CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: May 5, 2021 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 3 to the Terminal 2 Newsstands, Coffee, and Specialty Stores Lease between San Francisco International Airport (Airport) as landlord and World Duty Free Group North America, LLP (WDFG) as tenant, extending the term by approximately two years and two months through June 2023, with no change to the Minimum Annually Guaranteed (MAG) rent.

Key Points

- In 2010, the Board of Supervisors approved a Newsstands, Coffee, and Specialty Stores Lease for five concession locations with Host International, Inc. in Terminal 2. In 2012, the Airport Commission approved the assignment of the lease to WDFG. The lease expires on April 30, 2021.
- Due to the COVID-19 pandemic and severe downturn in enplanements and concession sales, Airport Management has determined that it would not be prudent to initiate a Request for Proposals (RFP) process to select a new tenant at this time. The proposed Amendment No. 3 would extend WDFG's lease by approximately two years and two months from the date of Board of Supervisors approval through June 30, 2023, with no change to the MAG rent. The lease could be terminated at the Airport Director's sole discretion by providing six months' written notice.

Fiscal Impact

- Under the lease, the Airport receives the greater of MAG rent, which is currently $1,489,453, or tiered percentage rent of gross revenues. Over the two-year and two-month period from the expiration of the expiration of the original lease through the term of the lease extension, the value of the MAG is at least $3,227,149.
- The lease contains a provision that suspends the MAG rent if enplanements drop to below 80 percent of 2009 levels for three consecutive months, consistent with Airport policy. The MAG is then reinstated if enplanements increase back to at least 80 percent of 2009 levels for two consecutive months. When the MAG is suspended, WDFG still pays percentage rent, which may be lower than the MAG. MAG rents are currently suspended due to the impact of COVID-19 on air travel.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.118(c) states that (1) any lease of real property for ten or more years, including options to renew, (2) have anticipated revenues to the City of $1,000,000, or (3) the modification, amendment or termination of these leases is subject to Board of Supervisors approval.

BACKGROUND

In 2010, the San Francisco International Airport (Airport) issued a Request for Proposals (RFP) to award a Newsstands, Coffee, and Specialty Stores lease for five retail locations in Terminal 2. The Airport received four proposals, and a scoring panel determined that Host International, Inc. was the highest scoring responsive and responsible proposer. In September 2010, the Board of Supervisors approved a lease with Host International for a term of 10 years and initial Minimum Annually Guaranteed (MAG) rent of $1,126,000 (File 10-1002). In November 2012, the Airport Commission approved the assignment of the lease to World Duty Free Group North America, LLC (WDFG).

The lease with WDFG expires on April 30, 2021. Due to the COVID-19 pandemic and severe downturn in enplanements and Airport concession sales, Airport Management has determined that it would not be prudent to initiate an RFP process to select a new tenant at this time. In December 2020, the Airport Commission approved Amendment No. 3 to the lease, extending the term by two years and two months through June 2023.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 3 to the lease between the Airport as landlord and WDFG as tenant, extending the term by approximately two years and two months from the date of Board of Supervisors approval through June 2023.[1] Under the proposed Amendment No. 3, the MAG rent and other lease terms would not change. The lease could be terminated under the Airport Director's sole discretion by providing six months' written notice.

Under the lease, WDFG operates two newsstands (Sunset News and SF News Express), two specialty stores (M. Fredric and Kiehl's), and one coffee shop (Starbucks). According to Ms. Veronica Zamani, Airport Principal Property Manager, Sunset News has remained operational, but the other concession locations suspended operations due to the COVID-19 pandemic. The two specialty stores reopened in late 2020 and SF News Express reopened in April 2021. Starbucks has not yet reopened. WDFG has participated in the COVID-19 Emergency Rent Relief Program, which waived certain rents and fees to encourage business recovery, employee rehiring, and continued operations at the Airport (File 20-1278).

[1] Amendment No. 1, approved by the Airport Commission in December 2011 and later by the Board of Supervisors in December 2015, revised the definition of "lease year" to clarify that the first lease year was an eight-month period rather than a 20-month period (File 15-0965). Amendment No. 2, approved by the Airport Commission in October 2020, incorporated the COVID-19 Rent Relief Program for Airport concession tenants.

The proposed Amendment No. 3 adds new sections to Article 19 of the lease, including (a) nutritional standards and calorie labeling requirements for vending machines; (b) Administrative Code Chapter 12K restrictions on considering current and past salary history of job applicants; (c) local hire requirements for site alterations; (d) compliance with the City's resource-efficient building requirements; (e) compliance with all-gender toilet facilities requirements; and (f) compliance with Federal Labor Standards Act (FLSA) and Occupational Health and Safety Act (OSHA) requirements.

FISCAL IMPACT

Under the lease, the Airport receives the greater of MAG rent, which is currently $1,489,453, or tiered percentage rent of gross revenues.[2] Over the two-year and two-month period from the expiration of the original lease through the term of the lease extension, the value of the MAG rent is at least $3,227,149

The current MAG rent of $1,489,453 is based on the original MAG rent of $1,126,000 adjusted annually by the Consumer Price Index (CPI). In calendar year 2019, the last full year before the COVID-19 pandemic, WDFG paid $1,796,800 in percentage rent.

MAG Suspension

The lease contains a provision that suspends the MAG rent if enplanements drop below 80 percent of 2009 levels for three consecutive months, consistent with Airport policy. The MAG is then reinstated if enplanements increase back to at least 80 percent of 2009 levels for two consecutive months. When the MAG is suspended, WDFG still pays percentage rent, which may be lower than the MAG. MAG rents are currently suspended due to the impact of COVID-19 on air travel.

RECOMMENDATION

Approve the proposed resolution.

[2] Under the lease WDFG pays percentage rent of 12 percent of gross revenues up to $1,000,000, 14 percent of gross revenues from $1,000,000 up to $2,000,000, and 16 percent of gross revenues over $2,000,000.

Item 3 File 21-0372	Department: San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 2 to the Airport Luggage Cart Lease between the San Francisco International Airport (Airport) as landlord and Smarte Carte, Inc. as tenant, changing the luggage cart service in the Federal Inspection Service (FIS) area from a free service to a paid service, and exercising the three-year option to extend the lease through December 2025.

