

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

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

April 10, 2015

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: April 15, 2015 Budget and Finance Committee Meeting

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<p>Item 2 File 15-0224</p>	<p>Department: General Services Agency - City Administrator's Office (CAO)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed resolution approves the FY 2015-16 through FY 2024-25 Capital Plan that prioritizes the relocation of the Hall of Justice by 2023; plans for rapid growth in changing areas of the City; makes upgrades to water, sewer and transportation systems, and invests in facility repairs and improvements through the General Fund pay-as-you-go Program. • It maintains previously adopted policies, including restrictions around debt issuance for General Obligation (G.O.) bonds and other debt instruments that are serviced through property tax or General Fund revenues. It also resolves to fully fund capital programs such as the City’s Americans with Disability Act (ADA) transition plans, facilities maintenance and street resurfacing to reach a Pavement Condition Index (PCI) of 70. • It adopts new policies, including reducing the annual growth of the General Fund commitment for the pay-as-you-go Program from ten percent to seven percent between FY 2016-2017 and 2024-2025; fully funding street resurfacing at the level needed to achieve a “Good” Pavement Condition Index (PCI) by 2025; creating a Capital Planning Fund for critical project development or pre-bond planning outside the regular General Fund budget; and annually reserving \$10 million from the pay-as-you-go Program to fund critical enhancement projects not covered through proposed bond programs. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • Since FY 2012-13, the Capital Plan is updated every other year, in odd-numbered years. Departments send capital planning and budget requests to the Capital Planning Program for review. Project requests are considered according to five funding priorities. Project selection is also constrained by available resources. • Projects included in the proposed ten-year Capital Plan include: improvements to the San Francisco General Hospital campus; the Veteran’s War Memorial Building retrofit; the Water System and Sewer System improvement programs, and major transportation projects such as Muni Forward, the Vision Zero Pedestrian Safety Program, and the Van Ness and Geary Rapid Transit projects. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The proposed FY 2016-2025 Capital Plan recommends \$5.1 billion in General Fund department investments, \$18.3 billion in enterprise department investments, and \$8.5 billion in external agency investments, for total proposed spending of \$31.9 billion in capital improvements across seven service areas. 	
<p style="text-align: center;">Recommendation</p>	
<p>Approve the proposed resolution.</p>	

MANDATE STATEMENT / BACKGROUND

Mandate Statement

San Francisco Administrative Code Section 3.2 requires the City Administrator to submit, and the Mayor and the Board of Supervisors to review, amend and adopt in each odd-numbered year, a ten-year capital expenditure plan. The Mayor and Board of Supervisors may update the plan as necessary to reflect the City's priorities, resources and requirements.

Background

In May of 2005, the Board of Supervisors passed Capital Planning Ordinance 216-05, which amended the San Francisco Administrative Code to require the (1) replacement of the Capital Improvements Advisory Committee with the Capital Planning Committee, and (2) development of a ten-year Capital Plan.

Since FY 2012-13, the Capital Plan is updated every other year, in odd numbered years. Departments send capital planning and budget requests to the Capital Planning Committee for review. Projects typically fall into one of two main categories: renewals and enhancements. Project requests are considered using five funding priorities:

- Priority 1: Improvement is necessary to comply with a federal, state or local legal mandate;
- Priority 2: Provides for the imminent life, health, safety and security of occupants and the public or prevents the loss of use of the asset;
- Priority 3: Ensures timely maintenance and renewal of existing infrastructure;
- Priority 4: Supports formal programs or objectives of an adopted plan or action by the Board or Mayor; and
- Priority 5: Enhances the City's economic vitality by stimulating the local economy, increasing revenue, improving government effectiveness, or reducing operating costs.

Project selection is also constrained by available resources. The City dedicates a portion of the General Fund for capital improvements through its pay-as-you-go program. Various types of debt instruments, including General Obligation (G.O.) bonds, Revenue Bonds, and Certificates of Participation (COPs), may also be used for capital improvements. Property tax revenues are allocated to pay debt service on G.O. bonds. Enterprise department (Airport, Port, Public Utilities Commission, and Municipal Transportation Agency) revenues are allocated to pay debt service on revenue bonds. General Fund, enterprise fund, and special fund revenues are allocated to pay debt service on COPs, depending on the use of the COPs. There are limitations as to the amount of General Fund debt that may be issued for capital improvements, which is described in detail below.

