

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

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June 4, 2021

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: June 9, 2021 Budget and Finance Committee Meeting

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Item 4 File 21-0446	Department: San Francisco Municipal Transportation Agency
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution approves the Second Amendment to the agreement between MTA and Intersection Media LLC. The Second Amendment will waive \$13,550,000 from the Minimum Annual Guaranteed rent (MAG). The proposed Second Amendment extends the contract term from June 2024 to June 2029 and adds a new advertising program for the Central Subway. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The proposed resolution will grant Intersection a wavier of the minimum annual guaranteed payments due to MTA to accommodate the decrease in advertising revenues following the onset of the COVID-19 pandemic. • The resolution exercises the second five-year extension option with the new termination date of June 30, 2029. This is being requested to allow Intersection to recoup the capital costs related to the development and build out of the Central Subway digital advertising program. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • If the proposed Second Amendment is approved, MTA will incur a revenue loss of \$13,550,000 over the period from March 1, 2020 to June 30, 2022. MTA plans to use federal relief funds to cover the loss of revenue. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • MTA believes granting Intersection temporary relief from MAG payments is necessary to ensure the financial viability of Intersection and will allow MTA to receive economic benefits for the period spanning FY 2024-25 through FY 2028-29. • In the event the requested extension is not approved, this would necessitate the issuance of a new Request for Proposals to select a new vendor after the current term expires in 2024. Given current market conditions, MTA does not believe it would receive equivalent or better terms than those granted under the proposed five-year extension. <p style="text-align: center;">Recommendation</p> <p>Because the proposed resolution would cause a revenue loss for MTA, we consider approval to be a policy matter for the Board of Supervisors.</p>	

MANDATE STATEMENT

City Charter Section 9.118(a) provides for Board of Supervisors approval by resolution for contracts with revenues of \$1 million or more, or for modification of such contracts.

BACKGROUND

The proposed resolution will amend the contract between MTA and Titan Outdoor LLC (the predecessor to Intersection Media, LLC) that was initially approved by the Board in May 2014 (File 14-0225). The initial term of the contract ran from July 1, 2014 to June 30, 2019, with two five-year extension options. Intersection Media provides advertising placement and marketing services to MTA. The contract grants to Intersection exclusive rights to market MTA vehicle and station space to potential advertisers, and to install, maintain and repair, and de-installment advertising placements on MTA vehicles and subway stations. The contract stipulates that Intersection pay MTA the greater of 65% of actual revenues or a minimum annual guaranteed payment (MAG). The initial MAG payment was set at \$5,400,000, and the contract included a schedule of yearly adjustments that covered the period from July 1, 2014 to June 30, 2029. The contract also requires Intersection to pay \$300,000 annually (beginning in FY 2014-15) to MTA for administrative and marketing costs to the Agency, with this amount adjusted in each succeeding year by the CPI. In October 2018, the Board approved the first five-year extension to the existing contract between SFMTA and Intersection from July 1, 2019 through June 30, 2024 (File 18-0887).

In March 2020, Intersection informed MTA that the company was unable to make the minimum annual guarantee (MAG) payments. Intersection subsequently has requested that the past due MAG payments be forgiven and that MTA waive all MAG obligations for the period March 1, 2020 through June 30, 2022. MTA has agreed to grant forbearance for all payment due from March 1, 2020 to the present date.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution approves the Second Amendment to the agreement between MTA and Intersection Media LLC. The Second Amendment will waive \$13,550,000 from the MAG due to MTA from Intersection through the end of FY 2021-22 for the purpose of providing relief due to revenue losses incurred during the Covid 19 pandemic. The proposed Second Amendment extends the contract term through FY 2028-29 and adds a new advertising program for the Central Subway.

According to Ms. Gail Stein, MTA Special Projects Manager, the MAG reduction and term extension will continue to provide MTA with a long-term stable source of revenue and will assist Intersection's financial survival. The extension will ensure contract continuity, which MTA believes is in the financial interest of the City.

Performance

MTA has stated that Intersection has fulfilled all contractual obligations. As seen in Exhibit 1, in all years prior to FY 2019-20, Intersection paid the City the higher amount of 65 percent of net revenues.

