

T1 Partners was selected in April 2013 for T1 program management services following a competitive request for qualifications and proposals (RFQ/RFP) process, in which T1 Partners received the highest score of four proposals.

**Table 1. T1 Program Management Support Services Contract Modifications History**

No.	Date	Description	Updated Not-to-Exceed Amount
1	8/26/2013	Administrative changes, including new labor and overhead rates.	N/A
2	2/21/2014	Administrative changes, including new labor and overhead rates and new subconsultants	N/A
3	7/8/2014	Increased the contract amount and extended the Contract through 7/7/2015.	\$12,260,757
4	2/18/2015	Administrative changes, including new labor and overhead rates and revision of the scope of services.	N/A
5	7/7/2015	Increased the contract amount and extended the Contract through 7/7/2016. Incorporated administrative changes,	\$19,760,757

No.	Date	Description	Updated Not-to-Exceed Amount
		including changes to labor and overhead rates and revision of the scope of services.	
6	6/1/2016	Increased the contract amount and extend the Contract through 7/7/2017. Updated standard contractual clauses and modified the base labor and overhead rates.	\$23,460,757
7	7/7/2016	Incorporated administrative changes, including changes to labor and overhead rates and revision of the scope of services.	\$23,727,757
8	6/6/2017	Increased the contract amount and extended the Contract through 7/7/2018. Incorporated administrative changes, including changes to the labor and overhead rates.	\$28,261,000
9	10/1/2017	Incorporated administrative changes, adjusting the overhead and labor rates and updating standard contractual clauses.	N/A
10	6/5/2018	Increased the contract amount and extended the Contract through 7/7/2019.	\$30,650,000
11	8/1/2018	Incorporated administrative changes adjusting the overhead rates.	N/A
12	6/4/2019	Increased the contract amount and extended the Contract through 7/7/2020.	\$32,000,000
13	1/1/2020	Administratively recognized Parsons Transportation Group, Inc.'s complete withdrawal as a member of the joint venture that is the contractor in the contract.	N/A
14	2/4/2020	Increased the contract amount by \$6,000,000 for a new not-to-exceed total contract amount of \$38,000,000 and extended the contract through 7/7/2023. Directed to seek Board of Supervisor's approval of Modification No. 14.	\$38,000,000 (Proposed)

Source: Modifications No. 1-14.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the 14<sup>th</sup> modification to the existing contract between the Airport and T1 Partners for program management services for the T1 Program, increasing the contract amount by \$6,000,000 from \$32,000,000 to a new not-to-exceed amount of \$38,000,000 and exercising final three one-year extensions of the contract term through July 7, 2023.

The Airport's practice for professional services contracts for capital projects is to evaluate contractors performance annually before contracts are renewed. While the Airport is seeking Board of Supervisors approval to exercise the final three one-year T1 Partners contract extensions at this time, the Airport will continue to evaluate contract performance and modify the contract annually.

### **Services Provided**

The T1 Program is a major renovation of the Airport's Terminal 1 and Boarding Area B. It includes:

- Complete replacement of the architectural building envelope; replacement of electrical, HVAC (heating, ventilation and air conditioning) systems; and interior architectural renovation and facility upgrades, including consolidation of the passenger screening checkpoint, new airline ticket counters, and new concession space;
- New consolidated baggage handling system and baggage screening system, reducing the number of systems from six to one;
- Renovation of Boarding Area C to bring this facility up to Airport standards; and other improvements.
- Expansion of Boarding Area B gate capacity from 18 to 24 gates.

The T1 Program's scope expanded in November 2017 to move forward elements of Phase 2 into Phase 1 and increase the budget to \$2.6 billion. The revised phasing and project scope were approved in response to accelerated forecasted demands for passengers and flight schedules at the time.

Program management support services for the T1 Program include terminal program planning and phasing, program-level costs and schedule controls, contractor solicitation and contract preparation, coordination of program management with construction management, cost estimating, and other program services. T1 Partners is responsible for program-level support, rather than construction project support, to the Airport. Under the proposed 14<sup>th</sup> modification to the contract, program management support services in FY 2020-21 through FY 2022-23 will consist of overall management expertise and oversight of the Terminal 1/Boarding Area B Redevelopment Program (T1 Program), including design and construction management services, project controls, contract administration, cost estimating, sustainability commissioning, and field inspection services.

### **Performance Monitoring**

The contract does not include specific performance indicators, but T1 Partners, Joint Venture is monitored through an annual evaluation in preparation for exercising each one-year contract extension. The most recent performance evaluation for T1 Partners, Joint Venture, for the Terminal 1 Program Management Support Services was completed March 30, 2020 for the period July 2019- June 2020. The firm was assessed across 30 metrics and rated as "Exceeded" (2 points), "Met" (1 point), or "Below" (0 points) expectations. The firm received 18 "Exceeded Expectations" (36 points) and 12 "Met Expectations" (12 points) for a total of 48 points out of 60. They received no ratings of "Below." The report also states: "The staffing levels for this contract have been streamlined to provide the most effective team makeup. The current team members

are extremely dependable, dedicated, and collaborative providing a consistent quality work product.”

