# CITY AND COUNTY OF SAN FRANCISCO

## BOARD OF SUPERVISORS

### BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461


October 16, 2020

**TO:** Budget and Finance Committee

**FROM:** Budget and Legislative Analyst

**SUBJECT:** October 21, 2020 Budget and Finance Committee Meeting

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| Item 3<br>File 18-0284<br>*Continued from May 10, 2018* | Department:<br>San Francisco International Airport (Airport) |
|---|---|

## EXECUTIVE SUMMARY

### Legislative Objectives

- The proposed resolution would retroactively approve Amendment No. 1 to the existing lease between United States Customs and Border Protection and the Airport to extend the term of the lease for an additional ten years from February 1, 2018 through January 31, 2028. The May 10, 2018 Budget and Finance Committee continued the resolution approving Amendment No. 1 to the call of the chair. U.S. Customs and Border Protection has continued to occupy the space on a month-to-month basis. Approval of the proposed resolution would be retroactive to February 1, 2018.

### Key Points

- The United States Customs and Border Protection Cargo Unit inspects cargo coming into the United States through the San Francisco International Airport. In 2002, the Board of Supervisors approved the non-competitive lease between the Airport and U.S. Custom and Border Protection for 16,170 square feet of space at the West Field Cargo Building 648 for the Cargo Unit to conduct customs cargo operations. The initial lease had a term of fifteen years, from February 1, 2003 until January 31, 2018.
- Rent under the lease consisted of base rent, operating and maintenance charges, parking fees, and debt service fees for the costs of tenant improvements. U.S. Custom and Border Protection paid nominal rent to the Airport of $1.00 per year. The airlines handling international cargo paid the base rent, operating and maintenance charges, parking fees, and debt service fees.

### Fiscal Impact

- Total rent paid to the Airport by the airlines for U.S. Customs and Border Patrol's use of the space from February 1, 2018 through September 2020 was $2,406,994.35. The airlines handling international cargo will pay estimated rent, charges, and fees to the Airport over the 10-year term of the lease are estimated to be $8,715,400.

### Recommendation

- Approve the proposed resolution.

## 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, is subject to Board of Supervisors approval.

## BACKGROUND

The United States Customs and Border Protection Cargo Unit inspects cargo coming into the United States through the San Francisco International Airport. Prior to 2002, the United States Customs and Border Protection Cargo Unit was located outside of the San Francisco International Airport property. The airlines handling international cargo approached the Airport staff to find a site on Airport property to improve cargo operations. The Airport identified a suitable location and entered into a lease with U.S. Customs and Border Protection to allow for occupancy by the Cargo Unit.

In 2002, the Board of Supervisors approved the non-competitive lease between the Airport and U.S. Custom and Border Protection for 16,170 square feet of space at the West Field Cargo Building 648 for the Cargo Unit to conduct customs cargo operations. Rent under the lease consisted of base rent, operating and maintenance charges, parking fees, and debt service fees for the costs of tenant improvements. U.S. Customs and Border Protection paid nominal rent to the Airport of $1.00 per year. The airlines handling international cargo paid the base rent, operating and maintenance charges, parking fees, and debt service fees.

The initial lease had a term of fifteen years, from February 1, 2003 until January 31, 2018.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve Amendment No. 1 to the lease between U.S. Customs and Border Protection and the Airport to extend the term of the lease for an additional ten years from February 1, 2018 through January 31, 2028. The May 10, 2018 Budget and Finance Committee continued the resolution approving Amendment No. 1 to the call of the chair. According to Steve Lash, Airport Senior Property Manager, U.S. Customs and Border Protection has continued to occupy the space on a month-to-month basis. Approval of the proposed resolution would be retroactive to February 1, 2018.

As noted above, under the lease, the annual rent is composed of four categories: base rent, parking fees, operating and maintenance fees, and debt service on tenant improvements. U.S. Customs and Border Protection pays the Airport nominal rent of $1.00 per year. The airlines handling international cargo pay the base rent, fee balance of annual rent.

The key provisions of the proposed lease are shown in Table 1 below.

**Table 1: Key Provisions of Proposed Lease Amendment**

| | **Lease Amendment Terms** |
|---|---|
| Lease Term | February 1, 2018 to January 31, 2028 (10 years) |
| Square Feet | 16,170 square feet of office, storage, and associated space |
| Options to Extend the Lease | None |
| **Rent, Charges, and Fees paid by Airlines** | |
| Base Rent | |
| Amount | $430,254 (approximately $21.61 per square foot, based on Summary of Charges approved by Airport Commission) |
| Annual Increase | Consumer Price Index (CPI) |
| Operating and Maintenance Fee | |
| Amount | $144,000 |
| Annual Increase | Based on costs |
| Parking Fee | |
| Amount | $162,248 |
| Annual Increase | Based on Summary of Charges approved by Airport Commission |
| Debt Service Charge for Tenant Improvements | |
| Amount | $96,534 |
| Annual Increase | Based on project and financing costs |
| **Total Rent (Annual Airline Fee)** | **$833,036 ($51.51/sf/year)** |

According to Mr. Lash, U.S. Customs & Border Protection occupancy continues currently on a month to month basis under the terms and conditions of the original lease.