Exhibit 1: Prior MAG and Actual Revenue

	MAG	Actual	% of Revenues
2014-15	\$5,400,000	\$5,781,783	65%
2015-16	\$5,500,000	\$6,439,011	65%
2016-17	\$5,700,000	\$5,837,471	65%
2017-18	\$5,850,000	\$5,939,786	65%
2018-19	\$6,000,000	\$6,037,904	65%

Source: MTA

Reduction in MAG between March 2020 and June 30, 2022

As seen in Exhibit 2, advertising revenues declined beginning in March 2020 such that Intersection's revenues were less than the MAG required by the existing agreement. As result, Intersection would be taking losses if required to pay the MAG as required under the terms of the existing agreement. Since March 2020, MTA has received no MAG payments, and instead has been receiving 65 percent of actual net revenues. Intersection requested that MTA reduce the MAG for the period from March 1, 2020 through June 30, 2022. MTA has granted Intersection forbearance on minimum annual guaranteed payments since March 1, 2020. A portion of past due MAG payments would be waived in full under the terms of the proposed resolution (see Fiscal Impact section for detail).

Exhibit 2: Revenue and Payment to MTA July 2019 through February 2021

Month	Revenue	65% of Revenue	MAG	Monthly payment to SFMTA
July 2019	627,214	407,689	512,500	512,500
August 2019	443,787	288,462	512,500	512,500
September 2019	808,188	525,322	512,500	512,500
October 2019	1,141,489	741,968	512,500	512,500
November 2019	1,246,984	810,540	512,500	512,500
December 2019	912,537	593,149	512,500	512,500
January 2020	623,367	405,189	512,500	512,500
February 2020	796,342	517,622	512,500	512,500
March 2020	836,461	543,700	512,500	49,620
April 2020	350,069	227,545	512,500	184,968
May 2020	190,922	124,099	512,500	250,842
June 2020	(27,422)	(17,824)	512,500	157,031
July 2020	47,754	31,040	512,500	31,040
August 2020	44,434	28,882	512,500	28,882
September 2020	155,326	100,962	512,500	100,962
October 2020	290,749	188,987	512,500	188,987
November 2020	253,879	165,021	512,500	165,021
December 2020	246,404	160,163	512,500	160,163
January 2021	19,113	12,423	512,500	12,423
February 2021	49,445	32,139	512,500	32,139
Total	9,057,042	5,887,078	10,250,000	5,462,078

Source: MTA

In the months following March 2020, MTA has been receiving 65 percent of actual revenues, as opposed to the full MAG payment. MAG payments received by MTA in six of the months prior to the onset of the COVID 19 pandemic are less than what would be received by the 65 percent revenue share agreement during each month because the Revenue Share was to be determined at the end of the fiscal year. Under the terms of the amended agreement by Intersection will make a monthly MAG payment (1/12 of the annual MAG) Beginning on July 1, 2021, Intersection will, at the end of each fiscal year, determine the total net revenue earned for that year, and will pay the annual difference of 65 percent of net revenue and the yearly MAG payment.

Exercise the second five-year extension option

The proposed contract amendment extends the Intersection contract by five years, through June 30, 2029. MTA is seeking to extend the agreement, given Intersection's fulfillment of contractual terms, and history of pre-pandemic payments that have consistently exceeded the MAG to avoid the time and expense of issuing a new RFP. If approved, the contract term will be from July 1, 2024, to June 30, 2029. MTA is seeking to extend the contract well in advance of the date of

expiration to enable the contractor to recoup capital and other costs related to developing the digital advertising program in the Central Subway.

Central Subway Advertising

The proposed resolution authorizes MTA and Intersection to initiate an advertising program in the new Central Subway stations and tunnel for print and digital advertising subject to the terms set out in Sections 3.4.2 and 7.4.3, respectively. Key provisions are the requirement that the contractor must limit digital advertising to no more than a total of seven digital kiosks, five digital walls and 18 digital posters in Transit Stations. Intersection must also provide MTA with a plan 90 day prior to the planned implementation of an advertising program in Transit Stations, with implementation contingent upon MTA approval. Although the original agreement contemplated an increase in the MAG in consideration of the Central Subway advertising program, given the current uncertainty in the outdoor advertising environment, the proposed amendment does not increase the MAG. However, the revenue share percentage will increase as described below.

The proposed resolution provides for a cost sharing arrangement in which the Intersection will receive 75 percent of net digital advertising revenues and MTA 25 percent up until the time Intersection has recovered the digital infrastructure costs. Once this threshold is reached, net revenues from digital displays shall be credited to the MAG and included in the revenue share agreement. The revenue share will be increased by 1 percent.

