

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

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March 31, 2011

**TO:** Budget and Finance Sub-Committee  
**FROM:** Budget and Legislative Analyst  
**SUBJECT:** April 6, 2011 Budget and Finance Sub-Committee Meeting

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<b>Item 4</b> <b>File 11-0351</b>	<b>Department(s):</b> Mayor's Office of Housing (MOH), Redevelopment Agency (SFRA), Planning Commission
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objective</b></p> <ul style="list-style-type: none"> <li>• Resolution authorizing the Mayor's Office of Housing (MOH) to expend \$120,000 from the South of Market (SOMA) Community Stabilization Fund for grants to three nonprofit organizations for (a) a SOMA Community Coordinator to coordinate and focus community participation for the development of 333 Harrison Street; (b) a strategic planning consultant to assist in reassessing and refining the SOMA Community Stabilization Fund Strategic Plan; and (c) a union journey-level instructor to provide employment training for SOMA residents.</li> </ul> <p style="text-align: center;"><b>Legal Mandates</b></p> <ul style="list-style-type: none"> <li>• Section 418 of the City's Planning Code<sup>1</sup> (a) established a Rincon Hill Downtown Residential District, (b) created a Rincon Hill Community Improvement Fund, (c) imposed a South of Market Community Stabilization Fee of \$ 10.95 per square foot charged to developers for new residential development constructed within the Rincon Hill Downtown Residential District<sup>2</sup>, (d) created the SOMA Community Stabilization Fund, and (e) established the Community Stabilization Fund Community Advisory Committee.</li> <li>• In accordance with Section 418.7, the SOMA Community Stabilization Fund is administered and expended by MOH, and all expenditures must be approved by the Board of Supervisors by resolution.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• Based on a FY 2010-2011 Request for Proposal process, the Community Stabilization Fund Community Advisory Committee reviewed and is recommending approval of two nonprofit organizations, Chinatown Community Development Center and Tekmeca, to receive \$50,000 each from the SOMA Community Stabilization Fund. In addition, the MOH is requesting to amend an existing \$75,000 agreement with another nonprofit organization, Asian Neighborhood Design, to provide an additional \$20,000, under the proposed resolution.</li> <li>• The SOMA Community Stabilization Fund has received a total of \$6,706,409 from fees paid by developers. As of March 29, 2010, expenditures from the Fund totaled \$1,026,784, resulting in a net balance of \$5,679,625. By November 2011, MOH expects to expend the remaining \$1,447,969 grant funds previously allocated, such that if the proposed resolution is approved, the SOMA Community Stabilization Fund balance would be reduced to \$4,111,656 (\$5,679,625 less \$1,447,969 less \$120,000) by the end of FY 2011-2012.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

<sup>1</sup>On May 25, 2010, the Board of Supervisors approved Ordinance 108-10, which among other provisions renumbered Section 318 as Section 418.

<sup>2</sup> On October 26, 2010, the Board of Supervisors approved Ordinance 270-10, which amended the original \$14 per square foot fee level to \$10.95, reflecting gross square feet instead of net square feet.

## BACKGROUND/MANDATE STATEMENT

### Existing Legal Requirements

On August 19, 2005, the Board of Supervisors approved a new Section 318 in the City's Planning Code, which among other provisions, (a) established the Rincon Hill Downtown Residential District<sup>3</sup> (see Attachment), (b) created a Rincon Hill Community Improvement Fund<sup>4</sup>, (c) imposed on developers a South of Market Area (SOMA)<sup>5</sup> Community Stabilization Fee of \$14 per square foot (amended to \$10.95 per square foot – see Footnote 2 above) on new residential development within the Rincon Hill Downtown Residential District, (d) created the SOMA Community Stabilization Fund<sup>6</sup>, and (e) established a SOMA Community Stabilization Fund Community Advisory Committee<sup>7</sup> to advise the Mayor's Office and the Board of Supervisors on the uses of the SOMA Community Stabilization Fund (Ordinance 217-05). On May 25, 2010, the Board of Supervisors approved Ordinance 108-10, which among other provisions renumbered Section 318 as Section 418.

In accordance with Section 418.7 of the Planning Code, monies in the SOMA Community Stabilization Fund are to be used to address the effects of destabilization on residents and businesses in SOMA, including: affordable housing and community asset building, small business rental assistance, development of new affordable homes for rental units for low-income households, rental subsidies for low-income households, down payment assistance for home ownership for low-income households, eviction prevention, employment development and capacity building for SOMA residents, job growth and job placement, small business assistance, leadership development, community cohesion, civic participation and community based programs and economic development.

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<sup>3</sup> The Rincon Hill Downtown Residential District is considered to be the area bounded by Folsom Street, The Embarcadero, Bryant Street, and Essex Street (see Attachment for map of the District).