## FISCAL IMPACT

Actual and forecasted contract spending through FY 2019-20 is \$32 million and forecasted expenditures through FY 2022-23 are \$38 million. Source of funding for this project will come from Airport Revenue Bonds that are funding Ascent Program – Phase 1 under the Airport’s Capital Improvement Plan.

**Table 2. Funding for T1 Program Management Support Services**

Year	Spending	Cumulative Spending
<b><i>Actual/ Projected Expenditures</i></b>		
FY 2013-2014 (Actual)	\$5,280,050	\$5,280,050
FY 2014-2015 (Actual)	\$5,893,743	\$11,173,793
FY 2015-2016 (Actual)	\$7,170,593	\$18,344,386
FY 2016-2017 (Actual)	\$4,502,026	\$22,846,412
FY 2017-2018 (Actual)	\$3,745,977	\$26,592,389
FY 2018-2019 (Actual)	\$2,636,878	\$29,229,267
FY 2019-2020 (Actual + Projected)	\$2,770,734	\$32,000,000
<b>Subtotal to Date</b>	<b>\$32,000,000</b>	
<b><i>Proposed Additional Funding</i></b>		
FY 2020-2021 (Forecast)	\$2,447,469	\$34,447,469
FY 2021-2022 (Forecast)	\$2,298,895	\$36,746,364
FY 2022-2023 (Forecast)	\$1,253,636	\$38,000,000
<b>Subtotal</b>	<b>\$6,000,000</b>	
<b>Total Spent (Actual + Forecasted)</b>	<b>\$38,000,000</b>	

Source: Airport Procurement and Contracts, Planning, Design & Constructions Division

According to Victor M. Madrigal Jr., Principal Contracts Analyst with Procurement and Contracts Section at the Airport, annual contract expenditures have decreased from \$7.2 million in FY 2015-16 to \$2.3 million in FY 2019-20, as planned, because the T1 Program has completed two of the three major phases. As noted above, under the proposed 14<sup>th</sup> modification to the contract, program management support services in FY 2020-21 through FY 2022-23 will consist of overall management and oversight of the Terminal 1/Boarding Area B Redevelopment Program (T1 Program), including design and construction management services, project controls, contract administration, cost estimating, sustainability commissioning, and field inspection services.

**Table 3. Funding Breakdown for T1 Program Management Support Services Additional Funds, FY 2020-2021 through FY 2022-2023**

<b>Position</b>	<b>Fully Burdened Hourly Rate (Salary and Overhead)</b>	<b>Total Full Time Equivalent (FTE) Positions</b>	<b>Amount</b>
Program Sustainability Manager	\$214	2.00	\$856,225
Office Engineer	\$122	5.00	\$1,219,394
Program Controls Manager	\$244	2.85	\$1,390,686
Program Management Advisor	\$355	1.06	\$752,421
BICE – Field Engineer & Inspector	\$157	4.00	\$1,257,045
Senior Technical Advisor	\$301	0.72	\$433,872
<b>Variance (Contract Capacity Contingency)</b>			\$44,620
<b>Total Salaries</b>			\$5,954,262
<b>Other Direct Costs (ODCs)</b>			\$45,738
<b>Total</b>			<b>\$6,000,000</b>

Source: Airport Procurement and Contracts, Planning, Design & Constructions Division

## POLICY CONSIDERATION

### Potential Revenue Shortfall

The T1 Program budget is \$2.6 billion, of which \$2.0 billion had been spent as of March 31, 2020. According to Mr. Kevin Kone, Airport Finance Director, the Airport has sufficient funds to complete the T1 Program; the Airport has \$1 billion in available Airport Revenue Bond proceeds as of April 30, 2020, and authority to issue an additional \$2 billion in Airport Revenue Bonds over the next three years to fund Phase 1 of the Ascent Program.<sup>1</sup> According to Mr. Kone, issuance of an additional \$2 billion in Airport Revenue Bonds will depend on Airport revenues being sufficient to cover operating expenses and debt service.

In order to address the projected revenue shortfall due to COVID-19 and reduced air travel, estimated by the Controller and Mayor's Budget Office to be from \$190 to \$220 million in FY 2019-20, the Airport will evaluate other projects/programs within Phase 1 of the Ascent Program that can be deferred. In addition, according to Mr. Kone, the Airport has other sources of funds to offset reductions in operating revenues, including \$254.8 million in Coronavirus Aid, Relief and

<sup>1</sup> The Ascent Program includes the new Airport Grand Hyatt hotel, completed in October 2019, renovation of the Harvey Mil Terminal (Terminal 1/T1 Program), renovation of the International Terminal, new dining and shopping facilities, and a connector between Terminal 2 and Terminal 3.