## FISCAL IMPACT

Total rent paid to the Airport by the airlines for the Customs and Border Patrol Cargo Unit's use of the space from February 1, 2018 through September 2020 was $2,406,994.35. The airlines handling international cargo will pay estimated rent, charges, and fees to the Airport over the 10-year term of the lease are estimated to be $8,715,400.

As noted in the Budget and Legislative Analyst's report to the May 10, 2018 Budget and Finance Committee, total rent, fees, and charges to be paid by the airlines handling international cargo to the Airport in the first year under Amendment No. 1 was $833,036, which was $198,800 less than current rent, fees and charges under the existing lease of $1,031,836. According to Airport staff, the decrease was due to the reduction in debt service for tenant improvements. Tenant improvement costs of $2.7 million under the original lease were fully amortized. Tenant improvement costs under the proposed Amendment No. 1 are $600,000, which will be amortized over the 10-year term. On February 1, 2018, the debt service amount assessed for Tenant Improvements was reduced to $96,534 per year.

## POLICY CONSIDERATION

According to a May 16, 2018 memorandum from the Airport Director responding a questions from a Board of Supervisors member, federal law requires the Airport to maintain a Federal Inspection Service Area in which Customs and Border Control officers inspect the credentials of travelers entering the United States from another country to ensure that the travelers have the legal status to enter. The Federal Inspection Service Area, which is located in the International Terminal, contains secondary screening areas, including a waiting room, three interview rooms, one search room, and two holding cells. According to the memorandum, federal law requires the Airport to build out the Federal Inspection Service Area in conformance with Customs and Border Patrol specifications.

## RECOMMENDATION

Approve the proposed resolution.

| **Item 4**<br>**File 20-0967** | **Department:**<br>San Francisco International Airport (Airport) |
|---|---|

**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution would approve the first modification to the current lease between the Airport and the federal Drug Enforcement Agency (DEA), extending the lease by three years from October 1, 2020 to September 30, 2023 with annual rent and operating charges of $569,635.

**Key Points**

- In December 2015, the Board of Supervisors retroactively approved a five-year lease for the DEA to occupy 2,612 square feet of space for administrative and operations offices, on level 1 of Terminal 3 of the Airport. The lease was effective from October, 1 2015 to September 30, 2020 and is operating on a holdover status on a month-to-month basis. In September 2020 the Airport Commission approved the first modification to the lease.

**Fiscal Impact**

- The Airport Commission approves the Airport's rates annually for use of Airport space. In FY 2020-21, the annual rate for Category III space in the Airport terminals is $170.14 per square foot. Under the proposed first modification to the lease between the Airport and DEA, DEA would pay rent of $204.87 per square foot in Terminal 3, which according to Airport staff is the estimated average rate per square foot for Category III space over the three-year lease. Total annual rent and operating costs are $218.09 per square foot.
- Under the proposed lease terms, the annual rent and operating costs paid to the Airport are $569,635, or $1,708,905 over three years.

**Recommendation**

- Approve the proposed resolution.

## MANDATE STATEMENT

Section 2A.173 of the City's Administrative Code authorizes the Airport to execute leases of Airport lands and space in Airport buildings to any agency of government, without undergoing a competitive bid process, if the original term of the lease does not exceed 50 years.

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 December 2015, the Board of Supervisors retroactively approved a five-year lease for the Drug Enforcement Agency (DEA) to occupy 2,612 square feet of space for administrative and operations offices, on level 1 of Terminal 3 of the San Francisco International Airport (Airport). The lease was effective from October, 1 2015 to September 30, 2020 and is operating on a holdover status on a month-to-month basis. In September 2020 the Airport Commission approved the first modification to the lease, as noted below.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first modification to the current lease, extending the lease by three years from October 1, 2020 to September 30, 2023 with annual rent and operating charges of $569,635. The Airport would be reimbursed for the costs of providing maintenance, janitorial services and utilities, through an operating cost component of the total annual rent.

**Table 1: Summary of Lease Provisions**

| | |
|---|---|
| Tenant | Drug Enforcement Agency (DEA) |
| Operating Term | October 2020 to September 2023<br>3 Years |
| Options to Extend | No |
| Terminal 3, 1st Floor | 2,612 square feet |
| Terminal 3 Annual Rent & Operating Expenses | $569,635 ($218.09 sf/year) |

Source: Draft Lease Amendment No. 1 to GSA Lease No. GS-09P-LCA03384

The lease terms would commence, retroactively, to October 1, 2020. The proposed resolution was introduced to the Board of Supervisors on October 6, 2020. According to Steve Lash, Senior Property Manager at the Airport, the proposed resolution is retroactive due to delays in receipt of Lease Modification No. 1 from the General Services Administration (GSA). The delays were caused by the COVID-18 Pandemic.