Key Points

- In 2019, the Board of Supervisors approved an Airport Luggage Cart Lease with Smarte Carte for a term of three years from January 2020 through December 2022 and an amount not to exceed $6,493,853, with one three-year option to extend through December 2025. As part of the lease, Smarte Carte provides 2,000 carts in the FIS area free of charge for arriving international passengers. As compensation, the Airport pays Smarte Carte an Annual Service Fee, which is the lesser of $1.47 per cart used or a maximum fee of $3,125,600.
- Airport operating revenues have been severely impacted by the COVID-19 pandemic and reduction in air travel. To reduce costs and generate revenues, Airport Management has recommended amending the lease to change luggage cart service in the FIS area from a free service to a paid service. Under the proposed Amendment No. 2, the Annual Service Fee would be suspended and Smarte Carte would charge a fee of $8 per cart used in the FIS area, consistent with other Airport locations. The Airport Director would have the authority to reinstate free cart service in the FIS area and resume payment of the Annual Service Fee if business conditions merit the change. Amendment No. 2 would also exercise the three-year option to extend the lease through December 2025.

Fiscal Impact

- Under the existing lease, Smarte Carte pays the Airport the greater of MAG rent, which is currently $985,758, or 19 percent of gross revenues; and the Airport pays Smarte Carte the Annual Service Fee for the free luggage cart service in the Federal Inspection Service area, resulting in net payments to Smarte Carte of approximately $2 million per year.
- The proposed Amendment No. 2 would eliminate the Annual Service Fee, resulting in cost savings to the Airport of up to $3.1 million per year per year, or approximately $14.3 million over the four-year and seven-month period from June 2021 through December 2025. Over this same period, the value of the MAG rent is at least $4.5 million per year. MAG rents are currently suspended due to the impact of COVID-19 on air travel.

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 Charter Section 9.118(c) states that (1) any lease of real property for ten or more years, including options to renew, (2) have anticipated revenues to the City of $1,000,000, or (3) the modification, amendment or termination of these leases is subject to Board of Supervisors approval.

BACKGROUND

In 2019, San Francisco International Airport (Airport) issued a Request for Proposals (RFP) to award a Luggage Cart Lease and Operating Agreement. Smarte Carte, Inc., which had previously provided luggage cart services at the Airport, submitted the only proposal and was determined to have met the minimum qualifications and was awarded a lease. In September 2019, the Board of Supervisors approved a lease with Smarte Carte for a term of three years and an amount not to exceed $6,493,853, with one three-year option to extend (File 19-0705). The lease expires December 31, 2022.

As part of the lease, Smarte Carte provides at least 2,000 luggage carts in the Federal Inspection Area (FIS) free of charge for arriving international passengers. As compensation, the Airport pays Smarte Carte an Annual Service Fee, which is the lesser of $1.47 per cart used in the FIS area or a maximum flat service fee of $3,125,600, subject to annual adjustment.

Airport operating revenues have been severely impacted by the COVID-19 pandemic and reduction in air travel. To reduce costs and generate revenues, Airport Management has recommended amending the lease to change luggage cart service in the FIS area from a free service to a paid service. According to Ms. Cheryl Nashir, Airport Director of Revenue Development and Management, other large airports, such as John F. Kennedy International Airport and Hartsfield-Jackson Atlanta International Airport, have recently transitioned international arrival luggage cart service from a free service to a paid service. In March 2021, the Airport Commission approved Amendment No. 2 to the lease, changing the luggage cart service in the FIS area from a free service to a paid service, and executing the three-year option to extend the lease through December 2025.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 2 to the lease between the Airport as landlord and Smarte Carte as tenant, changing the luggage cart service in the FIS area from a free service to a paid service, and executing the three-year option to extend the lease through

December 2025.[1] The proposed Amendment No. 2 would not change the Minimum Annually Guaranteed (MAG) rent or other terms of the lease.

Under the proposed Amendment No. 2, the Annual Service Fee for the provision of free carts in the FIS would be suspended and Smarte Carte would charge a fee of $8 per cart used in the FIS area, consistent with other Airport locations.[2] Smarte Carte would continue to pay the greater of the MAG rent, which is currently $985,758, or 19 percent of gross revenues. The Airport Director would have the authority to reinstate free cart service in the FIS area and resume payment of the Annual Service Fee, if business conditions merit the change. Amendment No. 2 would also exercise the three-year option to extend the lease through December 2025. As noted above, the current lease expires in December 2022. As part of negotiating the change to the agreement eliminating the Airport's payment to Smarte Carte, the Airport agreed to extend the lease early.

The proposed Amendment No. 2 adds new sections to Article 19 of the lease, including (a) Administrative Code Chapter 12K restrictions on considering current and past salary history of job applicants; (b) compliance with all-gender toilet facilities requirements; and (c) compliance with Federal Labor Standards Act (FLSA) and Occupational Health and Safety Act (OSHA) requirements.

FISCAL IMPACT

Under the existing lease, Smarte Carte pays the Airport the greater of MAG rent, which is currently $985,758, or 19 percent of gross revenues, and the Airport pays Smarte Carte an Annual Service Fee for the free luggage cart service in the Federal Inspection Service area. According to the Budget and Legislative Analyst's report to the September 18, 2019 Budget and Finance Committee, the net payment by the Airport to Smarte Carte (Annual Service Fee less MAG rent) is approximately $2 million per year.

The proposed Amendment No. 2 would eliminate the Annual Service Fee, resulting in cost savings of up to $3,125,600 per year, or approximately $14,325,667 over the four-year and seven-month period from June 2021 through December 2025. Over this same period, the value of the MAG rent is at least $4,518,058.

The current MAG rent of $985,758 is based on the original MAG rent of $975,000 adjusted annually based on the Consumer Price Index (CPI). As noted below, Smarte Carte's percentage rent was $508,299 in CY 2020, which was less than the MAG.[3]

[1] Amendment No. 1, approved by the Airport Commission in October 2020, incorporated the COVID-19 rent relief Program for Airport concession tenants.

[2] Under the initial terms of the lease, the fee was $6 per cart. The fee was increased to $8 per cart on October 12, 2020. Smarte Carte requested the fee increase and provided data on cart rental fees at the Airport's peer large hub airports. According to Ms. Nashir, the Airport does not allow Smarte Carte to charge more for cart rental than is charged at other peer large hub domestic airports.