Economic Stimulus (CARES) Act funds, \$530 million in Passenger Facility Fund balance, and \$500 million in Commercial Paper authority.<sup>2</sup>

**RECOMMENDATION**

Approve the proposed resolution.

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<sup>2</sup> According to discussions with the Airport, the Airport can issue Commercial Paper – short term, loan interest debt – in lieu of longer term, higher interest debt.



<p><b>Item 2</b> <b>Files 20-0268</b></p>	<p><b>Department:</b> <b>San Francisco International Airport (Airport)</b></p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would authorize the San Francisco Airport Commission to (1) accept and expend a grant in the amount of up to \$2,746,298 and any additional amounts up to 15 percent of the original grant that may be offered from the California Air Resources Board, for the Carl Moyer Memorial Air Quality Standards Attainment Program Grant, to purchase and install electrical ground service equipment charging stations and supporting infrastructure for the proposed project period of June 2020 through June 2021; (2) commit to providing an estimated \$3,650,397 in matching funds; and (3) affirm the Planning Department’s determination under the California Environmental Quality Act.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The Carl Moyer Memorial Air Quality Standards Attainment Program provides grant funding for cleaner-than-required engines, equipment, and other sources of air pollution. The grant program is implemented as a partnership between the California Air Resources Board (CARB) and California's 35 local air districts, including the Bay Area Air Quality Management District (BAAQMD). The Airport’s proposed project is the first phase of an Airport-wide ground service equipment (eGSE) electrification strategy to equip all gates with the electrical infrastructure necessary to operate eGSE to reduce fuel use and diesel emissions.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The total budget for the grant project is approximately \$6,396,695. The Carl Moyer Program grant will fund up to \$2,746,298, and the Airport will fund an estimated \$3,650,397 of the total project cost. Per the Carl Moyer Program, the grant share is up to 50 percent of the eligible project cost. The total project cost includes items that are needed to complete the project but are considered ineligible for grant participation (cloud software, police staffing, and construction contingency). These items are fully funded by the Airport, which results in matching funds equaling more than 50 percent of the total project cost.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>• According to the Airport, the CARB and BAAQMD have indicated that the COVID-19 health crisis has not impacted their Carl Moyer Program grant funding, grant timelines or milestones. The Airport does not anticipate COVID-19 to have an impact on the scope of work. However, a significant delay in when contractors can return to work due to the current COVID-19 shelter in place order may potentially impact the project completion timeline under the Carl Moyer Program grant guidelines.</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Amend the proposed resolution to correctly state that the grant amount is up to \$2,746,298.</li> <li>• Approve the proposed resolution as amended.</li> </ul>	

**MANDATE STATEMENT**

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

**BACKGROUND**

The Carl Moyer Memorial Air Quality Standards Attainment Program provides grant funding for cleaner-than-required engines, equipment, and other sources of air pollution. The grant program is implemented as a partnership between the California Air Resources Board (CARB) and California's 35 local air districts, including the Bay Area Air Quality Management District (BAAQMD). CARB works collaboratively with the air districts and other stakeholders to set guidelines and ensure the grant program reduces pollution and provides cleaner air for Californians. The Carl Moyer Program grant provides for reimbursement of up to 50 percent of the allowable project costs.

The San Francisco International Airport (Airport) applies for Carl Moyer Program grants when there are projects eligible for grant funding under this program. The Airport has not received any Carl Moyer Program grants in the past. The Airport's proposed project is the first phase of an Airport-wide ground service equipment (eGSE)<sup>1</sup> electrification strategy to equip all gates with the electrical infrastructure necessary to operate eGSE to reduce fuel use and diesel emissions. The BAAQMD, Mobile Source Committee approved the grant project's application on April 22, 2020. The project is currently scheduled for the BAAQMD Board of Director's meeting on May 6, 2020 to determine approval.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would authorize the San Francisco Airport Commission to (1) accept and expend a grant in the amount of up to \$2,746,298 and any additional amounts up to 15 percent of the original grant that may be offered from the California Air Resources Board, for the Carl Moyer Memorial Air Quality Standards Attainment Program Grant, to purchase and install electrical ground service equipment charging stations and supporting infrastructure for the proposed project period of June 2020 through June 2021; (2) commit to providing an estimated \$3,650,397 in matching funds; and (3) affirm the Planning Department's determination under the

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<sup>1</sup> Ground Service Equipment includes service vehicles that provide service to the aircraft between flights. These service vehicles provide a support function to the operations of aircraft when parked at the terminal gates of an airport. These vehicles provide for services such as cargo and baggage loading/unloading, pushback for aircrafts, tugs, food and beverage catering, potable water, aircraft refueling, lavatory waste tank drainage, engine/fuselage examination and maintenance, etc.