## FISCAL IMPACT

The Airport Commission approves the Airport's rates annually for use of Airport space. In FY 2020-21, the annual rate for Category III space in the Airport terminals is $170.14 per square foot. Under the proposed first modification to the lease between the Airport and DEA, DEA would pay rent of $204.87 per square foot in Terminal 3, which according to Airport staff is the estimated average rate per square foot for Category III space over the three-year lease. Total annual rent and operating costs per square foot are $218.09 per square foot as noted in the Table above.

According to Mr. Lash, the average three-year rent of $204.87 for Category III space in Terminal 3 for the proposed lease modification with DEA (File 20-0967) is less than the average three-year rent of $207.08 for Category III space in Terminal 2 for the proposed lease modification with TSA (File 20-0968) because the TSA lease modification is effective one month later. This difference increases the number of months at the highest projected rental rate at the end of the term for the proposed TSA lease modification.

Under the proposed lease terms, the annual rent and operating costs paid to the Airport are $569,635, or $1,708,905 over three years.

## RECOMMENDATION

Approve the proposed resolution.

| **Item 5**<br>**File 20-0968** | **Department:**<br>San Francisco International Airport (Airport) |
|---|---|

**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution approves the second modification to the existing lease between the Airport and U.S. Transportation Security Administration (TSA), extending the lease term for three years to October 31, 2023. Under the proposed second modification, the leased space used for canine training aids storage would be added to the lease for TSA's use of administrative space in the International Terminal and Terminal 2.

**Key Points**

- The Board of Supervisors approved a lease between the Airport and TSA, an agency of the U.S. Department of Homeland Security, in 2012 for administrative space in the International Terminal and Terminal 2 (File 12-0986). In 2018, the Board of Supervisors approved the first modification to the lease extending the lease to October 31, 2020 (File 17-1242). The administrative space is used by TSA for the TSA Coordination Center and for staff overseeing security measures at the Airport. In addition, TSA has a lease with the Airport for Plot 50-DJ, consisting of 0.057 acres, used by TSA for storing canine training aids, which expires in December 2020.

**Fiscal Impact**

- The Airport Commission approves the Airport's rates annually for use of Airport space. In FY 2020-21, the annual rate for Category II space in the Airport terminals is $255.21 per square foot and for Category III space in the Airport terminals is $170.14 per square foot. TSA would pay a flat rent of $310.61 per square foot in the International Terminal, and $207.08 per square foot in Terminal 2, which is the estimated average rate per square foot for each category over the three-year lease term.
- In addition, TSA would pay rent of $10,045 for Plot 50-DJ, which would remain fixed over the three-year term. According to the Airport staff, this rent is based on the average fair market value of land of approximately $175,029 per acre.
- Under the proposed lease terms, the annual rent, operating costs, and fees paid to the Airport are $2,590,867, which totals $7,772,600 over three years.

**Recommendation**

- Approve the proposed resolution.

## MANDATE STATEMENT

Section 2A.173 of the City's Administrative Code authorizes the Airport to execute leases of Airport lands and space in Airport buildings to any agency of government, without undergoing a competitive bid process, if the original term of the lease does not exceed 50 years.

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

The Board of Supervisors approved a lease between the Airport and the U.S. Transportation Security Administration (TSA), an agency of the U.S. Department of Homeland Security, in 2012 for administrative space in the International Terminal and Terminal 2 (File 12-0986). In 2018, the Board of Supervisors approved the first modification to the lease extending the lease to October 31, 2020 (File 17-1242). The administrative space is used by TSA for the TSA Coordination Center and for staff overseeing security measures at the Airport. In addition, TSA has a lease with the Airport for Plot 50-DJ, consisting of 0.057 acres, used by TSA for storing canine training aids, which expires in December 2020.[1]

In September 2020, the Airport Commission approved the second modification to the existing lease between the Airport and TSA for administrative space in the International Terminal and Terminal 2, as discussed further below.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the second modification to the existing lease between the Airport and TSA, extending the lease term for three years to October 31, 2023. Under the proposed second modification, the leased space used for canine training aids storage would be added to the lease for TSA's use of administrative space in the International Terminal and Terminal 2.

The proposed second modification terms are shown in the table below:

[1] The current lease rent is $7212 per year. The lease was not subject to Board of Supervisors approval because the total rent was less than $1 million.

**Table 1: Summary of Lease Provisions**

| | |
|---|---|
| Tenant | Transportation Security Administration (TSA) |
| Lease Term | November 2020 to October 2023<br>3 Years |
| Options to Extend | None |
| International Terminal 5th Floor | 7,200 square feet |
| Terminal 2 1st Floor | 1,104 square feet |
| Plot 50-DJ | 0.057 acre (approximately 2,500 square feet |
| International Terminal Annual Rent & Operating Expenses | $2,333,960 ($324.16 sf/year) |
| Terminal 2 Annual Rent & Operating Expenses | $243,568 ($223.61 sf/year) |
| Annual Surcharge Fee for Terminal 2 | $3,294 ($2.98 sf/year for Terminal 2) |
| Plot 50-DJ Annual Rent | $10,045 |

Source: Draft Lease Amendment No. 2 to GSA Lease No. GS-098-03014.