Letter of Credit

The proposed resolution amends Section 10.2.1 to extend the terms of the Letter of Credit. The resolution preserves the requirement that the Letter of Credit provides security for 75 percent of the MAG payment, and grants de facto reduction to Intersection by lowering the actual effective amount of security provided to \$2,362,500 through June 30, 2024, and increases the Revenue Share by 1 percent. The adjusted Letter of Credit represents a 37.5 percent of the scheduled MAG for FY2020-21. According to Ms. Stein, this reduction is in line with the reductions granted by other transit agencies, and Intersection has stated the company needs to reduce potential liabilities in order to obtain loan financing to carry it through the pandemic.

Reduction of MAG

The contract includes language that requires the SFMTA to negotiate to reduce the MAG in the event of a reduction in the fleet of 150 or more transit vehicles. The MTA decreased the number of vehicles in service below that threshold for much of the COVID-19 pandemic, although the number has now increased again. The MTA has taken this language into consideration in preparing the Second Amendment. The proposed resolution also grants the Director of Transportation the authority to amend or modify the MAG should MTA decide to reduce the number of transit vehicles in its fleet by 150 or more again in the future.

FISCAL IMPACT

As shown in Exhibit 3, approval of the resolution will result in a revenue loss to MTA of \$13,550,000 through FY 2023-24 relative to payments that would be received if Intersection were required to pay the MAG in full. This includes revenue foregone through retroactive cancellation of payments due.

Exhibit 3: MAG payments due under proposed modification

	Annual MAG (current)	Annual MAG (proposed)	Loss to MTA
2019-20	\$6,150,000	\$4,100,000	(\$2,050,000)
2020-21	\$6,300,000	\$250,000	(\$6,050,000)
2021-22	\$6,450,000	\$1,000,000	(\$5,450,000)
2022-23	\$6,600,000	\$6,600,000	\$0
2023-24	\$6,750,000	\$6,750,000	\$0
2024-25	\$6,900,000	\$6,900,000	\$0
2025-26	\$7,050,000	\$7,050,000	\$0
2026-27	\$7,200,000	\$7,200,000	\$0
2027-28	\$7,350,000	\$7,350,000	\$0
2028-29	\$7,500,000	\$7,500,000	\$0
Total	\$68,250,000	\$54,700,000	(\$13,550,000)

Source: MTA

POLICY CONSIDERATION

MTA Budget Deficit

The Controller’s Nine Month Budget Status report projected that MTA will have \$261.2 million revenue deficit for 2020-21, which is offset by \$261,2 million in expenditure reductions and federal funds. According to the Nine-Month report, MTA projects \$341.0 million in additional federal relief funds through H.R. 133, of which \$126.9 million will be allocated to the FY 2020-21 budget and the balance of \$214.1 million, will be allocated to the FY 2021-22 budget. MTA plans to use federal relief funds to cover the loss of revenue from the proposed contract change.

MTA has stated the intent of the grant of forbearance was to allow for assessment of the full economic impact of Covid 19. As these impacts have become clear, MTA believes granting Intersection a waiver of MAG payments for a period twenty-seven months – March 1, 2020 through June 30, 2022 – is necessary to ensure the financial viability of Intersection and will allow MTA to receive economic benefits for the period spanning FY 2024-25 through FY 2028-29.

In the event the requested extension is not approved, this would necessitate the issuance of a new Request for Proposals to select a new vendor after the current term expires in 2024. Given current market conditions, MTA does not believe it would receive equivalent or better terms than those granted under the proposed five-year extension.

Because the proposed resolution would cause a revenue loss for MTA, we consider approval to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