[3] According to Ms. Nashir, payment of percentage rent in CY 2020 is impacted by provisions of the CARES Act; three months of percentage rent is waived in CY 2020 if Smarte Carte proves it has spent a required amount of rent relief on labor costs.

MAG Suspension

The lease contains a provision that suspends the MAG rent if enplanements drop below 80 percent of 2018 levels for three consecutive months, consistent with Airport policy. The MAG is then reinstated if enplanements increase back to at least 80 percent of 2018 levels for two consecutive months. When the MAG is suspended, Smarte Carte still pays percentage rent, which may be lower than the MAG. MAG rents are currently suspended due to the impact of COVID-19 on air travel.

RECOMMENDATION

Approve the proposed resolution.

Item 8 **File 21-0252**	**Department:** General Services Agency - Department of Public Works (DPW), Real Estate Division (RED)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve an emergency construction contract between the Department of Public Works (Public Works) and A. Ruiz Construction Company to repair the Civic Center Steam Loop for a total amount of $275,272.

Key Points

- The Civic Center Steam Loop is a City-owned steam distribution system used for space and water heating of City Hall, Family Courthouse, Department of Public Health Headquarters, and Bill Graham Civic Auditorium. A pipe section crossing Larkin Street developed severe underground leaks, damaging AT&T's communication lines. A leak in the Larkin pipe section caused a scalding incident in 2020, resulting in a legal proceeding against the City. Additionally, an alternative piping route in front of City Hall also had severe leaks, creating a scalding hazard to the public and the risk of an imminent breakdown, which would lead to a complete closure of City facilities served by the Steam Loop. An emergency was declared in January 2021.
- In December 2020, Public Works issued an Invitation for Quotations to repair the Steam Loop. A. Ruiz Construction Company was determined to be the lowest cost responsive and responsible proposer and was awarded an emergency construction contract. The contract scope includes excavation, replacing the faulty piping section, repairing a plumbing system, and restoring the street and sidewalk surfaces at the corner of Larkin and McAllister Streets. Final construction completion was anticipated to be April 17, 2021.

Fiscal Impact

- The total cost of the estimated contract cost is estimated to be $275,272. The actual contract amount could be more or less depending on actual costs, although. According to Real Estate Division staff, no changes to the contract amount are anticipated. The project is funded by the City's General Fund.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Administrative Code Section 6.60(D) states that contracts entered into for emergency work that are more than $250,000 are subject to Board of Supervisors approval. Prior to the commencement of emergency work above the $250,000 threshold, the Department must also secure approval in writing from the Mayor, the President of the Board, or the Commission. If the emergency does not permit approval of the emergency determination by the Board of Supervisors before work begins, the Department head must submit a resolution approving the emergency determination to the Board of Supervisors within 60 days.

BACKGROUND

The Civic Center Steam Loop is a City-owned steam distribution system used for space and water heating of City Hall, Family Courthouse, Department of Public Health Headquarters, and Bill Graham Civic Auditorium. A pipe section crossing Larkin Street has developed severe underground leaks, damaging AT&T's communication lines. AT&T shut down the communication lines to perform repairs, leaving City facilities without emergency communication connections.[1] A leak in the Larkin pipe section caused a scalding incident in 2020, resulting in a legal proceeding against the City. Additionally, an alternative piping route in front of City Hall also has severe leaks, creating a scalding hazard to the public and the risk of an imminent breakdown, which would lead to a complete closure of City facilities served by the Steam Loop. On January 12, 2021, Acting Public Works Director Alaric Degrafinried declared an emergency, which was approved by the Mayor's designee Sailaja Kurella.

In December 2020, the Department of Public Works (Public Works) issued an Invitation for Quotations to repair the Steam Loop. Public Works received four quotes, which were evaluated on a low-bid basis, as shown in Table 1.[2]

Table 1: Bids Received for Steam Loop Repair

Bidder	Bid Amount
A. Ruiz Construction Company	$275,272
Trinet Construction, Inc.	312,000
Marinship Development	420,000
Devany Engineering	444,000
Engineer's Estimate	$250,000

A. Ruiz Construction Company was determined to be the lowest cost responsive and responsible bidder and was awarded an emergency construction contract.

As noted above, Administrative Code Section 6.60(D) requires the Department of Public Works (Public Works) to submit a resolution approving the emergency declaration to the Board of

[1] According to Mr. Jeremy Spitz, Public Works Policy and Government Affairs, AT&T has submitted a claim to the City Attorney's Office for damage to the facilities. The matter is still pending further investigation, but the demand is estimated to be $250,000.
[2] A fifth quote from J W Construction, for an amount of $349,117, was received after the deadline.

Supervisors within 60 days, if the emergency does not permit approval by the Board of Supervisors before the repair work begins. Public Works submitted the resolution approving the emergency declaration to the Board of Supervisors on March 8, 2021, or 55 days after the emergency declaration.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an emergency construction contract between Public Works and A. Ruiz Construction Company to repair the Civic Center Steam Loop for a total amount of $275,272.

The contract scope includes excavation, replacing the faulty piping section, repairing a plumbing system, and restoring the street and sidewalk surfaces at the corner of Larkin and McAllister Streets. A Notice to Proceed was issued January 18, 2021, with substantial project completion by February 17, 2021. According to Mr. Masoud Vafaei, Real Estate Division (RED) Civic Center District General Manager, final project completion was anticipated April 17, 2021.

According to the Emergency Declaration, the Civic Center Steam Loop is approximately 80 years old and deteriorating. In January 2020, the Board of Supervisors approved an ordinance that required new construction and major renovations of municipal buildings to exclude natural gas and include all-electric energy sources. According to Mr. Vafaei, the Real Estate Division which owns the Steam Loop, is exploring the feasibility of installing electric steam generators at City Hall, as well as heat pump heating systems. If the project is determined to be feasible and not cost-prohibitive, the Real Estate Division would conduct similar analysis on other City buildings served by the Steam Loop. The Real Estate Division and the San Francisco Public Utilities Commission (SFPUC) are also working with Clearway Energy to explore the feasibility of upgrading the Steam Loop and supplying it with electric generated steam.