The Capital Planning Committee holds several meetings prior to the release of the Capital Plan to decide which projects should be recommended for funding in any given year and which should be deferred. Renewal projects that are not selected for funding are added to the overall project backlog, while unfunded enhancement projects are simply listed as being deferred in the Capital Plan. Further, even though a project is recommended for funding, it may not

actually be implemented if anticipated revenues do not materialize or if the Board of Supervisors decides not to appropriate funds. Since the adoption of the first Capital Plan in June 2006, budgeted funding levels have met or exceeded planned levels in five out of ten years. However, these funds have not always been distributed according to the categories recommended in the pay-as-you-go program.

Since the adoption of the first Capital Plan in 2006, voters have approved seven G.O. bonds totaling \$2.8 billion in revenue to be used for projects prioritized through the planning process. Table 1, below, illustrates the date of the approved bonds, the debt issuance categories, and the total bond amount.

Table 1: Voter-approved G.O. Bonds since the FY 2007-2016 Capital Plan

Year	Debt Issuance	Amount (millions)
2008	Neighborhood Parks and Open Space	\$ 180
2008	Public Health Seismic Facilities (SFGH rebuild)	\$ 887
2010	Earthquake Safety and Emergency Response	\$ 412
2011	Road Resurfacing and Street Safety	\$ 248
2012	Neighborhood Parks and Open Space	\$ 195
2014	Earthquake Safety and Emergency Response	\$ 400
2014	Transportation	\$ 500
Voter-approved G.O. Bond Total (2008-2014)		\$ 2,822

Source: Proposed Capital Plan, Fiscal Years 2016-2025

DETAILS OF PROPOSED LEGISLATION

The proposed resolution adopts the City’s Ten-Year Capital Plan for FY 2015-16 through FY 2024-25. The proposed Ten Capital Plan identifies key goals and objectives to be accomplished during the next ten years, including:

- Increasing resiliency by establishing new guidelines to address sea level rise and a plan to relocate all city functions from the Hall of Justice by 2023;
- Planning for growth in the rapidly changing eastern portion and waterfront areas of the City;
- Continuing to make improvements to the City’s water and sewer systems, transportation network, and airport;¹ and
- Investing in facility repairs and improvements through the General Fund pay-as-you-go Program.

¹ Enterprise departments – Airport, Port, Public Utilities Commission, and San Francisco Municipal Transportation Agency – have separate capital plans. Each of the enterprise departments has authority to issue revenue bonds, paid by department revenues, to fund capital projects.

The proposed Capital Plan maintains the funding policies and financial practices set in prior year plans, including:

- Maintaining restrictions on issuing debt such that G.O. bonds proposed by the Plan will not increase voters' long-term property tax rates above FY 2005-06 levels, and the City will maintain the percentage of General Fund revenue spent on debt service at or below 3.25 percent of discretionary revenues; and
- Fully funding capital programs such as the City's Americans with Disability Act (ADA) transition plans, facilities maintenance, and street resurfacing.

Finally, the proposed Capital Plan adopts new policies regarding spending, reserves and project priorities, including:

- Reducing the annual growth of the General Fund commitment for the pay-as-you-go program from 10 percent to 7 percent between FY 2016-17 and 2024-25, to more realistically model the likely General Fund commitment, especially in the final years of the Plan;
- Fully funding the street resurfacing program at the level needed to achieve a "Good" Pavement Condition Index (PCI) of 70² by 2025;
- Creating a Capital Planning Fund for critical project development or pre-bond planning outside the regular General Fund budget; and
- Annually reserving \$10 million from the pay-as-you-go program to fund critical enhancement projects that are not covered through the proposed bond programs.

Selected Projects

Projects to be funded over the course of the ten-year plan include, but are not limited to: Improvements to the San Francisco General Hospital campus; the Veteran's War Memorial Building retrofit; the Water System and Sewer System Improvement Programs; the HOPESF housing projects, Pier 70 and Seawall Lot 337 development projects; and neighborhood park renovations. Major transportation projects will be funded during the Plan term, such as Muni Forward, the Vision Zero Pedestrian Safety Program, the Van Ness and Geary Bus Rapid Transit projects, the new air traffic control tower and other improvements at SFO, the Central Subway, Transbay Terminal, and Presidio Parkway (formerly Doyle Drive).

² The Pavement Condition Index is a numerical score between 0 and 100 that is used to indicate the general condition of the pavement. A score of between 70 and 100 indicates that pavement is in good condition.