Item 5 File 21-0446	Department: San Francisco Municipal Transportation Agency
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution retroactively approves the First Amendment to the Transit Shelter Advertising Agreement between the San Francisco Municipal Transportation Agency (SFMTA), the Port, and Clear Channel Outdoor, Inc. (Clear Channel), to reduce the Minimum Annual Guarantee (MAG) payments, as well as administrative and marketing payments, from May 1, 2020, through June 30, 2022. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The current Agreement, which is between the Port, San Francisco Municipal Transportation Agency (MTA), and Clear Channel, was initially approved in 2007, grants Clear Channel rights to operate and manage public advertising displays on MTA transit shelter and kiosks, including transit shelters and kiosks located on Port property. The Agreement is for 15 years through December 2022 with one five-year option to extend through December 2027. • Under the Agreement, Clear Channel pays the greater of a minimum annual guaranteed rent (MAG) or Revenue Share, which is 55 percent of net revenues. • Due to a decrease in advertising activity during the pandemic, Clear Channel has not made any monthly MAG payments since April 2020. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed reductions in the MAG and payments will result in reduced revenues to SFMTA of \$28,275,375 between May 2020 and June 2022. MTA plans to use federal relief funds to cover the loss of revenue from the Clear Channel Agreement. • In addition, the proposed First Amendment reduces the Revenue Share from 55 percent to 50 percent in FY 2020-21 and in FY 2021-22. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • Clear Channel has not generated sufficient revenues to pay the Revenue Share payment and only paid the MAG between 2007 and April 2020. MTA does not believe the City could secure a more financially advantageous agreement with a different vendor if the contract were put out to bid at the end of the current term in CY 2022. • According to the April 23, 2021 memorandum from the MTA Director to the Board of Supervisors, Clear Channel has performed satisfactorily in maintaining existing transit shelters and kiosks and installing new transit shelters. <p style="text-align: center;">Recommendation</p> <p>Because the proposed resolution would cause a loss of revenue for MTA, we consider approval to be a policy matter for the Board of Supervisors.</p>	

MANDATE STATEMENT

City Charter Section 9.118(a) provides for Board of Supervisors approval by resolution for contracts with revenues of \$1 million or more, or for modification of such contracts.

BACKGROUND

The proposed resolution is a request to the Board of Supervisors to grant a reduction in the Minimum Annual Guarantee (MAG) payment made by Clear Channel Outdoor, Inc. (Clear Channel) to the City under the terms of the current Transit Shelter Advertising Agreement (Agreement). This Agreement, which is between the Port, San Francisco Municipal Transportation Agency (MTA), and Clear Channel, was initially approved in 2007, granting Clear Channel rights to operate and manage public advertising displays on MTA transit shelter and kiosks, including transit shelters and kiosks located on Port property. The Agreement is for 15 years through December 2022 with one five-year option to extend through December 2027.

According to the Agreement, Clear Channel makes annual MAG payments in twelve monthly installments, with payments for FY 2020-21 and FY 2021-22 of approximately \$17.8 million and \$18.6 million, respectively. Clear Channel Outdoors and its subsidiaries merged as part of the reorganization plan of Clear Channel Communications, which in 2017 had entered in Chapter 11 bankruptcy proceedings; Clear Channel Outdoors was separated from the parent company Clear Channel Communications on March 14, 2018, and since that time been operating as fully independent corporate entity.

According to the proposed resolution, the reduction in the MAG payments is due to the impact of the COVID-19 pandemic on Clear Channel's ability to generate advertising revenues. The Agreement provides for Clear Channel to make the greater of either (1) MAG payments based on a schedule set out in the Agreement, or (2) a Revenue Share payment equal to 55 percent of revenues. Clear Channel has never generated sufficient revenues to pay the Revenue Share during the term of the existing agreement. According to the Annual Financial Report submitted by Clear Channel, total advertising revenues in calendar year (CY) 2020 were \$6.6 million, which was less than the \$17.0 million MAG payment due in FY 2019-20.¹

Actual Payments

Between 2008 and 2019, Clear Channel paid MTA the MAG, administrative, and marketing payments, net of transit shelter and kiosk maintenance and other authorized expenses, totaling \$145.6 million, as shown in Exhibit 1 below.

¹ The CY 2020 Annual Financial Report was based on audited statements by Buckno Lisicky and Company, Certified Public Accountants.

Exhibit 1: Clear Channel Payments to MTA, 2008 to 2019

Year	Clear Channel Net Payments
2008	\$7,580,268
2009	8,238,341
2010	8,915,982
2011	9,208,344
2012	9,813,989
2013	12,575,428
2014	13,132,922
2015	13,597,105
2016	14,334,846
2017	14,854,677
2018	16,232,730
2019	17,136,228
Total	\$145,620,860

Source: 2019 Annual Financial Report

According to the 2020 Annual Financial Report, Clear Channel owed net payments to MTA in FY 2020-21 of \$18.0 million. Clear Channel has not made any monthly MAG payments since April 2020. At the present time, MTA and Clear Channels are operating under a forbearance agreement. If the resolution is approved, Clear Channel will pay the reduced amount provided in the First Amendment for FY 2020 and FY 2021.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution retroactively approves the First Amendment to the Transit Shelter Advertising Agreement between the San Francisco Municipal Transportation Agency (SFMTA), the Port, and Clear Channel Outdoor, Inc. (Clear Channel), to reduce the MAG payments, as well as administrative and marketing payments, from May 1, 2020, through June 30, 2022, due to the impacts from the COVID-19 pandemic.