FISCAL IMPACT

The total cost of the emergency construction contract is estimated to be $275,272. An estimate of contract charges is shown in Table 2 below.

Table 2: Estimated Contract Charges

Item	Estimated Cost
Steam Pipe, Associated Equipment, and Parts	$180,600
Excavation, Shoring, Backfill, and Street Restoration	40,122
Hazardous Materials Abatement	17,325
Traffic Control	12,200
Mobilization and Demobilization	25,025
Total Bid Amount	**$275,272**

The contract amount of $275,272 is an estimated amount and the actual amount could be more or less depending on actual costs. According to Mr. Vafaei, no changes to the contract amount are anticipated. The project is funded by the City's General Fund.

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 21-0336	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve Amendment No. 1 to the contract between San Francisco Public Utilities Commission (SFPUC) and the Department of Energy Western Area Power Administration (WAPA), for delivery of low-cost power to Treasure Island and Yerba Buena Island, extending the term by 30 years through December 2054, and increasing the not-to-exceed amount by $7,691,541, for a total amount not to exceed $27,691,541.

Key Points

- SFPUC is entitled to purchase low-cost electricity for Treasure Island and Yerba Buena Island from the federal government under the Federal Base Closure and Realignment Act. In January 2001, the Board of Supervisors approved a base resource electricity purchase contract between SFPUC and WAPA for a term of 20 years, from January 2005 through December 2024, and an amount not to exceed $20,000,000.
- WAPA is currently soliciting and securing electricity purchase agreements to supply its existing customers, including Treasure Island and Yerba Buena Island, and requires a commitment from its base resource customers. The proposed Amendment No. 1 would extend the contract term 30 years through December 2054. SFPUC also has a supplemental electricity purchase contract with WAPA, which it plans to also extend through December 2054.

Fiscal Impact

- The proposed Amendment No.1 would increase the not-to-exceed amount of the contract by $7,691,541, from $20,000,000 to $27,691,541. SFPUC estimates annual expenditures of $233,077, with a 10 percent buffer. The contract is funded by utility rates set by the Treasure Island Development Authority (TIDA), which invoices its residential and commercial customers.
- Total average annual expenditures for Treasure Island and Yerba Buena Island, including the base contract and the supplemental electricity purchase contract, are approximately $1,344,004. Over the 30-year term of the contract extension, and assuming a 30-year extension of the supplemental electricity purchase contract, total estimated expenditures are approximately $44,352,129, including a 10 percent buffer to account for future WAPA rate increases.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

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

BACKGROUND

The San Francisco Public Utilities Commission (SFPUC) is entitled to purchase low-cost electricity for Treasure Island and Yerba Buena Island from the federal government under the Federal Base Closure and Realignment Act. In January 2001, the Board of Supervisors approved a base resource[1] electricity purchase contract between SFPUC and the Department of Energy Western Area Power Administration (WAPA)[2] for a term of 20 years, from January 2005 through December 2024, and an amount not to exceed $20,000,000 (File 00-2191).

Subsequently, the Board of Supervisors approved a supplemental electricity purchase contract between SFPUC and WAPA for a term of five years and nine months from January 2005 through September 2010 and an amount not to exceed $3,320,000 (File 04-1351)[3]. The supplemental electricity purchase contract provided for WAPA to provide (a) Scheduling Coordinator Services[4] and (b) electricity to supplement the electricity provided through the base contract. The supplemental electricity purchase contract has been amended three times, with the term extended through December 2024 and the not-to-exceed amount increased to $28,370,000 (Files 07-1458, 11-1096, and 18-0356).

WAPA is currently soliciting and securing electricity purchase agreements to supply its existing customers, including Treasure Island and Yerba Buena Island, and requires a commitment from its base resource customers. In March 2021, the SFPUC Commission approved Amendment No. 1 to the base resource contract with WAPA, extending the term 30 years through December 2054 and increasing the not-to-exceed amount by $7,691,541, for a total not to exceed $27,691,541.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve Amendment No. 1 to the base resource electricity purchase contract between SFPUC and WAPA, extending the term by 30 years through December

[1] Base Resource is energy derived from the Central Valley Water Project or from the Washoe Project, both of which are federal water agencies.

[2] The Western Area Power Administration is a federal agency that sells energy from the Central Valley Water Project, a federal water agency.

[3] The contract required Board of Supervisors approval because it waived (a) Administrative Code Section 21.35, which requires that every contract include a statement regarding liability of claimants for submitting false claims to the City; and (b) Administrative Code Section 21.19, which states that every contract include a statement regarding guaranteed maximum costs.

[4] The California Independent System Operator (CAISO), which is a nonprofit organization responsible for the flow of electricity across the long-distance and, high-voltage power line, requires electricity companies to have a scheduling coordinator to bid or self-schedule resources, and handle the settlement process (reconciling purchase of electricity by suppliers from producers to sale of energy to customers).

2054 and increasing the not-to-exceed amount by $7,691,541, for a total not to exceed $27,691,541. Other terms of the contract would not change.

According to Mr. Ramon Abueg, SFPUC Deputy Assistant General Manager, SFPUC intends to also extend the supplemental electricity purchase contract through December 2054. The energy source for the base resource load is hydroelectric power, subject to availability. Supplemental electricity is purchased through the California Independent System Operator (CAISO) and the source is unspecified, but is reported annually.

FISCAL IMPACT

The proposed Amendment No. 1 would increase the not-to-exceed amount of the contract by $7,691,541 from $20,000,000 to $27,691,541. SFPUC only pays for the electricity it purchases. According to Mr. Abueg, actual and projected contract expenditures through 2024 are approximately $19,903,932. The increase of $7,691,541 is based on average annual expenditures of $233,077 over the past six years, extrapolated over a 30-year term, as well as a 10 percent buffer, as shown in Table 1 below.

Table 1: Estimated Contract Expenditures over Extension Term

Average Annual Expenditures (2015-2020)	$233,077
Years	30
30-Year Estimated Expenditures	$6,992,310
10% Buffer	699,231
Total Not-to-Exceed Increase	**$7,691,541**

According to Mr. Abueg, total average annual expenditures for Treasure Island and Yerba Buena Island, including the supplemental electricity purchase contract, are approximately $1,344,004. Over the 30-year term of the contract extension, total estimated expenditures are approximately $44,352,129, including a 10 percent buffer to account for future WAPA rate increases. WAPA rate adjustments are regulated by the U.S. Department of Energy.

