



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Matt Cano  
Jim Shannon

**SUBJECT:** SEE BELOW

**DATE:** June 23, 2022

Approved

*Gregory B. McGuire*

Date

06/23/22

## SUPPLEMENTAL

**SUBJECT: STATUS REPORT ON THE NOVEMBER 2018 BALLOT MEASURE T – THE DISASTER PREPAREDNESS, PUBLIC SAFETY AND INFRASTRUCTURE GENERAL OBLIGATION BOND**

## REASON FOR SUPPLEMENTAL

This supplemental memorandum provides additional information to the status report on the November 2018 Ballot Measure T – The Disaster Preparedness, Public Safety, and Infrastructure General Obligation Bond (Measure T Status Report) and responds to questions that staff has received related to this item. This supplemental memorandum also requests to defer a portion of Recommendation “e” from the original memorandum regarding the policy decision of funding projects identified in Table 4 of the Public Safety Program Reserve.

## RECOMMENDATION

- (a) Accept the status report on the workplan and implementation updates for projects included in approved 2018 Measure T Bond measure;
- (b) Accept the Measure T Community Oversight Committee’s annual report, as identified in Attachment A, on the Measure T -The Disaster Preparedness, Public Safety and Infrastructure General Obligation Bond Program proceeds and allocations for Fiscal Year 2020-21;
- (c) Approve the proposed site at the intersection of Capitol Expressway and Tuers Road for the construction of new Fire Station 36;
- (d) Adopt the following 2021-2022 Appropriation Ordinance amendments in the Public Safety and Infrastructure Bond Fund:
  - (1) Increase the Measure T - Police Headquarters Infrastructure Upgrades appropriation to the Public Works Department by \$250,000; and

- (2) Decrease the Measure T - Program Reserve (Public Safety) appropriation by \$250,000.
- (e) Accept the funding recommendation shown in Table 2, with the acknowledgement that Fire Station 32 overages based on the current one company scope of work will require using \$2,500,000 of the \$5,000,000 in the Public Safety Program Reserve recommended for Fire Station Rehabilitation and for potential Fire Station overages;
- (f) Defer the policy decision in regard to funding projects identified in Table 4 until February 2023; and
- (g) Approve the proposed City Land South of Phelan site as a project to be funded by the Clean Water Program.

## **BACKGROUND**

The Measure T Status Report was initially on the agenda for the May 17, 2022 City Council meeting. Council voted to defer the memorandum in its entirety with the exception of Recommendation “d” which was approved by City Council on May 17, 2022. Staff will be presenting the Measure T Status Report during the June 28, 2022 City Council meeting along with this supplemental memorandum which provides additional information with respect to the status report and responses to questions that staff has received related to this item. This supplemental memorandum requests to defer a portion of Recommendation “e” from the original memorandum regarding the policy decision of funding projects identified in Table 4 of the Public Safety Program Reserve. Staff plans to return to City Council in February 2023 with more complete information on many of the public safety projects including updated cost estimates to assist City Council on providing staff direction on the policy decision.

In general, the following questions have been, or are anticipated to be, asked of staff:

1. Why was staff previously asking for this policy decision and why is staff now requesting to defer the decision?
2. Do we have sufficient funding to complete all of the public safety projects?
3. Do we need to make the decision now on the use of savings from the Environmental Protection fund category? If not, when does a decision need to be made?
4. Do we need to make a decision on funding the second company for Fire Station 32 now? Or can this decision wait?

Responses to these questions and updates on other projects is provided in the Analysis section below.

June 23, 2022

**Subject: Status Report on The November 2018 Ballot Measure T – The Disaster Preparedness, Public Safety and Infrastructure General Obligation Bond**

Page 3 of 6

## **ANALYSIS**

Following are the staff responses to these questions:

***Why was staff previously asking for this policy decision and why is staff now requesting to defer the decision?***

Staff has identified funding gaps in the Public Safety program and has also identified a potential clean water project funding challenge as discussed later on in this memorandum. With the available funding of \$25,287,000 from sources such as the Public Safety Program Reserve, unallocated interest earnings, reallocation of funds from the Critical Infrastructure projects, and the savings identified from the Environmental Protection projects, staff requested the City Council provide direction on how to allocate the funding. It is important that the City Council give direction on this policy decision as the cost estimates for public safety projects continue to rise with inflation; as we reach the final projects, the remaining Public Safety Program Reserve will likely not be sufficient. Given this, it is important that the City Council weigh in on the use of savings from other Measure T project categories to either keep the savings in the original appropriation or reallocate them to the Public Safety program.