FISCAL IMPACT

The proposed FY 2015-16 through FY 2024-25 10-Year Capital Plan recommends \$4.8 billion in General Fund capital improvements, \$20.7 billion in enterprise and other local funds, \$4.4 billion in Federal and State funds, and \$1.5 billion in private funds, for total proposed spending of \$31.4 billion over 10 years in capital improvements across seven service areas. As shown in Table 2 below, the 'transportation' and 'infrastructure and streets' service areas will receive the largest percentages of overall funding, at 44 and 30 percent, respectively.

**Table 2: Proposed Uses of Funds by Service Area and Funding Source,
FY 2015-16 – FY 2024-25 Capital Plan (thousands of dollars)**

	General Fund ¹	Enterprise and Other Local Funds ²	Federal and State Funds	Private Funds	Total	Percent of Total
Public Safety	\$1,590,347	\$0	\$0	\$20,000	\$1,610,347	5.1%
Health and Human Services	429,304	536,045	12,136	368,915	1,346,400	4.3%
Infrastructure and Streets	989,421	8,248,528	270,007	0	9,507,956	30.3%
Recreation, culture and education	595,896	59,418	0	0	655,314	2.1%
Economic and Neighborhood Development	61,086	2,559,749	179,250	1,094,881	3,894,966	12.4%
Transportation	715,276	9,256,378	3,890,629	0	13,862,283	44.2%
General Government	147,104	68,690	0	0	215,794	0.7%
Critical Enhancements	100,000	0	0	0	100,000	0.3%
Routine Maintenance	164,000	0	0	0	164,000	0.5%
Total	\$4,792,434	\$20,728,808	\$4,352,022	\$1,483,796	\$31,357,060	100%
Percent of Total	15%	66%	14%	5%	100%	

Source: Capital Planning Committee

¹ General Fund consists of annual General Fund contributions (pay-as-you-go) and general obligation (GO) bonds and certificates of participation (COPs).

² Enterprise and other local funds consist of enterprise departments' annual revenues and revenue bonds, Proposition K sales tax revenues allocated to street and transportation projects, Convention Facilities Fund and Moscone Expansion District Assessment, land-secured financing (including tax increment, infrastructure financing district, and Mello-Roos), SF Wholesale Market funds, Planning Department Area Plan sources, and other local funds.

Table 3 shows the total proposed capital plan expenditures of \$31.4 billion by year and by service area over the 10-year period from FY 2015-16 through FY 2024-25.

**Table 3: Proposed Capital Plan Expenditures by Year and Service Area
(thousands of dollars)**

Service Area	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21 to FY 2024-25	Total
Public Safety	\$548,290	\$4,382	\$267,468	\$63,346	\$24,559	\$702,302	\$1,610,347
Health and Human Services	341,265	80,044	66,954	71,989	66,273	719,875	1,346,400
Infrastructure and Streets	919,968	721,526	1,171,126	1,315,491	1,323,369	4,056,476	9,507,956
Recreation, culture and education	24,097	22,371	25,673	178,234	32,609	372,330	655,314
Economic and Neighborhood Development	405,167	354,689	494,327	479,401	336,487	1,824,895	3,894,966
Transportation	2,132,850	1,958,106	1,735,213	1,521,008	955,323	5,559,783	13,862,283
General Government	23,916	5,479	8,970	3,733	4,080	169,616	215,794
Critical Enhancements	10,000	10,000	10,000	10,000	10,000	50,000	100,000
Routine Maintenance	13,000	13,700	14,400	15,100	15,900	91,900	164,000
Total	\$4,418,553	\$3,170,297	\$3,794,131	\$3,658,302	\$2,768,600	\$13,547,177	\$31,357,060
Percent of Total	14%	10%	12%	12%	9%	43%	100%

Source: Budget and Legislative Analyst Summary

General Fund Sources

The proposed Capital Plan estimates \$4.8 billion in General Fund sources to fund the Capital Plan expenditures over a ten-year period, as shown in Table 2 above and described in greater detail below.

- General Fund – Pay-as-you-go Program

As shown in Table 4 below, the proposed Plan allocates \$1.663 billion over the ten-year period for annual pay-as-you-go program investments that will maintain existing facilities and infrastructure. This represents a decrease in total pay-as-you-go funding, when adjusted for inflation, from the FY 2013-14 to FY 2022-23 Capital Plan amount by \$140 million, primarily due to a reduction in the assumed growth of the annual General Fund commitment from ten percent to seven percent.