The contract is funded by utility rates set by the Treasure Island Development Authority (TIDA), which invoices its residential and commercial customers. Treasure Island customers are not individually metered, but receive a uniform utility fee that bundles water, electricity, and natural gas, averaged across the occupied residential and commercial inventory. According to Mr. Abueg, the electrical rate charged to TIDA customers is approximately $0.15 per kWh, which is approximately 40 percent lower than the PG&E retail rate.

RECOMMENDATION

Approve the proposed resolution.

Items 6 and 7 Files 21-0385 & 21-0386	Department: Port

EXECUTIVE SUMMARY

Legislative Objectives

- File 21-0385: is a resolution that would authorize the Port to issue Development Special Tax Bonds in an amount not to exceed $64.9 million and approve related documents.
- File 21-0386: is a resolution that would approve certain documents and actions related to a Pledge Agreement for the proposed bonds, allowing for incremental property revenue generated within the Mission Rock Project Area to be used in combination with Mission Rock Special Tax revenues to pay for bond debt service.

Key Points

- Phase 1 of the Mission Rock Development Project includes housing, office space, retail, creation of China Basin Park, and horizontal infrastructure, such as streets and utilities. The development agreement between the Port and Seawall Lot 337 Associate, LLC requires the developer to build horizontal infrastructure and the Port to reimburse those costs.
- The Board of Supervisors previously approved Project Area I (Mission Rock) within the Port's Infrastructure Financing District, which allowed for incremental property taxes generated within that area to be used for infrastructure costs. In addition, the Board has approved the Mission Rock Special Tax District and levy of special taxes within that area.
- In December 2020, the Board of Supervisors authorized the issuance of the first series of Development Special Tax Bonds in an amount not to exceed $43.3 million. The principal amount of the first bond issuance was based on the appraised value of the taxable property, as the principal par amount of the bonds may not exceed one-third of the appraised value of the property per City policy. However, the appraised value of the property has increased significantly since October 2020, and the proposed second bond issuance of up to $64.9 million is consistent with the increased appraisal.
- The proposed bonds would be repaid by a combination of special taxes and tax increment revenue. Ground lease tenants will receive a credit on their special taxes based on the prior year's tax increment revenue.

Fiscal Impact

- The proposed bonds are expected to generate $64.8 million in bond proceeds, have a thirty-year term, and true interest cost of 4.00 percent. Total debt service is expected to be $119.4 million or approximately $3,980,000, on average, per year.
- Based on information provided by the Port, the proposed Special Tax Bonds are in compliance with the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

Section 53395.8(c)(3) of the California Government Code designates the Board of Supervisors as the legislative body for the Port Infrastructure Financing District.

Section 43.10.9 of the Administrative Code incorporates the 1982 Mello-Roos Community Facilities Act, which designates the Board of Supervisors the legislative body for Community Facilities Districts within San Francisco.

BACKGROUND

Mission Rock Development Project

The Mission Rock development project area comprises two pieces of Port property, Seawall Lot 337 and Pier 48. In February 2018, the Board of Supervisors approved a Disposition and Development Agreement (DDA) between the Port and Seawall Lot 337 Associates, LLC, a joint venture consisting of the San Francisco Giants and Tishman Speyer (File 18-0092). The DDA requires the developer to build horizontal and vertical improvements within the Mission Rock Project Area and the Port to reimburse the developer for certain infrastructure costs. Phase 1 will include 537 housing units, 550,000 square feet of office space, 65,000 of ground floor retail, China Basin Park, a 5.5 acre public park, and related infrastructure and is expected to be complete in 2022. The area was previously a parking lot.

Financing Plan

To finance Phase 1 horizontal infrastructure costs, the Port intends to use tax-increment financing and special taxes, as detailed below. Horizontal infrastructure includes entitlements, demolition, raising the site to protect against sea level rise, hazardous soil removal, wet and dry utilities, earthwork and retaining walls, roadways and street utilities, as well as public open space.

Infrastructure Financing District

The Board of Supervisors formed the Port Infrastructure Financing District 2 (Port IFD) in March 2016 (File 13-0264). The Port IFD includes eight project areas which are eligible to receive property tax increment revenues, each of which is subject to Board of Supervisors' approval. In February 2018, the Board of Supervisors established Project Area I (Mission Rock) and Sub-Project Areas I-1 though I-13 within the Port's Infrastructure Financing District 2 (File 17-1314), approved the Infrastructure Financing Plan for that Project Area (File 17-1314), and approved the issuance of up to $1.378 billion tax increment bonds to finance construction of infrastructure within each Project Sub-Area (File 17-1315).

Special Tax District

The 1982 Mello-Roos Community Facilities Act allows for the formation of special tax districts to fund public infrastructure improvements. In April 2020, the Board of Supervisors approved a resolution forming Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (File 20-0120) and in May 2020, the Board approved special taxes to be levied in that special tax district to fund infrastructure improvements (File 20-0125) and the sale and issuance of up to $3.7 billion in special tax bonds for infrastructure improvements (File 20-0124).

Entitlement and Phase 1 Horizontal Infrastructure

Table 1 below shows the estimated sources of funds that will be used to fund construction of horizontal infrastructure within Phase 1 of the Mission Rock Development Project. Sources include prepayments on ground leases, special taxes, and incremental property tax revenue.

Table 1: Mission Rock Phase 1 Horizontal Infrastructure ($millions)

Sources	Entitlement	Phase I Infrastructure	Total
Ground Lease Pre-payments	$42.2	$0	$42.2
Special Tax Bonds - Unimproved Land	4.0	31.2	35.2
Special Tax Bonds - Completed Buildings	0	140.8	140.8
Tax Increment (IFD)	0	47.2	47.2
Total Sources	**$46.2**	**$219.3**	**$265.4**
Uses			
Horizontal Infrastructure Costs	$29.3	$145.4	$174.8
Developer Return *	16.9	73.8	90.7
Total Uses	**$46.2**	**$219.3**	**$265.5**

Source: Port

Note: Differences due to rounding

* The Development and Disposition Agreement provided for the developer to fund horizontal infrastructure with developer equity, subject to a return of the higher of (1) 18 percent per year[1], or (2) 1.5 times peak equity. The developer contributed $29.3 million in equity for entitlement costs, for which equity contribution and the return on equity is funded through the prepayment of project ground leases. The Phase 1 budget assumes a developer equity contribution of $145.4 million with an 18 percent annual return totaling $73.8 million. According to the financial pro forma prepared by Tishman Speyer for the Port, the estimated return to the developer of $73.8 million is based on repayment of the developer's equity contribution over time.