As noted above, TSA's current lease for Plot 50-DJ terminates in December 2020. Under the proposed lease modification, the lease for Plot 50-DJ would terminate two months early, and the use of leased space would be incorporated into the proposed second modification.

Also, the proposed second modification would allow TSA to surrender up to 4,700 square feet of administrative space in the International Terminal, with a commensurate reduction in rent.

**Parking**

The proposed lease modification reduces the number of parking spaces provided for in the current TSA lease by 20, going from 52 parking spaces to 32 parking spaces for TSA staff.

## FISCAL IMPACT

The Airport Commission approves the Airport's rates annually for use of Airport space. In FY 2020-21, the annual rate for Category II space in the Airport terminals is $255.21 per square foot and for Category III space in the Airport terminals is $170.14 per square foot. Under the proposed second modification to the lease between the Airport and TSA for administrative space, TSA would pay rent of:

- $310.61 per square foot in the International Terminal, which according to Airport staff is the estimated average rate per square foot for Category II space over the three-year lease term. Total annual rent and operating costs per square foot are $324.16 per square foot as noted in the Table above.
- $207.08 per square foot in Terminal 2, which according to Airport staff is the estimated average rate per square foot for Category III space over the three-year lease. Total annual rent and operating costs per square foot are $223.61 per square foot as noted in

the Table above, which includes $13.55 per square foot for operating charges and $2.98 per square foot to recover costs associated with improvements made during the Airport's Terminal 2 Renovation Project.

According to Steve Lash, Senior Property Manager at the Airport, the average three-year rent of $207.08 for Category III space in Terminal 2 for the proposed lease modification with TSA (File 20-0968) is greater than the average three-year rent of $204.87 for Category III space in Terminal 3 for the proposed lease modification with DEA (File 20-0967) because the TSA lease modification is effective one month later. This difference increases the number of months at the highest projected rental rate at the end of the term for the proposed TSA lease modification.

In addition, TSA would pay rent of $10,045 for Plot 50-DJ, which would remain fixed over the three-year term. According to the Airport staff, this rent is based on the average fair market value of land of approximately $175,029 per acre.

Under the proposed lease terms, if the TSA does not downsize the administrative space in the International Terminal, the annual rent, operating costs, and fees paid to the Airport are $2,590,867. Over the entire term of the lease, the Airport would receive $7,772,600.

## RECOMMENDATION

Approve the proposed resolution.

| Item 6<br>File 20-1135 | Department:<br>Municipal Transportation Agency (MTA) |
|---|---|

**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed resolution approves a new sole-source agreement between SFMTA and Thales for Thales to provide specialized Automatic Train Control System technical services, equipment and software upgrades. The agreement is for an initial term of seven years from approximately November 2020 through October 2027, and an amount not to exceed $30,000,000, with a two-year option to extend through approximately October 2029, subject to Board of Supervisors approval.

**Key Points**

- The City originally entered into an agreement with Thales Transport and Security (Thales) in 1992 to provide a train control system (Advanced Train Control System or ATCS) to the Municipal Railway (Muni). The system, which has been in revenue service since 1998, has a 30-year expected useful life and will be in service until at least 2028. According to the proposed resolution, the proposed agreement is sole-source because the ATCS is a proprietary system supplied by Thales.
- According to the agreement, Thales provides SFTMA services, software and software configurations, and customization, labor, supervision, materials, equipment, and other required work that are necessary to maintain, upgrade, modify, configure, customize, and expand the Automatic Train Control System. SFMTA will issue task orders for specific technical services, acquisition of equipment, software upgrades, and other ACTS work to be performed under the proposed agreement. The agreement establishes the fixed contract terms and labor rates for the work for the task orders.

**Fiscal Impact**

- The total not-to-exceed amount of the proposed agreement is $30,000,000 over the initial seven-year term. SFMTA expects to fund agreement costs within the Agency's Fixed Guideway Capital Program, and agreement costs are planned for in the SFMTA FY 2020-25 Capital Improvement Program. Of the $30,000,000 not-to-exceed amount, $24,000,000, or 80 percent, would come from the Federal Transit Administration (FTA), and $6,000,000, or 20 percent, would come from other local SFMTA capital funds. Specific funding sources will depend on the timing of each task and available capital revenues.

**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.

City Administrative Code Section 21.30(d) states that where a vendor has proprietary rights to software or where maintenance of equipment by a particular vendor is required to preserve a warranty, software support and equipment maintenance contracts entered into with that vendor shall be treated as a sole source for the purposes of any contract requirements included in the Municipal Code.