Within the pay-as-you-go program, routine maintenance, Americans with Disabilities Act (ADA) transition plans for facilities, and public right-of-way, street resurfacing and a new category called Critical Enhancements (noted in Tables 2 & 3 above) for which \$10 million is reserved annually, are fully funded. The remaining funds are allocated to Right-of-way infrastructure renewals (such as water and sewer lines), and facility renewal, based on their proportionate need.

Table 4 below shows the allocation of pay-as-you-go program dollars by category across the two five-year intervals.

**Table 4: General Fund Pay-as-you-go Program Uses in Five-Year Intervals
(millions of dollars)**

Project Category	FY 2016-20	FY 2021-25	Plan Total	% of Total
Routine Maintenance	\$72	\$92	\$164	10%
ADA: Facilities	13	5	18	1%
ADA: Public Right-of-Way	52	59	111	7%
Street Resurfacing	270	365	635	38%
Critical Enhancements	50	50	100	6%
Right-of-Way Infrastructure Renewal	42	73	115	7%
Facility Renewal	191	328	519	31%
Total Projected Funding	\$690	\$972	\$1,663	

Source: Proposed 10-Year Capital Plan

Over the first five years of the plan, the Capital Plan projects \$690.3 million in total annual General Fund allocations to the pay-as-you-go program, as shown in Table 5 below.

The Budget and Legislative Analyst determined the projected annual FY 2015-16 to 2019-20 pay-as-you-go allocation for each General Fund department by examining the detailed sources and uses of funds contained within each section of the proposed Plan. Table 5 below demonstrates that the majority of pay-as-you-go program dollars (53 percent) will be allocated to streets and rights-of-way projects. This might be expected given the goal of achieving a "Good" Pavement Condition Index (PCI) of 70 by 2025.

Table 5: Projected Pay-as-you-Go Program Allocation by Department, FY 2015-16 to FY 2019-20 (thousands of dollars)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Total	% of Total
Arts Commission	\$749	\$747	\$931	\$1,086	\$1,224	\$4,737	1%
Asian Art Museum	497	496	618	721	812	3,144	0%
Department of Emergency Management	445	443	553	645	727	2,813	0%
Department of Public Health	6,063	7,045	8,035	8,792	9,907	39,842	6%
Department of Public Works	689	687	856	999	1,126	4,357	1%
Department of Technology	183	183	228	266	300	1,160	0%
Fine Arts Museum	1,535	1,530	1,908	2,226	2,508	9,707	1%
Fire Department	776	774	965	1,126	1,269	4,910	1%
General Services Agency	1,018	1,666	1,805	1,823	1,927	8,239	1%
Human Services Agency	2,550	2,542	3,168	3,697	4,166	16,123	2%
Juvenile Probation	343	1,942	426	497	560	3,768	1%
Police Department	280	279	348	406	458	1,771	0%
Sheriff's Department	1,391	1,387	1,729	2,017	2,273	8,797	1%
Streets and Rights-of-Way	62,988	69,279	73,387	77,366	81,500	364,520	53%
Recreation and Parks	16,627	14,987	17,287	19,470	21,939	90,310	13%
War Memorial	651	649	809	943	1,063	4,115	1%
Critical Enhancements*	10,000	10,000	10,000	10,000	10,000	50,000	7%
Routine Maintenance*	13,000	13,700	14,400	15,100	15,900	72,100	10%
Total	\$119,785	\$128,336	\$137,453	\$147,180	\$157,659	\$690,413	

Source: Budget and Legislative Analyst based on Capital Plan Information

*The critical enhancements and routine maintenance categories are not assigned to specific departments, but will be made available citywide. Routine maintenance is increased by 3% annually to adjust for inflation.

- **General Fund – General Obligation Bonds**

Under the City's financial policies the issuance of an estimated \$1.771 billion in General Obligation (G.O.) bonds proposed by the Plan must not increase voters' long-term property tax rates above FY 2005-06 levels, as noted above. The City may seek voter approval and issue new bonds as existing, approved bond debt is retired and/or the property tax base grows.

The Capital Plan structures the G.O. bond issuance schedule to rotate the bond programs that target specific areas of capital need approximately every six years, although factors including debt capacity, election schedules, and capital needs are also factored into the timing recommendations. Planning for future bonds is funded through

the pay-as-you-go Program’s Capital Planning Fund, which is a new fund that is described further below.