California Environmental Quality Act. The resolution should be amended to correctly state that the grant amount is up to \$2,746,298, rather than \$2,900,000 as written in the resolution.

### **Services Provided**

The total grant project budget of approximately \$6,396,695 (\$2,746,298 in grant funds, \$3,650,397 in local matching funds) will be used to purchase and install 42<sup>2</sup> eGSE charging ports with supporting electrical infrastructure in Boarding Areas D (Domestic Terminal 2) and G (International Terminal). Boarding Area D is comprised of 14 gates, and Boarding Area G is comprised of 12 gates. The recharging equipment would be available to any airlines that express interest. According to Ms. Ko, the Airport plans to integrate low-emissions technology throughout the Airport's Capital Improvement Program by promoting the use of eGSE at all terminal gates. This project is for the installation of charging ports and related infrastructure improvements to support and promote the use of eGSE. The Carl Moyer Program grant requires participating airports to provide a local match and reimburses up to 50 percent of the eligible project costs.

### **Performance Monitoring**

Carl Moyer Program grants are subject to compliance with standard reporting and monitoring requirements. Data collection and annual reporting requirements for the grant project include the following:

- 1) Qualitative description of public and private uses;
- 2) Annual usage per charger (kWh) and the number of plug-in events; and
- 3) Any unscheduled downtime, including duration of downtime and causes.

As previously mentioned, the Airport has not received Carl Moyer Program grants in the past. Therefore, current information on performance objectives is not available.

### **FISCAL IMPACT**

The total budget for the grant project is approximately \$6,396,695. The Carl Moyer Program grant will fund up to \$2,746,298, and the Airport will fund an estimated \$3,650,397 of the total project cost. Per the Carl Moyer Program, the grant share is up to 50 percent of the eligible project cost. The total project cost includes items that are needed to complete the project but are considered ineligible for grant participation (cloud software, police staffing, and construction contingency). These items are fully funded by the Airport, which results in matching funds equaling more than 50 percent of the total project cost. The source of the local matching funds is General Airport Revenue Bonds as part of the Airport Capital Improvement Plan. Table 1 below summarizes grant funding for the project.

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<sup>2</sup> There are currently 25 existing electrical ground service equipment charging stations purchased and installed at the Airport.

**Table 1. Carl Moyer Grant Project Budget Estimate**

Cost Category	Description	Grant Eligible Costs (100%)	Grant Funds (50%)	Airport/Local Match Funds	Total Project Cost
Engineering	Design and construction of the project	\$400,000	\$200,000	\$200,000	\$400,000
Project Management	Planning, executing, controlling of the project teams, schedule, and budget	200,000	100,000	100,000	200,000
Direct SFO Construction Labor	Airport labor related to construction of the station (Project planning, procurement, inspection, safety, quality control, document control, payment)	400,000	200,000	200,000	400,000
Airfield Construction Safety	Airfield safety officers required to escort construction crew, inspectors, etc. onto the airfield area where access is limited and controlled	150,000	75,000	75,000	150,000
San Francisco Police Department	Police staff stationed at the airfield checkpoints <sup>3</sup>	-	-	50,000	50,000
Specialized Services	Support for Independent Cost Estimate	50,000	25,000	25,000	50,000
Reprographics	Support documentation needs	2,000	1,000	1,000	2,000
<i>Subtotal Soft Costs</i>		<i>\$1,202,000</i>	<i>\$601,000</i>	<i>\$651,000</i>	<i>\$1,252,000</i>
Cloud Software <sup>4</sup>	Cloud software required for 10 years of operation of the charging stations. Software for Boarding Areas D and G	-	-	386,400	386,400
Construction Contract	Construction costs for Boarding Areas D and G <sup>5</sup>	4,290,595	2,145,298	2,145,298	4,290,595
Contingency (10 percent) <sup>6</sup>	Allowances for unknown risks associated with a project Contingency for Boarding Areas D and G	-	-	467,700	467,700
<i>Subtotal Construction Contract</i>		<i>\$4,290,595</i>	<i>\$2,145,298</i>	<i>\$ 2,999,397</i>	<i>\$5,144,695</i>
<b>Total Project Cost</b>		<b>\$5,492,595</b>	<b>\$2,746,298</b>	<b>\$3,650,397</b>	<b>\$6,396,695</b>

Source: March 2020 Carl Moyer Program Grant Budget for Electric Ground Service Equipment Infrastructure and Charging Stations

<sup>3</sup> According to Ms. Ko, there are three checkpoints. Each checkpoint typically has one staffed security officer. During construction, if needed, there can be a request for additional support.