## BACKGROUND

The City originally entered into an agreement with Thales Transport and Security (Thales) in 1992 to provide a moving block train control system (Advanced Train Control System or ATCS) to the Municipal Railway (Muni).[1] The ATCS enhances rail system performance and safety by controlling train speed, braking, routing, and headways more efficiently and accurately than possible under a manually operated fixed block system. It also provides real-time train location and arrival information for other external information systems used by SFMTA central control operations and passengers. The system, which has been in revenue service since 1998, has a 30-year expected useful life and will be in service until at least 2028.

The Board of Supervisors approved a sole-source agreement between Thales and the San Francisco Municipal Transportation Agency (SFMTA) in 2009 for the SFMTA to purchase ATCS system upgrades. The agreement term was for up to eight years through approximately October 2017, including options to extend, and for an amount up to $30 million (File 09-0908). Actual expenditures on the 2009 agreement totaled $20,497,756. According to Mr. David Rojas, ATCS Technical Program Manager, after expiration of the agreement in 2017, SFMTA issued two stand-alone ATCS agreements with Thales, totaling $6,802,750.[2]

SFMTA is planning upgrades to the ATCS system and has negotiated a new agreement with Thales to procure necessary equipment, technical services, and system upgrades. Due to the proprietary nature of the Thales' system, SFMTA's Director of Transportation approved a sole-source procurement for these services.[3] In September 2020, the SFMTA Board of Directors approved the agreement.

[1] At the time of the agreement award, Muni was under the jurisdiction of the San Francisco Public Utilities Commission. According to a 2009 memorandum from the San Francisco Municipal Transportation Agency (SFMTA) to the Budget and Legislative Analyst's Office, the agreement was awarded through a competitive process.

[2] The Board of Supervisors also approved a sole source agreement between SFMTA and Thales in 2014 for the Central Subway ATCS (File 14-0474).

[3] The sole-source waiver was approved by SFMTA's Director of Transportation, which is required for sole-source agreements funded by the Federal Transit Administration (FTA). Section 8A.102(b)(1) of the City Charter provides the SFMTA with contracting authority.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves a new sole-source agreement between SFMTA and Thales for Thales to provide specialized ATCS-specific technical services, equipment and software upgrades. The agreement is for an initial term of seven years from approximately November 2020 through October 2027, and an amount not to exceed $30,000,000, with a two-year option to extend through approximately October 2029, subject to Board of Supervisors approval.

According to the agreement, Thales provides SFTMA services, software and software configurations, and customization, labor, supervision, materials, equipment, and other required work that are necessary to maintain, upgrade, modify, configure, customize, and expand the Automatic Train Control System. SFMTA will issue task orders for specific technical services, acquisition of equipment, software upgrades, and other ACTS work to be performed under the proposed agreement. The agreement establishes the fixed contract terms and labor rates for the work to be performed under the task orders.

Appendix A of the agreement summarizes the scopes of other potential future tasks including software functionality upgrades, integration of ATCS with surface interlocks, upgrading trains and ATCS to allow tracking and management of surface operations, analysis of system operations and recommendations for improvement, equipment and software to maintain a state of good repair, and hardware/software design, implementation, and test resources.

## FISCAL IMPACT

The total not-to-exceed amount of the proposed agreement is $30,000,000 over the initial seven-year term. SFMTA expects to fund agreement costs within the Agency's Fixed Guideway Capital Program, and agreement costs are planned for in the SFMTA FY 2020-25 Capital Improvement Program. Of the $30,000,000 not-to-exceed amount, $24,000,000, or 80 percent, would come from the Federal Transit Administration (FTA), and $6,000,000, or 20 percent, would come from other local SFMTA capital funds. Specific funding sources will depend on the timing of each task and available capital revenues. The estimated agreement budget is shown in Table 1 below.

**Table 1: Estimated Thales Agreement Budget**

| Task Order | Description | Estimated Agreement Cost | Estimated Duration (Months) |
|---|---|---|---|
| Backup Control Center | Separate central control facility at 1 South Van Ness that will be available in case of an evacuation of the central control facility at 1455 Market (Transportation Management Center) This task will pay for extension of train control equipment to the backup location. | $2,500,000 | 12 |
| West Portal Interlocking Integration | This task will integrate surface interlocking controls on the surface at West Portal and Ulloa Streets with the ATCS. This will allow for the fully automatic turnback of a train at West Portal inbound platform without the need for central control operators to manually check that no trains are attempting to enter the tunnel from the surface. | 8,000,000 | 21 |
| W3 Crossover Activation | This will activate an additional crossover within the Twin Peaks tunnel to add additional operational flexibility for subway rail operations. | 6,000,000 | 20 |
| Old Train Control Demolition | A project is currently underway to remove dependencies of the ATCS on 40-year old legacy fixed block train control infrastructure. This task will fund further field investigation leading to complete de-energization and removal of the legacy equipment from subway equipment rooms. | 4,000,000 | Unknown |
| VCC Rapid Restore | Failures of the main train control computers have previously caused delays as communication is required to be established with each train in the subway before service can resume. This task will update train control hardware and software so that the system remembers the locations of the trains and does not need them to be manually re-entered after a system halt. | 8,000,000 | Unknown |
| Contingency (5%) | Other potential tasks, including training studio, Central Subway | $1,500,000 | Unknown |
| **Total** | | **$30,000,000** | |