However, as part of this supplemental memorandum, staff is now asking to defer the decision on the allocation of funding for the projects identified in Table 4 of the Measure T Status Report until early 2023, since more detailed cost estimates for the majority of the public safety projects will be available by that time. Attachment A shows that five of the seven remaining public safety projects will have a 95% cost estimate completed by the end of this calendar year. The 95% cost estimates are based on construction documents that are nearly completed and include future escalation factors. Typically, during the 95% review period, staff will perform value engineering with the consultants to dissect the cost estimate and, if possible, reduce or remove certain items as appropriate. Therefore, the 95% cost estimates are as close to what the final estimate of the project is expected to be. With the availability of the 95% cost estimates by the end of this calendar year, staff will have a clearer understanding of any potential shortfall within the public safety program. As a result, staff now recommends deferring the policy discussion and decision related to Table 4 until February 2023, at which time staff will return to the City Council with more accurate cost estimates to assist in making the policy decision.

In order to continue with the timely construction of the needed Police Training and Academy Facility, Police Headquarters Infrastructure Upgrades, and Police Air Support Unit Hangar projects, staff strongly recommends that the Mayor and City Council accept staff's recommendation summarized in Table 2, identifying the use of funding available which will be appropriated at a later date when the cost estimates are finalized. By accepting staff's recommended use in Table 2, the three projects identified above can be designed and constructed with the minimum needs to develop a functional facility. It also increases the available funding for the base bid for the Police Training Center, which would, based on current estimates, facilitate the Southern Patrol Unit to occupy the Substation.

***Do we have sufficient funding to complete all of the public safety projects?***

In previous years, the Engineering News Record (ENR), Construction Cost Index (CCI) for San Francisco increased by 3.9% in 2020 and 4.7% in 2021. This year, the CCI for San Francisco has dramatically increased by 14.2% as of May 2022. Causes of this increase appear to be a combination of increases in inflation, interest rates, shortage in materials (e.g., steel and electrical supplies), a severe shortage of skilled workers and laborers, and market saturation. Staff is also starting to experience a lower number of bidders on projects with an average of 2.8 bidders for projects that have opened bids within 2022, so far, compared to the average of roughly 4.4 bidders for projects in 2021. If the trend continues and less contractors are bidding on projects, the bids become less competitive.

Currently there is \$5 million allocated to the Fire Station Rehabilitation project in the Public Safety Program Reserve. However, as noted below, this \$5 million will likely be fully utilized by overages and potential increased scope for the Fire Station 32 project. Therefore, any future cost escalations on public safety projects will need to be found from either the (1) General Fund; (2) Fire Construction and Conveyance (C&C) Tax Fund; (2) grants; or (3) de-scoping of other Measure T projects. Currently, staff is very concerned that costs will continue to escalate. It is important to note that City Council's approval of the Mayor's June Budget Message for Fiscal Year 2022-2023 included approval of a recommendation from Councilmembers Arenas and Carrasco directing the Administration to prioritize any additional General Fund Ending Fund Balance during the 2021-2022 Annual Report for possible cost overruns and for fixtures, furniture, and equipment for the Measure T Public Safety Program.

While staff will look at potential General Fund, Fire C&C Fund, and grant sources for escalations, funding from these sources is not guaranteed. Therefore, the only guaranteed funding source is the de-scoping of existing Measure T commitments. Since Fire Station 23 is the final public safety project to be built, it would be the most logical project to de-scope or de-fund in order to meet the remaining commitments if prices continue to escalate. While a decision on de-scoping Fire Station 23 does not need to be made today, this decision may be in front of Council in the near future if prices continue to escalate.