<sup>4</sup> According to Ms. Ko, the cost for cloud software is included as part of the bid for the construction contract because the software is specific to the charging stations. Software will be installed prior to the Airport taking ownership of the charging stations and is included under construction contract costs.

<sup>5</sup> The construction costs include charging stations, electrical equipment, conduits and wires, concrete foundations for chargers, bollards, materials, labor, and any markups from the contractor. Contractors will be selected through a competitive bid process. The project has not been advertised yet.

<sup>6</sup> Contingency is 10 percent of the awarded construction contract.

According to Ms. Ko, approximately \$334,000 has been expended towards the project on internal design and project management costs. The expended funds are for design work that must be completed to meet the CARB required project completion date of June 2021. No grant funds have been encumbered or expended. If the grant is approved by the Board of Supervisors and awarded, eligible internal design and project management support services costs incurred after the grant award may be submitted to CARB for reimbursement. The Airport does not anticipate incurring any ongoing costs once the project is complete and grant funds expire.

### **POLICY CONSIDERATION**

The Airport's projected revenue shortfall due to COVID-19 and reduced air travel is estimated by the Controller and Mayor's Budget Office to be from \$190 to \$220 million in FY2019-20. According to Ms. Ronda Chu, Capital Finance Director at the Airport, other sources of funds are available to offset reductions in operating revenues, including \$254.8 million in Coronavirus Aid, Relief and Economic Stimulus (CARES) Act funds, \$530 million in Passenger Facility Fund balance, and \$500 million in Commercial Paper authority. According to Ms. Ko, the CARB and BAAQMD have indicated that COVID-19 has not impacted their Carl Moyer Program grant funding, grant timelines or milestones. The Airport does not anticipate COVID-19 to have an impact on the scope of work. However, with the current shelter in place order as a result of the COVID-19 health crisis, Ms. Ko states that it is difficult to determine the impact on the project's schedule. A significant delay in when contractors can return to work may potentially impact the project completion timeline under the Carl Moyer Program grant guidelines.

### **RECOMMENDATIONS**

1. Amend the proposed resolution to correctly state that the grant amount is up to \$2,746,298.
2. Approve the proposed resolution as amended.

<b>Item 3</b> <b>File 20-0208</b>	<b>Department:</b> San Francisco International Airport (Airport)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would approve Modification No. 6 to the contract between San Francisco International Airport (Airport) and SFO Hotel Shuttle, exercising the final option two-year option to extend the contract to June 2022 for a total term of nine years and seven months; and increasing the not-to-exceed amount by \$27,900,000, from the total budgeted amount of \$95,281,617 through FY 2019-20 to the proposed amount of \$123,181,617 through FY 2021-22.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The Airport provides free shuttle bus service to various locations, including the Long Term and Employee Parking Garages/Lots, remote Airfield operations locations, as-needed replacement busing during AirTrain outages, and the Oyster Point Ferry Terminal. In November 2012, after the Airport conducted a Request for Proposals (RFP), the Board of Supervisors approved a shuttle bus contract with SFO Shuttle Bus Company for a term of three years and seven months from December 2012 through June 2016 with three two-year options to extend through June 2022, for a total not to exceed \$105,000,000. The first two options have been exercised, and the contract expires June 30, 2020.</li> <li>• The Airport currently provides shuttle bus service to the long-term parking garage, but the AirTrain extension to the garage is expected to be completed in December 2020. If service to the garage is reduced after the AirTrain extension is completed, the contract cost would be reduced by approximately \$500,000 per month. Savings may be used to fund other potential shuttle routes related to terminal construction. The Airport is also considering terminating shuttle service to the Oyster Point Ferry Terminal, which would reduce contract costs by approximately \$150,000 over the extension term.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The contract budget over the two year-extension is \$27,900,000, which will be included in the Airport's proposed budget for FY 2021-22 and FY 2022-23. Because projected contract expenditures through FY 2019-20 are \$88,270,614, resulting total projected and budgeted expenditures through FY 2022-23 of \$116,181,617, the Budget and Legislative Analyst recommends amending the proposed resolution to reduce the contract not-to-exceed amount.</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Amend the proposed resolution to provide for a contract not-to-exceed amount of \$116,181,617 rather than the amount in the resolution of \$123,181,617.</li> <li>• Approve the resolution as amended.</li> </ul>	

**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 International Airport (Airport) provides free shuttle bus service to various locations, including the Long Term and Employee Parking Garages/Lots, remote Airfield operations locations, as-needed emergency busing during AirTrain outages, and the Oyster Point Ferry Terminal.