Source: SFMTA

According to Mr. Rojas, the contingency of approximately $1,500,000 would be set aside for other potential tasks, such as a new training studio to provide a new training environment for ATCS central control operators, or special trackwork replacement to support the restoration of train control service after each phase of the Muni Metro subway downtown track replacement project. Mr. Rojas anticipates that the full $30,000,000 not-to-exceed amount will be expended over the initial seven-year term of the agreement.

## RECOMMENDATION

Approve the proposed resolution.

| **Item 10**<br>**Files 20-1152** | **Department:**<br>District 7 – Various Departments |
|---|---|

**EXECUTIVE SUMMARY**

**Legislative Objectives**

- The proposed ordinance re-appropriates $557,598 as follows: (a) $282,598 from General City Responsibility to District 7 Participatory Budgeting projects ($235,598) and to the City Administrator for District 7 Disaster Planning ($47,000); (b) $250,000 from the San Francisco Municipal Transportation Agency (SFMTA) budget to Vision Zero in District 7; and (c) $25,000 from the Department of Public Works budget to District 7 Play Space projects.

**Key Points**

- Participatory Budgeting allows community members to provide direct input on how to spend a portion of the City budget. For FY 2020-21, District 7 residents were invited to submit project proposals prior to the January 6 deadline and could vote on which community projects to fund from April 1st through April 14th. The stated intent of the District 7 Participatory Budgeting project is to "establish an inclusive way to identify projects within the district to improve the quality of our neighborhoods." In FY 2019-20, $300,000 was re-allocated as part of the District 7 Participatory Budgeting process (File 19-0498).

**Fiscal Impact**

- The proposed ordinance appropriates funds to the: SFMTA for Vision Zero projects ($250,000); Department of Public Works for landscaping at Junipero Serra ($50,000); Public Utilities Commission for native plant garden development ($25,000); the Arts Commission for public art projects ($50,000); the Human Services Agency for projects serving seniors ($23,598); the City Administrator for disaster preparedness ($72,000); Department of Children, Youth and Their Families for school site improvements and other projects ($62,000); and to Recreation and Parks for Sunnyside Park landscaping ($25,000).

**Recommendation**

- 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

**Participatory Budgeting**

Participatory Budgeting allows community members to provide direct input on how to spend a portion of the City budget. In prior years, Districts 3, 7 and 10 have participated in the participatory budgeting process with projects ranging in cost from $5,000 to $25,000. For FY 2020-21, District 7 residents were invited to submit project proposals prior to the January 6 deadline and could vote on which community projects to fund from April 1st through April 14th. The stated intent of the District 7 Participatory Budgeting project is to "establish an inclusive way to identify projects within the district to improve the quality of our neighborhoods." In FY 2019-20, $300,000 was re-allocated as part of the District 7 Participatory Budgeting process (File 19-0498).

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance appropriates $557,598 as follows: (a) $282,598 from General City Responsibility to District 7 Participatory Budgeting projects ($235,598) and to the City Administrator for District 7 Disaster Planning ($47,000); (b) $250,000 from the San Francisco Municipal Transportation Agency (SFMTA) budget to Vision Zero projects in District 7; and (c) $25,000 from the Department of Public Works budget to the Recreation and Parks Department for District 7 Play Space projects.

## FISCAL IMPACT

The District 7 appropriation and de-appropriation sources and uses budget is shown below.

| **Sources De-Appropriation** | **Total** |
|---|---:|
| D7 Participatory Budgeting | $282,598 |
| SFMTA (Vision Zero D7 Addback) | 250,000 |
| D7 Play Space | 25,000 |
| **Total Sources** | **$557,598** |