The proposed resolution provides for reduction in MAG payments by Clear Channel to MTA retroactive to May 1, 2020, although as noted below the First Amendment provides for reduction in MAG payments retroactive to January 1, 2020 to June 2020, a period which includes May 2020. According to MTA, the proposed resolution is retroactive because the proposed amendment would waive payments due starting in May 2020.

Additional Advertising Space

In addition, the proposed First Amendment adds a new Section 5.6 that requires Clear Channel to provide the City with guaranteed use of display space equivalent to the space that would be sold for \$1,000,000 at current market price for FY 2020-21 and FY 2021-22.

FISCAL IMPACT

The proposed First Amendment reduces the MAG payment retroactively to May 2020 through June 2022 and eliminates the administrative payment and marketing payments due on September 1, 2020, and September 1, 2021, as shown in Exhibit 2 below. The proposed reductions in the MAG and payments will result in reduced revenues to SFMTA of \$28,275,375.

Exhibit 2: Proposed First Amendment Revenue Reduction

	MAG (current)	MAG (proposed)	Revenue Reduction	Admin and Marketing Reduction *	Total Revenue Reduction
Jan 1 2020 - Jun 30 2020	8,522,000	5,681,333	(2,840,667)		(2,840,667)
FY 2020-21	17,439,000	5,900,000	(11,539,000)	(974,104)	(12,513,104)
FY 2021-22	18,247,500	6,300,000	(11,947,500)	(974,104)	(12,921,604)
Total	44,208,500	17,881,333	(26,327,167)	(1,948,208)	(28,275,375)

Source: Proposed First Amendment, Budget and Legislative Analyst Calculations

* The initial administrative payment amount in 2007 was \$500,000, increasing annually by the Consumer Price Index (CPI) to \$695,377 in 2019, according to the 2020 Annual Financial Report. The initial marketing payment amount in 2007 was \$200,000, increasing annually by the CPI to \$278,727, according to the 2020 Annual Financial Report.

In addition, the proposed First Amendment reduces the Revenue Share from 55% to 50% in FY 2020-21 and in FY 2021-22. MTA does not expect Clear Channel to pay the Revenue Share in FY 2020-21, as has been the case since the start of the contract in 2007, and is uncertain about whether Clear Channel will generate sufficient revenues to pay the Revenue Share in FY 2021-22.

POLICY CONSIDERATION**MTA Budget Deficit**

The Controller's Nine Month Budget Status report projected that MTA will have a \$261.2 million revenue deficit for 2020-21, which is offset by \$261.2 million in expenditure reductions and federal funds. According to the Nine-Month report, MTA projects \$341.0 million in additional federal relief funds through H.R. 133, of which \$126.9 million will be allocated to the FY 2020-21 budget and the balance of \$214.1 million will be allocated to the FY 2021-22 budget. MTA plans to use federal relief funds to cover the loss of revenue from the Clear Channel Agreement.

Clear Channel Performance

The Agreement between MTA and Clear Channel provides for Clear Channel to maintain the transit shelters and kiosks and respond to transit shelter and kiosk service calls within 24 hours. Clear Channel's maintenance expenses are deducted from the MAG payments to MTA and include a base maintenance expense deduction of \$330,478, and other maintenance expense deductions approved by MTA. According to the April 23, 2021 memorandum from the MTA

Director to the Board of Supervisors, Clear Channel has performed satisfactorily in maintaining existing transit shelters and kiosks and installing new transit shelters.

The original Agreement between MTA and Clear Channel also provides for MTA to receive a percentage of advertising revenues in excess of the MAG payment, if advertising revenues were above a threshold amount defined in the Agreement. Clear Channel has not achieved revenues above the threshold amount since the beginning of the Agreement in 2007, and according to the 2019 Annual Financial Report, had revenues that were less than the MAG in the four-year period between 2016 and 2019. According to Ms. Gail Stein, MTA Finance Manager, the Agency does not believe the City could secure a more financially advantageous agreement with a different vendor if the contract were put out to bid at the end of the current term in CY 2022.