In June 2012, the Airport conducted a Request for Proposals to select a new shuttle provider. SFO Shuttle Bus Company, the existing shuttle provider, was deemed the highest scoring responsive and responsible proposer and was awarded a new contract. In November 2012, the Board of Supervisors approved a contract with SFO Shuttle Bus Company (now known as SFO Hotel Shuttle) for a term of three years and seven months, from December 2012 through June 2016, for an amount not to exceed \$39,000,000, with three two-year options to extend through June 2022, for a total not to exceed \$105,000,000 (File 12-1032).

The contract has since been modified five times, as shown in Table 1 below. Changes in contract scope to accommodate Airport construction have resulted in cost acceleration beyond what was anticipated in the initial contract, including addition of airfield busing service, addition of regular AirTrain replacement bus service due to construction, and discontinuation of Lot B shuttle service.

**Table 1: SFO Hotel Shuttle Contract Modifications**

No.	Date	Approval Type	Description	Not-to-Exceed Amount
1	5/15/2015	Administrative	Assigned services from SFO Shuttle Bus Company to SFO Hotel Shuttle, Inc.	\$39,000,000
2	3/16/2016	Airport Commission	Exercised first two-year option to extend and updated administrative changes required by City contracting ordinances	\$62,871,617
3	3/21/2017	Airport Commission	Adjusted contract scope to include airfield bus service and increased funding	\$64,281,617
4	1/16/2018	Airport Commission	Exercised second two-year option to extend	\$92,581,617
5	12/18/2018	Airport Commission	Authorized wage rate increases and additional reimbursable costs in Calculation of Charges	\$95,281,617

In February 2020, the Airport Commission approved Modification No. 6 to the contract, the subject of the proposed resolution. Because the original 2012 resolution provided for the Airport to exercise contract modifications up to \$105,000,000, the prior five modifications were not subject to Board of Supervisors approval.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve Modification No. 6 to the contract between the Airport and SFO Hotel Shuttle, exercising the final two-year option to extend the contract through June 2022, and increasing the not-to-exceed amount by \$27,900,000, for a total not to exceed \$123,181,617.

The shuttle currently provides service on the following routes:

1. Lot D to and from the terminals: service every 5 minutes, every 5-15 minutes late night;
2. Long-term parking garage to and from the terminals: service every 4-5 minutes, every 12 minutes late night (currently suspended);
3. West Field Garage to and from the terminals: service every 10 minutes, every 15 minutes late night; and
4. Airfield busing service (currently suspended).

The AirTrain connection to the long-term parking garage had been scheduled to be completed in March 2020, but it is now scheduled to be completed in December 2020. According to Mr. Seth Morgan, Airport Senior Transportation Planner, the Airport will likely reduce shuttle bus service to the long-term parking garage once the AirTrain connection is completed, reducing contract costs by approximately \$500,000 per month. However, Airport staff is considering other shuttle routes related to terminal construction, so savings may be used to fund these potential routes.

The shuttle also provides service to Oyster Point Ferry Terminal for Airport employees and some travelers commuting by ferry from the East Bay. The shuttle runs three times each morning and three times each evening, but ridership is low. According to Mr. Morgan, Airport staff is analyzing whether or not the service is sustainable. If service is terminated, the total cost of the contract extension would be reduced by approximately \$150,000.

**Contract Performance**

The contract between the Airport and SFO Hotel Shuttle defines hours of operation, bus routes, staffing levels, fleet maintenance, reporting, and other contract requirements. According to Mr. Morgan, the Airport conducts unscheduled inspections of the operation, regular check-in meetings to discuss performance concerns, and invoice reviews to ensure continued high-quality provision of the contracted service.

**FISCAL IMPACT**

The proposed Modification No. 6 would increase the not-to-exceed amount of the contract by \$27,900,000 over the two-year extension period, as shown in Table 2 below.



**Table 2: Contract Budget over Two-Year Extension Term**

Item	FY 2020-21	FY 2021-22	Total
Direct Labor Costs <sup>1</sup>	\$6,796,752	\$6,860,303	\$13,657,056
Labor Fringes (Benefits, Workers' Compensation, Other)	3,303,638	3,334,528	6,638,166
Facility Costs (Utilities, Supplies, etc.)	39,005	39,369	78,374
Bus Expenses (Fuel, Parts, Cleaning, etc.)	2,253,470	2,274,540	4,528,010
Management Costs (Management Fee, Insurance, Travel, etc.)	1,492,221	1,506,173	2,998,395
<b>Total</b>	<b>\$13,885,086</b>	<b>\$14,014,914</b>	<b>\$27,900,000</b>

According to Mr. Morgan, sufficient funding is available in the Airport's proposed FY 2020-22 two-year operating budget, pending Board of Supervisors approval. Due to the impact of COVID-19 on air travel, actual expenditures on the shuttle contract are likely to be lower than \$27,900,000 over the two-year extension term.

According to Airport expenditure data, projected expenditures on the contract through June 2020 are approximately \$88,270,614. Therefore, the Budget and Legislative Analyst recommends amending the proposed resolution to provide for a contract not-to-exceed amount of \$116,181,617<sup>2</sup> rather than the amount in the resolution of \$123,181,617.