| Uses Re-Appropriation | Project | Total |
|---|---|---|
| Sidewalk Gardens for Ocean Avenue at Junipero Serra | 25,000 | |
| Landscaping on Junipero Serra | 25,000 | |
| *Subtotal Department of Public Works* | | *$50,000* |
| Native plant garden development in District 7 | 25,000 | |
| *Subtotal Public Utilities Commission* | | *25,000* |
| Laguna Honda Hospital Mural | 25,000 | |
| Art on Ocean Avenue | 25,000 | |
| *Subtotal Arts Commission* | | *50,000* |
| Neighborhood Services-Seniors | 23,598 | |
| *Subtotal Human Services Agency* | | *23,598* |
| Preparation Support for Public Service Power Shutoffs | 25,000 | |
| *Subtotal Office of City Administrator* | | *25,000* |
| Safety Around Water Initiative | 6,000 | |
| Aptos Middle/Shared Schoolyards Upper and Lower Play Yards Upgrade | 25,000 | |
| Outdoor Music Garden for West Portal Elementary School and Community | 24,000 | |
| Climate Change Internship and Independence High School | 7,000 | |
| *Subtotal Department of Children, Youth & Their Families* | | *62,000* |
| Resilient West Portal Disaster Preparedness | 15,000 | |
| Neighborhood Emergency Preparedness | 12,000 | |
| Golden Gate Heights Block Champion / Shelter in Place Program | 20,000 | |
| *Subtotal Disaster Planning City Administrator* | | *47,000* |
| **Subtotal D7 Participatory Budgeting** | | **282,598** |
| Sunnyside Park Landscaping | 25,000 | |
| **Subtotal District 7 Play Space** | | **25,000** |
| Ocean Avenue Crosswalk Safety Project | 50,000 | |
| Design Phase of the Five-Way | 25,000 | |
| Flashing Beacon & Crosswalk on 10th Avenue at Pacheco St. | 175,000 | |
| **Subtotal District 7 Vision Zero** | | **250,000** |
| **Total Uses** | | **$557,598** |

Source: Appropriation Ordinance

## RECOMMENDATION

Approve the proposed ordinance.

| **Item 11**<br>**File 20-1133** | **Department:**<br>San Francisco International Airport (Airport) |
|---|---|

## EXECUTIVE SUMMARY

### Legislative Objectives

- The proposed ordinance would amend the Administrative Code to require employees covered by the Quality Standards Program (QSP) at the San Francisco International Airport (Airport) to provide family health insurance to such employees, or to make contributions on the employees' behalf to an account established under the Health Care Security Ordinance (Section 14.2 of the Administrative Code).

### Key Points

- The Health Care Accountability Ordinance (HCAO) requires employers to offer individual health plan benefits to their covered employees or to make payments to the Department of Public Health (DPH). The HCAO applies to most City contractors and tenants, including those at the Airport. The Health Care Security Ordinance established the Health Access Program, providing for Healthy San Francisco and Medical Reimbursement Accounts
- The QSP sets hiring, training, performance management, and compensation standards for airlines, service providers, and catering companies doing business at the Airport. The proposed ordinance would apply to all QSP covered employees, regardless of number of hours worked, while the HCAO only applies to employees working an average of at least 20 hours per week.
- Under the proposed ordinance, QSP employers may offer qualifying health plans covering employees and dependents at no cost to the employee (Option 1) or make a payment of $9.50 per hour in accordance with the Health Care Security Ordinance (Option 2).

### Fiscal Impact

- The proposed ordinance would result in cost increases to the Airport for two Airport security contracts. According to information provided by the Airport, the costs of offering qualifying health plans covering employees and dependents (Option 1) would result in estimated additional costs to the Airport each year ranging from $805,733 to $1,409,654, depending on the health plan. The costs of the $9.50 per hour contribution in accordance with the Health Care Security Ordinance (Option 2) would result in estimated additional costs to the Airport each year of $1,377,534.
- According to information provided by the Airport, the costs of offering qualifying health plans covering employees and dependents (Option 1) would result in estimated additional costs each year to the airlines, service providers, and catering companies ranging from approximately $8.4 million to $24 million, depending on the health plan. The costs of the $9.50 per hour contribution in accordance with the Health Care Security Ordinance (Option 2) would result in estimated additional costs each year to the airlines, service providers, and catering companies of approximately $33 million. While these costs are not directly passed onto the Airport, they increase the cost of doing business for Airport tenants.

### Recommendation

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

## MANDATE STATEMENT

According to City Charter Section 2.105, all legislative acts shall be by ordinance and require the affirmative vote of at least a majority of the members of the Board of Supervisors.

## BACKGROUND

The Health Care Accountability Ordinance (HCAO), Chapter 12Q of the Administrative Code, requires employers to offer individual health plan benefits to their covered employees or to make payments to the Department of Public Health (DPH). The HCAO applies to most City contractors and tenants, including those at San Francisco International Airport (Airport), but not Airport permittees.

In December 1999, Airport Commission adopted the Quality Standards Program (QSP) to enhance safety and security. The QSP required the implementation of minimum standards for hiring, training, performance management, and compensation and benefits of employees covered by the QSP, as well as enhanced equipment safety and security standards for airlines and service providers whose employees perform services impacting safety and security at SFO.

According to Airport management, the QSP has been successful in recruiting high-quality employees and reducing turnover. Employers have reported that after the QSP was established, they have experienced improved employee performance, reduced disciplinary actions, reduced absenteeism, and fewer employees failing initial training. While the primary goals of the program are the safety and security of airport operations, the QSP has also improved Airport efficiency and customer service.

The Airport Commission has adopted several resolutions expanding or amending the QSP, as shown in Table 1 below.