***Do we need to make the decision now on the use of savings from the Environmental Protection fund category? If not, when does a decision need to be made?***

Staff does not need a decision now on the use of the savings from the Environmental Protection fund category and recommends the deferral of the policy decision until February 2023. Staff is working with consultants and industry experts to continue updating project estimates for many of the Measure T projects to identify budget shortfalls, if any, due to the construction cost increases. The status report already identifies a need for additional funding based on current estimates specifically for public safety projects. As the updated estimates are provided, staff will have a better understanding of how the current environment is impacting project costs. Please see the attached document outlining the current schedules for the estimates and bid opening dates for the

remaining Fire Stations, Police Training and Academy Facility, Police Air Support Unit Hangar, and 911 Call Center Renovation.

As detailed in Attachment A, staff will be receiving updated estimates on a number of public safety projects over the next several months. In addition, five of the remaining seven projects will have 95% cost estimates available by the end of this calendar year. City Council does not need to make a decision now but as recommended above, can defer the item to February 2023 so staff can provide City Council the information needed to make a more informed decision on whether to fund improvements at Lake Cunningham or keep the funds in the Public Safety Program Reserve for future anticipated funding gaps within the Measure T Public Safety Program.

***Do we need to make a decision on funding the second company for Fire Station 32 now? Or can this decision wait?***

Since the May 6, 2022 status report has been posted, staff received updated cost estimates for Fire Station 32. For phase I (demolition, soil mitigation, and rough grading) costs have doubled due in large part to the additional removal of soil across the site as recommended by the geotechnical report after additional soil tests were collected. For phase II (construction of the fire station), the overall price has increased due to the escalation of steel prices and electrical cost increases in order to upgrade the electrical service to plan for future electrical rigs. Staff is requesting the City Council accept the recommended use of available funding in Table 2 and, additionally, approve using \$2.5 million in the Public Safety Program Reserve set aside for fire station rehabilitation and potential fire station overages to cover the shortfall needed to build the one company scope for Fire Station 32. If City Council requests staff to include the cost of building the second company, the project is estimated to have a \$3.8 million total shortfall of which staff would have to exhaust the majority of the \$5.0 million earmarked for the Fire Station Rehabilitation project, only leaving \$1.2 million for any future Fire Station overages. If City Council decides to hold off on making the decision to fund the second company, staff still plans to have the station designed for a second company utilizing a bid alternative and can either decide to fund the second company when staff returns to Council in February 2023 or when the project returns to Council for award of the construction contract.

As mentioned in the status report, staff is concerned that sufficient funding may not be available to complete the final public safety project, Fire Station 23, due to the likely depletion of the Public Safety Program Reserves and construction prices continuing to escalate.

### **Additional Project and Funding Updates**

Staff also received updated estimates for the River Oaks Pump Station Stormwater Capture project. The Measure T Status report states that the estimate for this project is \$9.2 million. With the updated cost estimates, the project estimate is now \$11.2 million. Staff is currently working through value engineering to determine if there are avenues to reduce scope and build so that the project remains within the current budget. However, if the scope of the project cannot be

HONORABLE MAYOR AND CITY COUNCIL

June 23, 2022

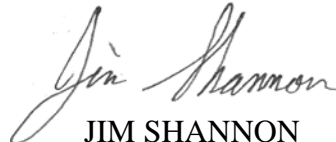
**Subject: Status Report on The November 2018 Ballot Measure T – The Disaster Preparedness, Public Safety and Infrastructure General Obligation Bond**

Page 6 of 6

reduced, staff will need to utilize the clean water funds to supplement the overages which will reduce scope for other Green Stormwater Infrastructure (GSI) project, including the proposed City Land South of Phelan project. Currently the City Land South of Phelan project is estimated to cost roughly \$17 million. With a total available budget of \$24 million within the Clean Water program, the combined cost of the revised River Oaks Pump Station Stormwater Capture Project (\$11.2 million) and the City Land Sound of Phelan project (roughly \$17 million) results in a preliminary program overage of approximately \$4 million. Staff will work to pursue grant opportunities to supplement this likely shortfall in the GSI program.

/s/

MATT CANO  
Director of Public Works



JIM SHANNON  
Budget Director

For questions and more information, please contact Katherine Brown, Deputy Director of Public Works, at (408) 795-1679.