Table 6 below illustrates the Capital Plan’s proposed G.O. Bond Program of \$1.771 billion in new bonds for the next ten years.

Table 6: Proposed General Obligation Debt Program (millions of dollars)

Issuance Date	Service Area	Amount
Jun-16	Public Health	\$ 311
Nov-18	Parks and Open Space	\$ 185
Nov-20	Earthquake Safety and Emergency Response	\$ 290
Nov-22	Public Health	\$ 300
Nov-24	Transportation	\$ 500
Jun-24	Parks and Open Space	\$ 185
G.O. Bond Debt Total		\$ 1,771

Source: Proposed 10-Year Capital Plan

- General Fund – Certificates of Participation

Under the proposed Capital Plan, the City will maintain the percentage of the General Fund monies expended on debt service at or below 3.25 percent of discretionary revenues. The City’s ability to issue secured debt is limited. Financing instruments will only be used when existing General Fund debt is retired and/or the City’s General Fund revenues grow.

Certificates of Participation (COPs) are typically repaid from the City’s General Fund or from revenue that would otherwise flow to the General Fund, such as the revenues of the related project, or fees, taxes or surcharges imposed by users of the project. Table 7 below presents an overview of the Capital Plan’s proposed issuance of COPS, totaling \$886 million over 10 years, to be repaid by General Fund revenues.

Table 7: Proposed General Fund COPs Program (millions of dollars)

Issuance Date	Proposed Project	Amount
FY 2016	SHF Rehabilitation and Detention Facility	\$ 278
FY 2016	HOJ Site Acquisition	\$ 8
FY 2019	Adult Probation Relocation from HOJ	\$ 59
FY 2019	DPH Admin Building Relocation	\$ 60
FY 2021	DA and SFPD Relocation from HOJ	\$ 227
FY 2022	HOJ Land Purchase, Demolition, and Enclosure	\$ 48
FY 2024	JUV Admin Building Replacement	\$ 107
FY 2025	Yard Consolidation	\$ 100
General Fund Debt Total		\$ 886

Source: Proposed 10-Year Capital Plan

Capital Planning Fund

The proposed Capital plan also creates a revolving Capital Planning Fund for critical project development or pre-bond planning outside the regular General Fund budget. In the past, the General Fund supported pre-bond project development on the condition that the General Fund would be reimbursed once project bonds were issued. Bond reimbursements will now flow into the Capital Planning Fund and be used for future project development and pre-bond planning.

The proposed Capital Plan allocates the reimbursements from the 2014 Earthquake Safety and Emergency Response Bond and the 2016 Public Health Bond to provide the initial seed funding for the Capital Planning Fund. Several projects are expected to receive Capital Planning Funds over the ten-year plan term, including: 1) the relocation of services out of the Hall of Justice; 2) the seismic retrofit or upgrades of several Department of Public Health buildings; 3) the seismic upgrade of the City’s Animal Shelter; 4) the replacement of the Administrative Building for the Juvenile Probation Department; and 5) the Public Works Yard modernization effort.

Table 8 below shows the projected surplus in Capital Planning Funds over the two five-year plan intervals.

Table 8: Capital Planning Fund in Five-Year Intervals (millions of dollars)

	FY 2016-20	FY 2021-25	Plan Total
Project Development Need	\$ 19.1	\$ 17.8	\$ 36.9
Projected Sources	29.7	19.6	49.3
Surplus/(Deficit)	\$ 10.6	\$ 1.8	\$ 12.4

Source: Proposed 10-Year Capital Plan

POLICY CONSIDERATION

Since the adoption of the original Capital Plan, there have been several years in which a portion of the annual need was deferred due to funding limitations. The deferred renewal projects along with unfunded infrastructure needs from prior to 2006 comprise the Plan’s backlog. The proposed Capital Plan does not begin to fully fund the City’s annual capital needs until FY 2025. During the interim, the existing backlog is projected to increase by 44 percent to approximately \$800 million. The increase in backlog will be due to a combination of projects accumulated within the first six years of the Plan and the cost escalation of today’s existing backlog.

If the City were to continue on the current Capital Plan’s funding trajectory, there would be a reduction in the backlog starting in 2031.