First Issuance of Development Special Tax Bonds

In December 2020, the Board of Supervisors approved: (1) a resolution (File 20-1292) authorizing the Port to issue Development Special Tax Bonds in an amount not to exceed $43.3 million and approve related documents; and (2) a resolution (File 20-1302) approving the revised Pledge Agreement for the bonds, allowing for incremental property revenue generated within the Mission Rock Project Area to be used in combination with Mission Rock Special Tax revenues to pay for bond debt service. According to the Port, the City's Office of Public Finance and the City's Underwriter were finalizing a negotiated sale of the previously approved bonds as of April 2021 and expected to close on the sale of funds in May 2021.

[1] The original term sheet between the Port and the developer provided for a 20 percent return on equity, which was reduced to 18 percent in the final DDA approved by the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

File 21-0385: The proposed resolution would supplement Resolution 196-20 and authorize the Port to issue Development Special Tax Bonds in an amount not to exceed $64.9 million, approve the related documents: Official Statement, a First Supplement to Fiscal Agent Agreement, Bond Purchase Agreement, and Continuing Disclosure Certificate, and authorize the Mayor, the Controller, and the Director of the Office of Public Finance, and other City officers to modify and execute those contracts. The proposed resolution would authorize a negotiated sale for the proposed bonds.

File 21-0385 would also find that the proposed bonds and related appraisal are consistent with Board of Supervisors Resolution 414-13, which approved the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts (File 13-0971).

File 21-0386: The proposed resolution would approve certain documents and actions related to a Pledge Agreement for the Port IFD and the proposed bonds, including approval of the financing plan and authorization of appropriate officers of the City to execute any and all certificates, agreements, and other documents and take any other actions necessary on behalf of the Port IFD in connection with the proposed bonds.

Updated Appraisal of the Mission Rock Special Tax Area

The principal amount of the first bond issuance was based on the appraised value of the taxable property. As discussed below, the principal par amount of the Development Special Tax Bonds may not exceed one-third of the appraised value of the taxable property under the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts. As of October 28, 2020 the appraised value of the leasehold interests within the Mission Rock Special Tax Area was $130 million. Based on this appraisal and a three-to-one value to lien ratio, the Board of Supervisors approved the first bond issuance of $43.3 million in December 2020. However, the appraised value of the property has increased significantly since October 2020, and the proposed resolution (File 21-0385) would approve a second bond issuance of up to $64.9 million consistent with the increased appraisal.

As of February 1, 2021, the appraised value of the leasehold interests within the Mission Rock Special Tax Area is $324,890,000, which is nearly 2.5 times the October 28, 2020 appraised value of $130,000,000. According to the Port, the developer and its affiliates have undertaken substantial horizontal and vertical improvements in the project area and have paid substantial development impact fees, resulting in the increase in the appraised value. Because of the significant increase in the appraised value, the Port retained independent third party review appraiser to evaluate and ultimately sign off on the value conclusion.

Pledge Agreement

Under the previously approved Pledge Agreement, property tax increment generated within the Mission Rock Project Area may be used in combination with Mission Rock Special Tax revenues to pay for bond debt service. Under the DDA's Financing Plan, although the proposed bonds will be secured by the Mission Rock Development Special Tax revenue, ground lease tenants will receive a credit on their Development Special Taxes based on the prior year's tax increment revenue. According to the Port, this reduction in taxes enhances the value of the land, which is owned by the Port, and ground lease proceeds. As shown above in Table 1, ground lease proceeds were used to finance a portion of the horizontal infrastructure entitlement costs.

First Supplement to Fiscal Agent Agreement

The Fiscal Agreement documents the bond attributes for the first series of bonds, including the maturity and interest rate, the use of Mission Rock Development Special Taxes and Mission Rock tax increments to repay the proposed bonds, and allowable uses of bond proceeds and reserves. The First Supplement to Fiscal Agent Agreement will document the bond attributes for the proposed second series of bonds. The Fiscal Agreement is between the City and Zions Bancorporation, National Association, the fiscal agent responsible for holding and disbursing bond proceeds consistent with the Fiscal Agreement and Pledge Agreement. According to the Port, Zions Bancorporation, National Association was selected through a competitive process undertaken by the Port's municipal advisor, PFM.

Bond Purchase Agreement

The Port intends to issue the proposed bonds as a negotiated, rather than a competitive sale. According to the Port, this is necessary because the Mission Rock Project Area is still in the early stages of development and bonds would likely not be rated as investment grade and therefore the best price for the bonds will be achieved through a negotiated sale.

The Bond Purchase Agreement is between the City and Stifel, Nicolaus & Company, Incorporated, the underwriter for the proposed bonds. According to the Port, Stifel, Nicolaus & Company, Incorporated was selected as the underwriter through a competitive solicitation from the Office of Public Finance's pool of qualified underwriters.

Official Statement & Continuing Disclosure Statement

The Preliminary Official Statement describes the legal structure of the bonds as well as sources of revenue and major risks related to repayment for the benefit of prospective investors. The final Official Statement includes the same information as the Preliminary Official Statement as well as the results of the pricing of the Bonds for the benefit of prospective purchasers of the Bonds.

The proposed resolution allows the Port and the Office of Public Finance to issue an annual Continuing Disclosure Statement, which provides financial information relevant for existing and prospective bond investors.

FISCAL IMPACT

Table 2 below shows the sources and uses of the proposed bonds. The Port intends to issue up to $64.9 million of Development Special Tax Bonds net of a premium of -$70,986, which is subject to market conditions at the time of sale.