**Table I: Airport Commission Amendments to QSP**

| Date | Amendment Description |
|---|---|
| January 2000 | Expanded the QSP to cover employees of airlines and service providers who have access to the Airfield Operations Area or otherwise are directly involved in passenger and facility safety and security. |
| August 2009 | Required employers to provide QSP-covered employees with individual health benefits that meet the minimum standards of the HCAO. Temporarily froze the QSP minimum wage rate at $12.33 per hour until that rate was no more than $0.50 per hour more than the wage rate required by the Minimum Compensation Ordinance (MCO). |
| October 2015 | Expanded the QSP to cover employees located on or near Airport property who are directly involved in the preparation and/or transportation of food and beverage products delivered directly onto aircraft. Provided that employee wage requirements could not be waived in a collective bargaining agreement (CBA) unless the CBA clearly and unambiguously waived them and provided for wages that at least met the QSP standards. However, a CBA may still waive the QSP health benefit requirements. |
| January 2016 | Adopted additional QSP Airport safety and employee health and safety standards, enhanced QSP training requirements, included Airport custodial workers in the QSP, and increased fines for non-compliance. |

Airport management reports that some CBAs at the Airport waive the health benefit requirement, resulting in some QSP employees having only minimal health care coverage.

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Administrative Code to require QSP employers at the Airport to provide family health insurance to employees, or to make contributions on the employees' behalf to an account established under Section 14.2 of the Administrative Code, the Health Care Security Ordinance (HCSO).[1] The contribution would be $9.50 per hour for each employee, rather than $5.60 per hour per employee under the HCAO. The payment amount would be adjusted annually based on the Consumer Price Index (CPI). The proposed ordinance would apply to all QSP covered employees, regardless of number of hours worked, while the HCAO only applies to employees working an average of at least 20 hours per week. The proposed ordinance specifies that its requirements cannot be waived by a collective bargaining agreement.

## FISCAL IMPACT

The proposed ordinance would result in direct cost increases to Airport service contracts, as well as potential indirect costs.

**Direct Costs**

According to Ms. Emylene Aspilla, Airport Director of Social Responsibility, the Airport currently has two contracts with service providers whose employee health costs are partially covered by the Airport, General Airport Security Services (GASS) and Hallmark Aviation Services (Hallmark). Under the GASS contract, the Airport pays a flat rate of $624.19 per employee per month for health coverage. Under the Hallmark contract, the Airport pays 22.28 percent of the medical, dental, and life insurance costs for their employees.

QSP employers may offer qualifying health plans covering the employee and dependents at no cost to the employee (Option 1), or make a payment of $9.50 per hour in accordance with the Health Care Security Ordinance (Option 2). According to information provided by the Airport, under the proposed legislation, the costs of offering qualifying health plans covering employees and dependents (Option 1) would result in estimated additional costs to the Airport each year ranging from $805,733 to $1,409,654, depending on the health plan.[2] Under the proposed legislation, the costs of the $9.50 per hour contribution in accordance with the Health Care

[1] Administrative Code Section 14.2 established the Health Access Program, providing for Healthy San Francisco and Medical Reimbursement Accounts. Healthy San Francisco is a network of providers available to uninsured San Francisco residents, including Department of Public Health, non-profit, and private providers, and is funded by a variety of sources, including payments from employers on behalf of employees. Medical Reimbursement Accounts are a public health benefit administered by DPH, funded in whole or in part by contributions from covered employees to the City under Section 14.3, from which eligible employees may obtain reimbursement for health care services.

[2] The costs have been estimated using the 10-County Average for two popular qualifying health plans: The Kaiser Permanente HMO and the BlueShield Access+ HMO, based on the San Francisco Health Service System's presentation to the Board of Supervisors on June 17, 2020.

Security Ordinance (Option 2) would result in estimated additional costs to the Airport each year of $1,377,534.

**Indirect Costs**

According to Ms. Aspilla, the proposed ordinance would increase costs for airlines, service providers, and catering companies that operate at the Airport. While these costs are not directly passed onto the Airport, they increase the cost of doing business for Airport tenants.

The Airport estimates that 4,260 employees would be eligible for family healthcare benefits under the proposed ordinance, based on a forecast of approximately 18.4 million passengers in FY 2020-21. According to information provided by the Airport, under the proposed legislation, the costs of offering qualifying health plans covering employees and dependents (Option 1) would result in estimated additional costs each year to the airlines, service providers, and catering companies ranging from approximately $8.4 million to $24 million, depending on the health plan. Under the proposed legislation, the costs of the $9.50 per hour contribution in accordance with the Health Care Security Ordinance (Option 2) would result in estimated additional costs each year to the airlines, service providers, and catering companies of approximately $33 million.[3]

If airlines choose to pass the additional costs onto passengers through ticket pricing, Ms. Aspilla estimates that the proposed ordinance may result in a ticket increase of $1.83 per ticket, based on approximately 18.4 million passengers in FY 2020-21.

## RECOMMENDATION

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

[3] The estimate assumes that 75 percent of employees work 40 hours per week, or 160 hours per month, and 25 percent of employees work 20 hours per week, or 80 hours per month.