### POLICY CONSIDERATION

The Controller has estimated revenue shortfalls in the Airport's FY 2019-20 budget of \$190 million to \$220 million due to reduced air travel due to COVID-19. As noted in prior Budget and Legislative Analyst reports, the Airport has sources of funds to offset lost operating revenues due to reduced air travel, including \$530 million in Passenger Facility Fund balance and \$254.8 million in Coronavirus Aid, Relief and Economic Stimulus (CARES) Act funds.

### RECOMMENDATIONS

1. Amend the proposed resolution to provide for a contract not-to-exceed amount of \$116,181,617 rather than the amount in the resolution of \$123,181,617.
2. Approve the resolution as amended.

<sup>1</sup> Under the contract, the Airport pays for half of employee wage rate increases (under prevailing wage rates), while the other half is paid from the shuttle provider's margins. According to Mr. Morgan, the increase in employee shuttles used by Bay Area employers has caused prevailing wages to rise much faster than had been originally anticipated.

<sup>2</sup> This amount includes \$88,270,614 in projected expenditures through June 2020 and \$29,700,000 in budgeted expenditures through June 2022.

<b>Item 4</b> <b>File 20-0274</b>	<b>Department:</b> Department of Elections
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would amend the existing grant with the Secretary of State and retroactively authorize the Department of Elections to accept and expend funds allocated by the Secretary of State in an amount not to exceed \$1,949,859.50 to fund voting system and election management system replacement, for the period of February 1, 2019 through June 30, 2022.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• In April 2019, the Board of Supervisors approved a resolution to retroactively authorize the Department of Elections to apply for, accept, and expend grant funds allocated by the Secretary of State in an amount not to exceed \$3,011,500 to fund the reimbursement of the Dominion voting system contract, for the period from July 2018 through June 2021 (File 19-0243).</li> <li>• Proposed grant funding will be used for reimbursement of the Dominion voting system contract expenses. The State amended the current grant to (1) add additional funding to replace and upgrade county voting systems; (2) change the matching requirement to a 3:1 or 75 percent to 25 percent match of funds; (3) authorize funds to be used for county election management system replacement; and (4) extend the grant ending date to June 30, 2022.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The grant would provide up to \$1,505,750 in grant funding for voting system replacement activities, which would partially fund the contract between the City and Dominion to lease the voting system through March 2023. The grant would reimburse a total of approximately 53.4 percent, or \$4,517,250, of the \$8,460,000 cost of the initial four-year and three-month term of the Dominion contract. The remaining cost of \$3,942,750 would be funded by the General Fund. \$444,109.50 of grant funding for election management system replacement will be used instead to fund enhancements and upgrades to the department's current election management system.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>• Grant funds can only be used for the purposes specified in the grant and cannot be used to extend mail-in ballots to all San Francisco voters, as required by Ordinance 20-0400, pending before the Board of Supervisors. However, because total grant funds of \$4.5 million offset the City's existing costs for the Dominion voting system, General Fund monies can be made available to comply with Ordinance 20-0400.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

**BACKGROUND**

The California Budget Act of 2019 allocates funding for the Secretary of State to reimburse counties for the cost of voting system replacement activities. Eligible activities include replacement of voting systems, electronic poll books, ballot on demand systems, vote by mail drop boxes, remote accessible vote by mail systems, telecommunication technologies to facilitate voter registration, vote by mail sorting and processing equipment, and research and development of nonproprietary voting systems. Counties are required to certify by resolution the approval of applications for funding before submission to the Secretary of State. Under the terms of the grant, a county can only be reimbursed for the costs of developing a new voting system if that system is then certified by the California Secretary of State by July 1, 2023.

In April 2019, the Board of Supervisors approved a resolution to retroactively authorize the Department of Elections to apply for, accept, and expend grant funds allocated by the Secretary of State in an amount not to exceed \$3,011,500 to fund the reimbursement of the Dominion voting system contract, for the period from July 2018 through June 2021 (File 19-0243).

**Dominion Voting System Contract**

On March 12, 2019, the Board of Supervisors retroactively approved a voting system contract between the Department of Elections and Dominion Voting Systems, Inc. for a term of four years and three months, from January 2019 through March 2023, and an amount not to exceed \$8,460,000, with two one-year options to extend through March 2025, for a total not to exceed \$12,660,000 (File 19-0192). Under the contract, Dominion provides the lease of a new voting system, a license to use the voting system software, maintenance, and support services. Dominion is one of three firms that offer complete voting systems that meet the California Secretary of State's voting system requirements.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would amend the existing grant with the Secretary of State and retroactively authorize the Department of Elections to accept and expend funds allocated by the Secretary of State in an amount not to exceed \$1,949,859.50 to fund voting system and election management system replacement, for the period of February 1, 2019 through June 30, 2022.

