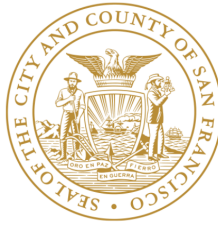


City & County of San Francisco

London N. Breed, Mayor



Office of the City Administrator

Carmen Chu, City Administrator
Michael Makstman, Interim City CIO &
Executive Director, Department of Technology

Date: March 28, 2024

To: Angela Calvillo
Clerk of the Board of Supervisors

From: Michael Makstman
Interim City CIO, Executive Director
Department of Technology

Re: Approval of the 2nd Amendment to the Citywide Enterprise Agreement with Carahsoft Technology Corporation for Salesforce Products

The Department of Technology (DT) manages a Citywide Enterprise Agreement (EA) with Carahsoft Technology for the purchase of Salesforce software products. DT is seeking Board of Supervisors approval of the 2nd Amendment so that the City can continue to benefit from the discounts negotiated in 2016. The 2nd Amendment will raise the not-to-exceed amount from \$9.725 million to \$20.6 million and extend the term of the contract to June 30, 2030. Approval is necessary because the amendment will cause the overall spending to exceed \$10 million and the term to exceed 10 years.

Background

The proposed amended EA would cover all major Salesforce products (e.g., Sales Cloud, Service Cloud, Marketing Cloud, Experience Cloud) for all City Departments. Salesforce products enable City Departments to access cloud-based software that can be used to quickly automate business processes. These products can deliver substantial value to the City at relatively low cost and fast speed. The scalability and flexibility of Salesforce products make them valuable to many City Departments.

The current agreement including the first amendment has a nine-year term from July 1, 2016, to June 30, 2025, with a not-to-exceed amount of \$9.725 million. The agreement includes a 35% discount on core products and no mark-up from resellers. City departments were initially projected to spend approximately \$1 million per year, but spending has accelerated so that spending under the contract will reach the not-to-exceed amount prior to the end of the contract term.

Salesforce only sells its products to the City through Carahsoft Technologies Corporation (Carahsoft), a distributor. Carahsoft was selected pursuant to San Francisco Administrative Code Section 21.5(b) and Section 21.30 pursuant to waiver OCAWVR0008957 granted by the Office of Contract Administration, and this Amendment is consistent with that waiver.

Summary of Proposed 2nd Amendment

The 2nd Amendment would make the following changes to the current EA:

- Extend the end of the term by five years from June 30, 2025, to June 30, 2030.
- Increase the not-to-exceed amount by \$10.9 million to \$20,625,109. DT based this new not-to-exceed amount on the following factors:
 - In FY22-23, the City spent approximately \$1.6 million dollars under this EA.
 - The not-to-exceed amount should be increased for a total of 6 additional years at the current rate of spending.
 - There should be a 15% contingency for the potential increase in the utilization of the Salesforce products by City departments for the remaining term.

Price Reasonableness

The prices that DT has negotiated are favorable compared to alternative arrangements. Through extensive negotiation Salesforce and Carahsoft agreed to extend the current advantageous discount rate for an additional five years. In the absence of this contract, City departments would have to purchase the Salesforce licenses from the City's Technology Marketplace resellers who in turn purchase from Carahsoft. Under this arrangement, the City would most likely receive a 10% discount, which would be offset by an 8-10% markup from Technology Marketplace resellers. The result would be an increase cost for the City by more than 50%, from about \$1.6M/year to \$2.5M/year. The rates the City receives are also well below those received by other public sector entities, for example, historically a 2-10% discount has been offered to the State of California (OTech) and a 5% discount received by the National Association of State Procurement Officials (NASPO).

Cost Control in the context of Increased Utilization

As the central administrator of this EA, DT offers City departments Salesforce product advisory services and has implemented a robust process to help departments minimize costs. When departments are considering purchasing new Salesforce products or renewing their existing ones, DT helps them: (1) identify the lowest cost product for the use case and (2) minimize the number of licenses they purchase.

How will the contract benefit the City?

The contract has several benefits for the City:

1. **Discounts:** Under this EA, the City will continue to receive a 35% volume discount off list prices.
2. **Efficiency:** Without this EA, 14 City departments would have to go through a lengthy procurement process, resulting in duplicative efforts by the City Attorney's Office, the

Office of Contract Administration (OCA) and departments, and be subject to higher prices due to the loss of volume discounts available to the City as a whole.

3. **Greater transparency and more effective vendor management:** The City's spending on Salesforce products and services will be highly visible under one contract. The cost and vendor performance will be centrally monitored and actively managed.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Makstman", with a long horizontal flourish extending to the right.

Michael Makstman
Interim City CIO | Executive Director
Department of Technology