The Mayor and Board of Supervisors would have to commit to allocating the projected funding levels for capital improvements for the General Fund pay-as-you-go Program for this to occur, however.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 3 File 15-0223</p>	<p>Department: General Services Agency - City Administrator's Office (CAO)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • San Francisco Administrative Code Section 22A.6 requires the Committee on Information Technology (COIT) to submit a Five Year Information and Communication Technology (ICT) plan to the Mayor and Board of Supervisors by March 1 of each odd-numbered year. • By May 1 of each odd-numbered year, the Mayor and Board of Supervisors must review, update, amend, and adopt by resolution the five-year information technology plan and its corresponding budget request. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The proposed five-year FY 2015-16 to FY 2019-20 Information and Communication Technology (ICT) Plan is the third iteration of the plan since the original plan was adopted four years ago. It includes a recommended funding allocation for two categories of projects: Major IT Projects and Annual Projects. • The proposed Plan will serve as a guiding document for the Committee on Information Technology (COIT) to recommend specific information technology projects during the City’s annual budget process. • The Plan identifies three overall goals for projects, namely that they support, maintain, and secure critical infrastructure; increase efficiency and effectiveness, and improve access and transparency. • The Plan recommends that the City grow the Major IT Projects Allocation by 10 percent annually; that COIT allocate one-time funds to Major IT Projects if they become available during the budget cycle, and that projects be fully funded at the outset to support an optimal implementation timeline. • For the Annual Projects Allocation, it is recommended that the City continue to grow the Allocation by 10 percent annually; that COIT re-evaluate the Annual Projects Allocation to determine if funding levels are sufficient to support the City’s critical ICT infrastructure, and that COIT identify one-time sources of funding to support high priority projects when possible. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The proposed FY 2015-16 to FY 2019-20 five-year Plan recommends investing \$150 million in General Fund sources to ICT projects citywide over the next five years. It recommends investing \$91 million in Major IT Projects and \$59 million in Annual Projects. 	
<p style="text-align: center;">Recommendation</p>	
<p>Approve the proposed resolution.</p>	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

San Francisco Administrative Code Section 22A.6 requires the Committee on Information Technology (COIT) to submit a Five Year Information and Communication Technology (ICT) plan to the Mayor and Board of Supervisors by March 1 of each odd-numbered year. By May 1 of each odd-numbered year, the Mayor and Board of Supervisors shall review, update, amend, and adopt by resolution the five-year information technology plan and its corresponding budget request. The Mayor and Board of Supervisors may update the plan as necessary and appropriate the needed funds to reflect the City's priorities, resources and requirements.

Background

The proposed FY 2015-16 to FY 2019-20 Information and Communication Technology (ICT) Five-Year Plan is the third iteration of the plan since the original plan was adopted four years ago. The Plan provides a framework for the City to proactively plan, fund and implement projects that align with the City's goals of being innovative, sustainable and resilient.

Over the last few years, COIT has recommended investments in ICT projects that support infrastructure, create efficiencies, and improve access and transparency. Projects have included upgrades to eMerge, the citywide human resources and payroll system; upgrades to the Computer Aided Dispatch (CAD) system, which supports all public safety department data needs; the implementation of the gross receipts tax business system; the migration of city email to a more modern system, and the installation of free, public Wi-Fi Internet access at select City locations, among others.

The proposed Five Year ICT Plan is one of several strategies related to improving information technology infrastructure in the City. The other initiatives include: the Open Data Initiative¹, the Civic Innovation Plan², the Connectivity Plan³, the Information Technology Hiring Group⁴, the Public Experience Strategy⁵, the Shared Services Strategy⁶, and IT Performance Reporting.⁷

¹ The Open Data Initiative is an effort to make government data more available to the public. Data is displayed on the City's open data portal, which is known as SF Open Data.

² The Civic Innovation Plan aims to actively promote strategic innovation by bringing new ideas, tools and processes into the City.

³ The Connectivity Plan is an initiative to connect every City building to the City's fiber network and to offer free, wireless Internet service through SFWiFi to more parts of the City.

⁴ The Department of Human Resources formed the IT Hiring Group to develop new ways to attract and retain information technology professionals to increase the City's ICT capacity.

⁵ COIT will work with each department to develop a Public Experience Strategy that enhances the public's experience with a department's website.

⁶ The Chief Information Officer has established a framework to improve process transparency and inter-departmental communication, which is known as the Shared Services Framework.