According to Mr. John Arntz, the Department of Elections Director, funding will be used for reimbursement of the Dominion voting system contract expenses. Rather than issue a new grant for the 2019 allocation, the State amended the current grant to (1) add all funding to replace and upgrade county voting systems; (2) change the matching requirement to a 3:1 or 75 percent to

25 percent match of funds for counties with 51 or more precincts;<sup>1</sup> (3) authorize funds to be used for county election management system replacement; and (4) extend the grant ending date to June 30, 2022.

The California Budget Act of 2019 provided one-time funding of \$87 million for the replacement of voting systems and technology. This allocation is in addition to the FY2018-2019 funding which provided \$134 million for counties for the replacement of voting technology. Funds are allocated to counties based on several factors, including county size, number of precincts, and voting equipment needs.

The total amount allocated to the City for FY 2019-20 is \$1,949,859.50, of which \$1,505,750 is to be allocated for voting system replacement activities, and \$444,109.50 is to be allocated for replacing election management systems.<sup>2</sup> However, according to Mr. Arntz, because the City will not be replacing the election management system during the grant term, the Secretary of State's office has confirmed that the \$444,109.50 may be used instead to fund enhancements and upgrades to the Department's current election management system<sup>3</sup> and will be eligible to request reimbursement for these purposes.

According to Mr. Arntz, the Department is seeking retroactive approval because the grant funding cycle officially began on February 1, 2019. A Board of Supervisors resolution approving the grant amendment is required by the Secretary of State's office before the grant can be issued. The City has not yet received any grant funding for this proposed resolution.

### **Performance Monitoring**

The grant requires submission of verifying documentation when requesting for reimbursement of funds. The grant also requires counties to maintain records, as well as permit periodic site visits by the Secretary of State.

### **FISCAL IMPACT**

The grant authorized by the proposed resolution would provide up to \$1,505,750 in grant funding for voting system replacement activities, which would partially fund the contract between the City and Dominion to lease the voting system through March 2023. The grant requires a 3:1 or 75 percent to 25 percent match of funds by the City, which the City meets through its allocation of General Fund monies of \$3,942,750<sup>4</sup> to fully fund the contract with Dominion, as shown in Table 1 below.

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<sup>1</sup> Previously, the grant required an equal match of funds.

<sup>2</sup> This is the registration database systems counties use to organize election processes.

<sup>3</sup> According to Mr. Arntz, the current contract for the election management system is with DFM Associates for a term of nine years and total cost of \$1,624,045.

<sup>4</sup> The total required match amount for the City (excluding the \$444,109.50 allocation for the election management system) is \$1,505,750. The total amount of the grant is \$4,517,250, which includes the original grant amount of \$3,011,500 and the proposed additional grant amount of \$1,505,750. The ratio of the grant versus the matching amount is \$4,517,250 : \$1,505,750 = 75% : 25%.

The grant would reimburse a total of approximately 53.4 percent, or \$4,517,250<sup>5</sup>, of the \$8,460,000 cost of the initial four-year and three-month term of the Dominion contract. The remaining cost of \$3,942,750 would be funded by the General Fund, as shown in Table 1 below.

**Table 1: Sources of Dominion Contract Cost, Initial Term**

Source	Percent of Total Contract	Amount
State Grant	53.4%	\$4,517,250
General Fund	46.6%	3,942,750
<b>Total</b>		<b>\$8,460,000</b>

As the initial Dominion Voting Systems contract term expires in March 2023, the Department of Elections may extend the contract for two additional years, at a cost of \$2,100,000 per year.

As previously mentioned, up to \$444,109.50 of grant funding for election management system replacement will be used instead to fund enhancements and upgrades to the department’s current election management system. According to Mr. Arntz, total costs regarding expected enhancements or upgrades are currently not available but improvements will be assessed prior to and after elections. According to Mr. Arntz, the Department of Elections would pursue future grants if they are available after the current funding cycle ends in June 30, 2022.

**POLICY CONSIDERATION**

According to Mr. Arntz, the grant funds can only be used for the purposes specified in the grant and cannot be used to extend mail-in ballots to all San Francisco voters, as required by Ordinance 20-0400, pending before the Board of Supervisors. However, according to Mr. Arntz, because total grant funds of \$4.5 million (see Table 1 above) offset the City’s existing costs for the Dominion voting system, General Fund monies can be made available to comply with Ordinance 20-0400, which requires that all San Francisco registered voters be provided with a mail-in ballot.

**RECOMMENDATION**

Approve the proposed resolution.

<sup>5</sup> This includes the original grant amount of \$3,011,500 and \$1,505,750 in proposed grant funding for voting system replacement activities.