Table 2: Bond Sources and Uses

Sources	**Amount**
Par Amount	$64,900,000
Premium	(70,986)
Total Sources	**$64,829,014**
Uses	
Delivery Expenses & Reserves	
Debt Service Reserve	$5,005,949
Cost of Issuance	826,000
Underwriter's Discount	649,000
Subtotal, Delivery Expenses & Reserves	$6,480,949
Improvement Fund	$58,348,065
Total Uses	**$64,829,014**

Source: Port

The proposed resolution in File 21-0385 limits underwriter’s discount to 1.5 percent of the bonds’ par value. Based on the values in Table 2 above, the estimated underwriter’s discount is one percent of the bonds’ par value. The debt service reserve amount is based on 125 percent of the average annual debt service and will depend on market conditions at the time of sale. Costs of issuance include legal and consultant fees.

Debt Service

The proposed bonds will have a thirty-year term and true interest cost of 4.00 percent. Total debt service is expected to be $119.4 million or approximately $3,980,000, on average, per year. Under the revised Pledge Agreement, the bonds would be repaid with Development Special Tax revenue collected within the Mission Rock Special Tax District, though, as noted above, incremental property tax revenues captured by the Infrastructure Financing District may also be used to pay for proposed debt service under the Pledge Agreement. The Port expects the bonds will be issued by September 2021.

Compliance with City Special Tax Bond Policy

Under Section 4 of the City’s Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts, the appraised value of the taxable property within the Special Tax District must be at least three times the value of the par value of the proposed bonds. Under Section 6 of those same policies, the special tax formulas for CFDs shall provide for minimum special tax levels that satisfy the following payment obligations of a CFD: (i) 110 percent of gross debt service for all CFD bonded indebtedness; (ii) all administrative expenses of the City related to the CFD, and (iii) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on Bonds to the CFD.

The appraised value as of February 1, 2021 of the leasehold interests within the Mission Rock Special Tax Area is $324,890,000, which permits up to $108,296,000 in total bond proceeds using a three-to-one value to lien ratio. The first issuance of $43.3 million together with the proposed second issuance of up to $64.9 million in Bonds would result in $108.2 million in total issuance, which is within the permitted amount based on the appraised value. According to the Port, the maximum taxing capacity of the Mission Rock Special Tax for FY 2020-21 is $14.0 million, which is 203 percent greater than the expected annual debt service of $6,880,000, including annual debt service for the first ($2,900,000) and proposed second issuance ($3,980,000).[2] Based on information provided by the Port, the proposed Special Tax Bonds are in compliance with the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts.

Impact on Phase 1 Budget

The proposed bonds, which are anticipated to have an interest rate of 4.0 percent, would repay developer equity earning the higher of an 18 percent return or 1.5 times peak equity for the phase. According to the Port, replacing higher-interest developer equity with low-interest public financing, preserves the Port's land value in later phases of the project. The Phase 1 budget assumes a Developer equity contribution of $145.4 million, which will accrue the 18 percent return. Increasing the amount of bond proceeds will allow the City to repay the Developer's equity contribution more quickly and replace the 18 percent per year debt with lower interest, bond debt service.

However, reductions in financing costs are off-set by costly project delays, including a nine-month delay in obtaining the key horizontal permit (the Street Improvement Permit) and a 12-month delay in the first bond issuance (compared to the anticipated date in the Project's Model of Record). According to the Port, the project team and Developer are focused on scope and cost management and will provide the Port Commission with a more complete update on project finances by Fall of 2021.

RECOMMENDATION

Approve the proposed resolutions.

[2] Although the maximum taxing capacity was $14.0 million in FY 2020-21, only the special tax revenues needed for estimated interest payments on the 2021A Bonds ($1.84 million) were levied.

Items 8 and 9 **Files 21-0373 and 21-0374**	**Department:** Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- File 21-0373: The proposed resolution would approve the first amendment to the Feeding Services for Alternative Shelter Locations contract between the City and San Francisco New Deal to extend the contract term by one year through May 17, 2022 and to increase the contract amount by $9,917,050, from $9,917,050 to not to exceed $19,834,100.
- File 21-0374: The proposed resolution would approve the first amendment to the Feeding Services for Alternative Shelter Locations contract between the City and SMG Food and Beverage LLC to extend the contract term by one year through May 17, 2022, and to increase the contract amount by $9,479,817 from $9,479,817 to not-to-exceed $18,959,634.

Key Points

- Following a competitive Request for Qualifications process in May 2020, San Francisco New Deal and SMG Food and Beverage LLC were selected to provide meal services to individuals who have been placed in hotels, congregate sites, and Recreation Vehicle sites ("Alternative Shelters") in San Francisco due to the COVID-19 pandemic.
- The City is contracting with two food service vendors to ensure ongoing supply of food to the Alternate Shelter programs should supply from one vendor be disrupted.
- Under the original contract, San Francisco New Deal was to provide services from May 18, 2020 to May 17, 2021, for a total not to exceed amount of $9,917,050
- Under a separate contract, SMG Food and Beverage LLC was to provide services from May 18, 2020 to May 17, 2021, for a total not to exceed amount of $9,479,817.

Fiscal Impact

- The proposed increase to the SF New Deal contract is based on serving 650 clients per day at a cost of $38 per person including a management fee of $5.45. SMG Food and Beverage costs are based on serving 700 clients per day at a cost of $33.73 per person including a management fee of $3.30.
- The actual number of clients served over the first term of both agreements is lower than budgeted, ranging from 410 to 800 for SF New Deal and 490 to 650 for SMG Food and Beverage. As a result, after 12 months, the SF New Deal contract has a remaining contract authority of $843,425 and SMG Food and Beverage has a remaining contract authority of $2,152,151.

Recommendations

- Amend File 21-0373 to reduce the total not-to-exceed amount by $843,425, from $19,834,100 to $18,990,675.
- Amend File 21-0374 to reduce the total not-to-exceed amount by $2,152,151, from $18,959,634 to $16,807,483.
- Approve both resolutions, as amended.

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

Two Current Agreements for Feeding Services for Alternative Shelter Locations

On April 9,2020, the Human Services Agency (HSA) issued a Request for Qualifications "COVID-19 Response: Meal Services for People in Hotels, Congregate Sites, RVs or in Homes" (RFQ No. 885) and, according to HSA, 31 organizations submitted their qualifications. From this panel-scored list of qualified organizations, San Francisco New Deal (SF New Deal) and SMG Food and Beverage LLC were selected in May 2020 for two separate emergency services contracts to provide meal services to individuals who have been placed in hotels, congregate sites, and Recreation Vehicle sites ("Alternative Shelters") in San Francisco due to the COVID-19 pandemic:

- San Francisco New Deal for a term from May 18, 2020 to May 17, 2021, for a total not to exceed amount of $9,917,050
- SMG Food and Beverage LLC for a term from May 18, 2020 to May 17, 2021, for a total not to exceed amount of $9,479,817.