⁷ COIT will develop performance reporting for all new and ongoing City ICT projects. In addition to quarterly reporting, COIT will expand its efforts around recently completed projects to identify best practices and centers of excellence for other departments as they implement their own projects.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would adopt the City's Five Year Information and Communication Technology (ICT) Plan for FY 2015-16 through FY 2019-20. This Plan will serve as a guiding document for the Committee on Information Technology (COIT) to make funding recommendations for specific projects during the annual budget process. The Plan identifies three overall goals for projects, namely:

- Goal 1: Support, Maintain and Secure Critical Infrastructure;
- Goal 2: Increase Efficiency and Effectiveness; and
- Goal 3: Improve Access and Transparency.

COIT will recommend funding in the FY 2015-16 and FY 2016-17 budgets in two project categories: Major IT Projects and Annual Projects. This is the first year that COIT will specifically recommend funding in the annual budget for Major IT Projects. The Five Year Financial Plan for FY 2015-16 through FY 2019-20, jointly prepared by the Mayor, Controller, and Budget and Legislative Analyst, assumes an increase in Major IT Project investments during the five-year financial plan period, as recommended by COIT and by the ICT Plan.

While the ICT Plan does not recommend specific projects to be funded, it makes recommendations regarding project implementation and financial planning for each of the two funding categories.

For Major IT Projects, the Plan recommends that the City continue to grow the Major IT Projects Allocation by 10 percent annually; that COIT allocate one-time funds to Major IT Projects if they become available during the budget cycle, and that projects be fully funded to support an optimal implementation timeline.

For the Annual Projects Allocation, the Plan recommends that the City continue to grow the Allocation by 10 percent annually; that COIT re-evaluate the Annual Projects Allocation to determine if funding levels are sufficient to support the City's critical ICT infrastructure, and that COIT identify one-time sources of funding to support high priority projects when possible.

FISCAL IMPACT

The proposed Information and Communication Technology (ICT) Plan recommends investing \$150 million in General Fund revenues to ICT projects citywide over the next five years. Of the total \$150 million in general fund revenues, COIT has recommended an allocation of \$91 million for Major IT projects and \$59 million for Annual Projects.

To date, departments have submitted 158 ICT project proposals for a total proposed cost of \$613.3 million. Of these, 97 projects have requested General Fund support, for a total proposed cost of \$211.8 million. There is a gap between total proposed and recommended General Fund funding of \$61.8 million (\$211.8 million less \$150 million in recommended funding), as shown in Table 1 below.

Table 1: Total Proposed and Recommended Funding for ICT Projects

	Number	Cost
Total proposed ICT projects	158	\$613,322,923
Projects requesting General Fund support	97	\$211,798,588
Total recommended General Fund support		<u>\$150,000,000</u>
Surplus/Deficit		(\$61,798,588)

Source: Proposed Five Year IT Plan

Of the 97 projects requesting General Fund support, four fall into the Major IT Projects category and 93 are classified as Annual Projects.

Major IT Projects

COIT recommends investing a total of \$91 million in General Fund revenues towards Major IT Projects over the next five years, shown in Table 2 below. The General Fund support of \$91 million for these projects will cover only a portion of the total project costs, as shown in Table 2 below. COIT will also utilize other strategies, including seeking at least \$74.5 million in alternative funding sources, as well as project sequencing, and project deferral to ensure that the projects are fully funded.

Table 2: COIT Estimated Funding Recommendations for Major IT Projects (millions of dollars)

Project Name	COIT Recommended General Fund Cost	Estimated Other Funding Sources	Estimated Total	Estimated Timeline
Financial Systems Replacement	\$27.1	\$31.5	\$58.6	FY 2012-13 to FY 2017-18
Public Safety and Service Radio Replacement	\$30.0	\$43.0	\$73.0	FY 2015-16 to FY 2018-19
Property Tax Database Replacement	\$13 (initial estimate)	Not yet determined	Not yet determined	FY 2016-17 to FY 2019-20
Emerging ICT Projects	\$20.9 (initial estimate)	Not yet determined	Not yet determined	Not yet determined
TOTAL	\$91	\$74.5	\$131.6	

Source: Proposed Five Year IT Plan

These four projects and their current implementation status are described briefly below.

Financial Systems Replacement

The purpose of this project is to replace the City's mainframe-based central financial and accounting system (FAMIS), which is used by all departments and is more than twenty-five years old. FAMIS is the City's official system of record for accounting, budget control, purchasing and financial reporting. The major citywide systems that interface with FAMIS include the City's Payroll System (eMerge), the Budget System, and the Executive Information System (EIS). The new system will reduce or eliminate some departmental based systems currently used to supplement FAMIS, which could eliminate duplicative entries, and reduce the need to maintain multiple systems.