Because the proposed resolution would cause a loss of revenue for MTA, we consider approval to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

Item 6 File 21-0412	Department: Office of the Treasurer-Tax Collector (Treasurer/Tax Collector)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the Ninth Amendment to the software license and support contract between the Office of the Treasurer and Tax Collector (Treasurer/Tax Collector) and Wausau Financial Systems, Inc. (Wausau), extending the contract term by 10 years through June 26, 2031 and increasing the not-to-exceed amount of the contract by \$4,178,216, for a total not to exceed \$11,188,396. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In 2009, the Treasurer/Tax Collector issued a Request for Proposals (RFP) to award a contract for the installation and maintenance of a payment processing and cashing system for the Treasurer/Tax Collector Cashier Section. Wausau was determined to be the highest scoring responsive and responsible proposer and was awarded a contract for a term of six years, from June 27, 2011 through June 26, 2017, and an amount not to exceed \$1,800,000, with one four-year option to extend through June 26, 2021. The Treasurer/Tax Collector has since approved eight contract amendments, increasing the not-to-exceed amount to \$7,010,180, and exercising the option to extend. • Under the contract, Wausau provides point of sale and scanning equipment that processes cash and check payments to the City. Wausau's software detects the type of payment received and is integrated with the City's PeopleSoft financial system to allocate revenues to the correct account. Over the four-year period from FY 2017-18 through FY 2020-21, Wausau's system has processed over four million transactions generating approximately \$16.4 billion in revenue. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed Ninth Amendment would increase the not-to-exceed amount of the contract by \$4,178,216, for a total not to exceed \$11,188,396. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The original RFP issued in 2009 advertised the award of a six-year contract, with one four-year option to extend, for a total term of up to 10 years. The proposed extension of the contract with Wausau would be for 10 more years, for a total term of 20 years. The Treasurer/Tax Collector decided to extend the Wausau contract an additional 10 years as a sole source rather than issue a new RFP due to the cost and time that would be required. The Office of Contract Administration (OCA) has approved a sole source waiver. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

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

BACKGROUND

In 2009, the Office of the Treasurer-Tax Collector (Treasurer/Tax Collector) issued a Request for Proposals (RFP) to award a contract for the installation and maintenance of a payment processing and cashiering system for the Treasurer/Tax Collector Cashier Section. Wausau Financial Systems was determined to be the highest scoring responsive and responsible proposer and was awarded a contract.¹ In June 2011, Treasurer/Tax Collector executed a contract with Wausau for a term of six years from June 27, 2011 through June 26, 2017 and an amount not to exceed \$1,800,000, with one four-year option to extend the term through June 26, 2021.² Treasurer/Tax Collector has executed eight contract amendments to increase the not-to-exceed amount, as shown in Table 1 below.

Table 1: Previous Contract Amendments

Contract Amendment	Date Executed	Not-to-Exceed Increase	Total Not-to-Exceed
Original Contract	6/27/2011	-	\$1,800,000
First Amendment	6/20/2014	\$1,700,000	3,500,000
Second Amendment	12/31/2014	170,985	3,670,985
Third Amendment	5/28/2015	1,303,889	4,974,874
Fourth Amendment	11/22/2016	470,562	5,445,436
Fifth Amendment	5/3/2017	320,816	5,766,252
Sixth Amendment	4/30/2018	159,906	5,926,158
Seventh Amendment	11/16/2018	903,811	6,829,969
Eighth Amendment	9/17/2019	180,211	7,010,180

Source: Previous Contract Amendments

The Fifth Amendment, executed on May 3, 2017, exercised the four-year option to extend the contract through June 26, 2021.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Ninth Amendment to the contract between the Treasurer/Tax Collector and Wausau, extending the term by 10 years through June 26, 2031, and increasing the not-to-exceed amount by \$4,178,216, for a total not to exceed \$11,188,396.

¹ According to Mr. Eric Manke, Treasurer/Tax Collector Policy and Communications Manager, the Treasurer/Tax Collector has not retained the proposals and scores for the RFP in accordance with the Treasurer/Tax Collector Document Retention Policy.

² The contract did not require Board of Supervisors approval because it did not exceed 10 years or \$10 million.

Under the contract, Wausau provides point of sale and scanning equipment that processes cash and check payments to the City. Wausau’s software detects the type of payment received and is integrated with the City’s PeopleSoft financial system to allocate revenues to the correct account. Wausau’s software processes all mailed payments for Property Tax, Gross Receipts Tax, Payroll Expense Tax, Administrative Office Tax, Commercial Rents Tax, Transient Occupancy Tax, Parking Tax, and Utility Users Tax, as well as Unified License Fees, Business Registration Fees, San Francisco Public Utilities Commission (SFPUC) water bills, Municipal Transportation Agency (MTA) citations, Animal Care and Control (ACC) licenses, Department of Public Health (DPH) food permits, Cannabis permits, and SF Port (PRT) berthing fees. According to the Treasurer/Tax Collector, over the four-year period from FY 2017-18 through FY 2020-21, Wausau’s system has processed over four million transactions generating approximately \$16.4 billion in revenue.