According to Ms. Rocio Duenas, HSA Senior Contract Manager, the City is contracting with two food service vendors to ensure ongoing supply of food to the Alternate Shelter programs should supply from one vendor be disrupted. SMG Food and Beverage provides fresh meals with a range of meal types, as well as flash frozen meals at sites. Because it partners with local restaurants, SF New Deal has the opportunity to provide a wider variety of cultural meals.

Background on the Providers

SF New Deal is a nonprofit organization that was launched March 23, 2020, dedicated to connecting restaurant meals to residents in need. According to the SF New Deal website, the goal of the nonprofit is primarily to help keep small businesses open and their employees working during the Covid-19 pandemic. SF New Deal uses government and privately raised funds to subcontract with small businesses across the City.

SMG Food and Beverage, LLC is an Industrial Services Business founded in 1999 that operates internationally.

Contract Performance

According to HSA, both SF New Deal and SMG Food & Beverage LLC have met or exceeded performance expectations on their contracts. They have worked with the City's Alternative Shelter Program to improve service delivery and provide cost reduction opportunities for the City, including:

- Less than 24 hours' notice is required to change meal counts for the next day,

- Ability to add individual meals that are invoiced at a per meal price vs. the daily per person/per day rate (i.e. increase of 5 meals for dinner),
- Preparation of frozen meals and free use of a deep freezer at isolation and quarantine sites in order to reduce the amount buffer meals ordered and reduce food waste, and
- Pilot by SF New Deal for culturally appropriate meals for guests at isolation and quarantine sites to allow them to more comfortably isolate during their stay.

DETAILS OF PROPOSED LEGISLATION

File 21-0373: The proposed resolution would approve the first amendment to the Feeding Services for Alternative Shelter Locations contract between the City and SF New Deal to extend the contract term by one year through May 17, 2022 and to increase the contract amount by $9,917,050, from $9,917,050 to not to exceed $19,834,100.

File 21-0374: The proposed resolution would approve the first amendment to the Feeding Services for Alternative Shelter Locations contract between the City and SMG Food and Beverage LLC to extend the contract term by one year through May 17, 2022, and to increase the contract amount by $9,479,817 from $9,479,817 to not-to-exceed $18,959,634.

Services Provided

Under the agreement, both contractors are to continue providing (and delivering during breakfast, lunch and dinner times) three healthy meals plus one snack per day to approximately 650 individuals. The City determines and informs providers how many meals will be needed per alternative shelter site. According to Ms. Duenas, the actual number of people served per day by SF New Deal has fluctuated throughout the term from 410 to 800. The cost per meal will remain $38 per person/per day (Breakfast = $9.50, Lunch = $15.20, Dinner = $13.30). While the contract allows for 55 partner restaurants, currently SF New Deal partners with 34 restaurants throughout the City. Appendix 1 shows SF New Deal's current partner restaurant list.

According to HSA, the actual number of people served per day by SMG Food and Beverage LLC has also fluctuated throughout the term from 490 to 650. The cost per meal will remain $33.73 per person/per day (Breakfast = $10.88, Lunch = $11.97, Dinner = $10.88).

SF New Deal is compensated on a weekly invoice basis for the actual costs of providing feeding services, including a pre negotiated management fee of $5.45 (14.34 percent of the $38 meal rate). SMG Food and Beverage LLC is compensated on a monthly invoice basis for the actual costs of providing feeding services, including a pre negotiated management fee of $3.30 (9.8 percent of the $33.73 meal rate).

FISCAL IMPACT

The proposed increase to each contract is shown in Exhibit 1. SF New Deal costs are based on serving 650 clients per day at a cost of $38 per person. SMG Food and Beverage costs are based on serving 700 clients per day at a cost of $33.73 per person. The current contracts and the proposed amendments each have a ten percent contingency.

Exhibit 1: Current and Proposed Contract Amounts

	Current Amount	Proposed Increase	Total Amount
SF New Deal	$9,917,050	$9,917,050	$19,834,100
SMG Food & Beverage	$9,479,817	$9,479,817	$18,959,634

Source: Current and Proposed Agreements, Appendix B

According to HSA, actual and projected spending on the SF New Deal contract totals $9,073,625, leaving a remaining contract authority of $843,425. Similarly, SMG Food and Beverage actual and projected expenditures total $7,327,666, leaving a remaining contract authority of $2,152,151. Both contracts are underspent because they are serving fewer actual clients than budgeted. We therefore recommend reducing the SF New Deal resolution's not-to-exceed amount by $843,425 and the SMG Food and Beverage resolution's not-to-exceed amount by $2,152,151.

Ms. Rocio Duenas reports that both contracts are funded through a combination of State and federal grants, including the Emergency Solutions Grants Program as funded by the CARES Act.

RECOMMENDATIONS

1. Amend File 21-0373 to reduce the total not-to-exceed amount by $843,425, from $19,834,100 to $18,990,675.
2. Amend File 21-0374 to reduce the total not-to-exceed amount by $2,152,151, from $18,959,634 to $16,807,483.
3. Approve both resolutions, as amended.

Appendix 1. SF New Deal's Active Partner Restaurants

Fayala
1601 Bar & Kitchen
Amber India Restaurant
Asiento
Bini's Kitchen
Broadway Dim Sum Café
Cafe Guatemalteco
Causwells
Dark Horse
Delicioso Creperie
Eko Kitchen
Farming Hope
Java Beach Café
Ladies Who Lunch Catering
Little Baobab
Little Vietnam
Little Window
Lord Stanley
Newkirks
Nia Soul
Nightbird
Old Skool Café
Reem's
SF Local Market
Sixth Course
St. Francis Fountain
Sun Rise Restaurant
Sunday Gather
Tato | All Good Pizza | Cafe
Alma
The New Spot on Polk
Twisted St Café
Uma Casa
Wayfare Tavern
Z Zoul

Source: Human Services Agency