The implementation of the project in FY 2015-16 through FY 2017-18 includes the purchase, installation, configuration and testing of the new financial enterprise resource planning (ERP) system. It will include the installation and testing of new hardware, middleware and database infrastructure.

The Controller's Office is currently negotiating a contract with the contractor selected through a Request for Proposals (RFP) process to implement the Financial System Replacement Project, and intends to submit the contract to the Board of Supervisors for approval by June 16, 2015.

Public Safety and Public Service Radio Replacement

This replacement project will upgrade the citywide 800 MHz Radio and Communications System that is used primarily by the City's public safety agencies. The current system was installed in 2000 and is nearing the end of its service life. The new technology will support over 7,000 mobile and handheld radios, with 10 City departments and four outside agencies operating daily on the system. Ms. Michelle Geddes, Project Manager for the Department of Emergency Management (DEM), stated that the scoping phase of the project is nearing completion. This phase consisted of hiring a consultant, doing a needs assessment, system inventory, conceptual system design and budget projections. The consultant and project team are now currently working on an RFP to be released in June, 2015, to select a contractor to implement the project.

Property Tax Database Replacement Project

The Property Tax Database Replacement project is a joint effort between the Assessor-Recorder's Office, Treasurer/Tax Collector's Office, and the Controller's Office. Within the next two to four years, the IT systems used by the Assessor-Recorder and Treasurer-Tax Collector will reach the end of their useful life. These two IT systems are written in COBOL, which is a programming language that is decreasingly supported by programmers, and the City's existing programming staff is nearing eligible retirement age. The timing of this project is set to align with the City's financial system replacement.

In FY 2014-15, the Assessor-Recorder received \$400,000 to begin critical project development and hire a project manager. Project milestones completed during FY 2014-15 and FY 2015-16 include completing a business process mapping and improvement process, defining critical business requirements and beginning preliminary data clean up to ease the migration to a new platform.

The \$13 million included in the 5-Year ICT Plan reflects a placeholder amount for the General Fund cost of the project. The actual cost of the project, including hardware, software, implementation, staffing, testing and training has not yet been determined.

Emerging ICT Needs

The proposed Plan describes the Department of Public Health's goal of replacing its electronic medical records system. The current system is near end-of-life and will no longer be supported by the vendor within three to five years. The Department of Public Health (DPH) must transition to a new electronic medical records system that unifies all hospitals and clinics under a single system. The new, unified electronic medical record system will allow DPH to transition to performance-based medicine, tracking patients and service delivery outcomes throughout the system.

The electronic medical record replacement project does not have a General Fund request at this time. The ICT Plan has allocated funds towards emerging needs, and may recommend funding a portion of the electronic medical record replacement system in the future. This decision will be made during the budget cycle.

Annual Projects Allocation

COIT recommends investing \$59 million in General Fund revenues for Annual Projects over the five-year period. COIT will prioritize project recommendations by selecting those that impact multiple departments; by regularly evaluating implementation success and re-allocating funding towards projects that are well-managed; and by deferring projects that need additional planning.

Of the total funding requests made by City departments, the majority of the funds, 73 percent, were requested by the Department of Technology. Many of the Department of Technology projects would benefit other departments, as well as the public generally. Examples of Department of Technology Annual Projects include the Radio Site Security enhancement; mobile device management, and the Social Media Initiative.

Fix the Network Project

As shown in Table 3 below, in the proposed Five Year ICT Plan, COIT makes a funding recommendation of \$8,001,000 to be expended on the City's Fix the Network project. The aim of the Fix the Network Project is to improve the City's fiber network by simplifying network configuration, updating software and hardware, eliminating single points of failure for the Internet and the core network and establishing redundant fiber channels between the four datacenters. Many of the Major IT Projects, including the City's Financial Systems Replacement project, are dependent on a robust, secure, and self-healing network. The specific dollar recommendations for the Fix the Network Project are currently being evaluated by COIT and will be included in the city's annual budgets.

**Table 3: COIT Funding Recommendation for the Fix the Network Project
(included in the Five-Year Plan)**

FY	15-16	16-17	17-18	18-19	19-20	Total
COIT Recommendations	\$2,875,000	\$1,901,000	\$2,025,000	\$1,200,000	--	\$8,001,000

Source: Proposed Five Year IT Plan

RECOMMENDATION

Approve the proposed resolution.