According to Ms. Tajel Shah, Chief Assistant Treasurer, the Treasurer/Tax Collector decided to extend the Wausau contract an additional 10 years rather than issue a new RFP due to the cost and time that would be required. Ms. Shah estimates that developing a new system would take approximately two years and would be a major project for the City’s Committee on Information Technology (COIT). A new system would also require purchasing new equipment. The Treasurer/Tax Collector currently has three scanning machines and would purchase two additional machines under the proposed Ninth Amendment. According to Ms. Shah, the equipment is expected to remain useful through the proposed 10-year contract extension.

FISCAL IMPACT

The proposed Ninth Amendment would increase the not-to-exceed amount of the contract by \$4,178,216, for a total not to exceed \$11,188,396. The calculation of charges for the proposed contract increase is shown in Table 2 below.

Table 2: Calculation of Charges for Contract Increase

Item	Amount
Software Maintenance	\$2,816,678
Professional Services	1,162,884
Equipment Purchase	198,654
Total Contract Increase	\$4,178,216

The software maintenance and equipment purchase amounts would be fixed by the contract. The professional services amount would be as needed, billed at a rate of \$210 per hour, subject to annual adjustment of up to 5 percent. According to Ms. Shah, the professional services amount was estimated based on actual expenditures to date.

Actual expenditures on the contract to date total \$6,553,513 out of the existing \$7,010,180 not-to-exceed amount. Ms. Shah anticipates that the Treasurer/Tax Collector will nearly or fully expend the \$7,010,180 not-to-exceed amount by the contract’s current expiration date June 26, 2021.

POLICY CONSIDERATION

The original RFP issued in 2009 advertised the award of a six-year contract, with one four-year option to extend, for a total term of up to 10 years. Administrative Code Section 21.9 limits any contract to a term of no more than 10 years. The proposed extension of the contract with Wausau would be for 10 years, for a total term of 20 years.

As stated above, the Treasurer/Tax Collector decided to extend the Wausau contract an additional 10 years as a sole source rather than issue a new RFP due to the cost and time that would be required. According to Ms. Shah, developing a new system would take approximately two years and necessitate the purchase of new scanning equipment, while the existing equipment is still within its useful life. Therefore, issuing a new RFP at this time would not be practical.

Administrative Code Section 21.1 requires competitive solicitation for commodities and services. Administrative Code Section 21.5 allows for sole source procurements in accordance with the City Purchaser's regulations. The Office of Contract Administration (OCA), which fills the role of the City Purchaser, authorizes sole source procurements for standard support and technical services of previously purchased software and hardware. The proposed Amendment No. 9, which exceeds the maximum 10-year term authorized by the original RFP, would be a justified sole source procurement under OCA's regulations. According to Ms. Shah, the Treasurer/Tax Collector has received approval from OCA for the proposed Amendment No. 9.

RECOMMENDATION

Approve the proposed resolution.

Item 9 File 21-0453	Department: Public Works
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed hearing is to consider the release of \$2,338,024 in 2010 Earthquake Safety and Emergency Response (ESER) Bond funds placed on Budget and Finance Committee Reserve, pending reallocation of these funds to an alternate project. The Department of Public Works (“Public Works”) proposes reallocation of the funds to the 2010 ESER Bond Neighborhood Fire Stations program, which funds the construction of new and upgrade of existing neighborhood fire stations to ensure seismic safety in the event of a major earthquake. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Board of Supervisors approved an ordinance in April 2015 (File 15-0244), appropriating \$6.4 million in Mission Bay Developer contributions to reimburse City costs for the construction of a fire station and police station as part of the Public Safety Building project located at Third Street and Mission Rock. The fire and police stations located in the Public Safety Building project are within the Mission Bay South Redevelopment Plan area, and the Mission Bay Developer contributions to construction of the fire and police stations were a requirement of the Mission Bay Owner Participation Agreement. The ordinance provided for \$2,338,024 in 2010 Earthquake Safety and Emergency Response Bond funds, previously allocated to the Public Safety Building project, to be placed on Budget and Finance Committee Reserve pending reallocation of these funds to an alternate 2010 ESER component. • The requested \$2,338, 024 would be used to partially fund a new floating fireboat station at Pier 22 ½. According to Public Works, schematic design was completed in June 2018, and permitting and California Environmental Quality Act (CEQA) review were completed in December 2018. Construction started in September 2019 and is anticipated to be completed by end of Summer of 2021. The proposed new floating fireboat station at Pier 22 ½ is adjacent to Fire Station 35, which is designated as a San Francisco Landmark and a contributing resource to the Port of San Francisco Embarcadero National Register Historic District. According to Public Works, the proposed project does not involve alterations to the Fire Station 35 building. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Total project costs for the new floating fireboat station at Pier 22 ½ are \$49.5 million, funded by 2010 and 2014 ESER Bond funds, and Fire Facilities Bond funds. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the requested release of \$2,338,024 in 2010 Earthquake Safety and Emergency Response Bond funds. 	

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. City Administrative Code Section 3.3(j) provides for the committee of the Board having jurisdiction over the budget to recommend appropriation of funds to the Board; provided, however, that any funds for equipment, capital improvements, new positions of employment, or any other proposed expenditures may be placed in reserve until released by the Board. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee, without further Board of Supervisors approval.

BACKGROUND

The Board of Supervisors approved an ordinance in April 2015 (File 15-0244), appropriating \$6.4 million in Mission Bay Developer contributions to reimburse City costs for the construction of a fire station and police station as part of the Public Safety Building project located at Third Street and Mission Rock. The fire and police stations located in the Public Safety Building project are within the Mission Bay South Redevelopment Plan area, and the Mission Bay Developer contributions to construction of the fire and police stations were a requirement of the Mission Bay Owner Participation Agreement between the City and the Developer, Catellus Development Corporation.

The ordinance provided for \$2,338,024 in 2010 Earthquake Safety and Emergency Response Bond funds, previously allocated to the Public Safety Building project, to be placed on Budget and Finance Committee Reserve pending reallocation of these funds to an alternate 2010 ESER component.

DETAILS OF PROPOSED LEGISLATION

The proposed hearing is to consider the release of \$2,338,024 in 2010 Earthquake Safety and Emergency Response (ESER) Bond funds placed on Budget and Finance Committee Reserve, pending reallocation of these funds to an alternate 2010 ESER component. The Department of Public Works (“Public Works”) proposes reallocation of the funds to the 2010 ESER Bond Neighborhood Fire Stations program, which funds the construction of new and upgrade of existing neighborhood fire stations to ensure seismic safety in the event of a major earthquake.

FISCAL IMPACT

The requested \$2,338, 024 would be used to partially fund a new floating fireboat station at Pier 22 ½. According to the latest ESER Quarterly Status Report from March 2021, the City selected through a competitive bid process as design-build contractor Swinerton-Power, a Joint Venture and Shah Kawasaki Architects. According to Public Works, schematic design was completed in June 2018, and permitting and California Environmental Quality Act (CEQA) review were

completed in December 2018. Construction started in September 2019 and is anticipated to be completed by end of Summer of 2021.

According to Public Works, the project will provide new and upgraded infrastructure and facilities for emergency equipment and personnel for water rescue and emergency-response services. Construction at Pier 22 1/2 includes demolition and replacement of the two existing finger piers with a new, approximately 173-foot-long by 96-foot-wide steel float which would be occupied by a two-level, approximately 16,000-square-foot fireboat station that would be accessed from the main pier by vehicular and pedestrian ramps. The new fire boat station would be secured by four 60-inch-diameter vertical steel pipe guide piles to allow its rise and fall with the tide, as well as future sea level rise.

The approved budget for the new fireboat station is \$49.5 million, as shown in the Table below.

Table: Approved Fireboat Station Budget

Source	Amount
2010 ESER Bonds ^a	\$7,123,377
2014 ESER Bonds	37,683,765
Fire Facility Bond Funds ^b	4,489,579
Fire Department Furniture, Fixtures, and Equipment	180,616
Total	\$49,477,337

Source: Public Works

^a Includes \$2,338,024 requested for release

^b Fire Facility Bond Funds are savings from the 1992 Fire Department Facilities Improvement Bonds.

The proposed new floating fireboat station at Pier 22 ½ is adjacent to Fire Station 35, which is designated as a San Francisco Landmark and a contributing resource to the Port of San Francisco Embarcadero National Register Historic District. According to Public Works, the proposed project does not involve alterations to the Fire Station 35 building.

RECOMMENDATION

Approve the requested release of \$2,338,024 in 2010 Earthquake Safety and Emergency Response Bond funds