<sup>4</sup> In accordance with Section 418.3(b)(i) of the City Planning Code, new residential developments in the Rincon Hill Area Plan are required to pay an \$11 per square foot Community Improvement Impact Fee and a \$10.95 per square foot SOMA Community Stabilization Fee. In accordance with Section 418.6 of the City Planning Code, all monies in the Rincon Hill Community Improvement Fund are to be used solely for the design, engineering, acquisition and development of neighborhood open spaces, streetscape improvements, community center and other improvements within the Rincon Hill Downtown Residential District, except that \$6 million of this Fund shall be transferred to the SOMA Stabilization Fund for SOMA Open Space Facilities Development and Improvement, Community Facilities Development and Improvement; SOMA Pedestrian Safety Planning, Traffic Calming and Streetscape Improvement and development of new affordable housing in SOMA

<sup>5</sup> SOMA is considered to be the area bounded by Market Street to the north, Embarcadero to the east, King Street to the south and South Van Ness and Division to the west (see Attachment for map).

<sup>6</sup> In accordance with Section 418.7 of the City Planning Code, the SOMA Community Stabilization Fund would receive ongoing monies from the SOMA Community Stabilization Fee, and a one-time \$6 million transfer from the Rincon Hill Community Improvement Fund.

<sup>7</sup> The SOMA Community Stabilization Fund Community Advisory Committee is composed of seven members appointed by the Board of Supervisors, including (a) one member representing low-income families living in SOMA, (b) one member with expertise in employment development and/or represents labor, (c) one senior or disabled resident of SOMA, (d) one member with affordable housing expertise and familiarity with the SOMA neighborhood, (e) one member representing a community-based organization in SOMA, (f) one member who provides direct services to SOMA families, and (g) one member who has small business expertise and a familiarity with the SOMA neighborhood.

In accordance with Section 418.7, although the SOMA Community Stabilization Fund is administered and expended by the Mayor's Office of Housing (MOH), all expenditures must first be approved by the Board of Supervisors by resolution.

## Background

On May 6, 2008, the Board of Supervisors approved a resolution (Resolution 0216-08) (a) approving the SOMA Community Stabilization Fund Strategic Plan, (b) authorizing MOH to administer the SOMA Community Stabilization Fund in accordance with this Strategic Plan, and (c) authorizing MOH to work with the SOMA Stabilization Fund Community Advisory Committee (see Footnote 7 above) to issue Requests for Proposals (RFPs) to address the effects of destabilization on residents and businesses in SOMA, consistent with the Strategic Plan among other provisions.

On April 13, 2010, the Board of Supervisors approved a resolution (Resolution 0151-10) authorizing MOH to expend \$1,844,273 from approximately July 1, 2010 through November 30, 2011 from the SOMA Community Stabilization Fund to fund 19 nonprofit organizations and three City departments (Public Works, Municipal Transportation Agency and Office of Economic and Workforce Development) to support SOMA activities as specified in the Strategic Plan. On January 28, 2011, MOH, in partnership with the San Francisco Redevelopment Agency, issued two Request for Proposals (RFPs), one for a community coordinator to work with the 333 Harrison Street affordable housing development project (Resolution 0381-10)<sup>8</sup> and one for a strategic planning consultant for the SOMA Stabilization Fund Community Advisory Committee for a 12-month term anticipated to extend from July 1, 2011 through June 30, 2012. The proposals were due to MOH on February 11, 2011.

According to Mr. Brian Cheu, Director of Community Development, MOH received a total of three proposals from nonprofit organizations, including two proposals to provide a community coordinator. One, of the two proposals, was submitted by the Chinatown Community Development Center and the other proposal was submitted by the Asian Neighborhood Design. Additionally, MOH received only one proposal from Tekmecca, to provide a strategic planning consultant.

A proposal review committee was created to evaluate the proposals. The Committee consisted of two members of the SOMA Community Advisory Committee, two staff from MOH, and one representative from the California Endowment, a private philanthropy. This committee evaluated and scored all three proposals and made recommendations to the SOMA Community Advisory Committee. According to Mr. Cheu, Asian Neighborhood Design, one of the agencies that responded to the community coordinator RFP withdrew its proposal based on its own internal decisions and the Community Advisory Committee forwarded the remaining two proposals to the MOH to be recommended for funding (the provision of a union journey-level instructor is discussed in the Details of Proposed legislation section below).

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<sup>8</sup> On August 3, 2010, the Board of Supervisors approved Resolution 0381-10 (a) authorizing the MOH to expend \$2,762,000 under certain conditions, from the SOMA Community Stabilization Fund to subsidize the development of onsite affordable housing units at 333 Harrison Street.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Mayor's Office of Housing to expend \$120,000 from the South of Market (SOMA) Community Stabilization Fund to provide grants to three nonprofit organizations anticipated to commence by July 1, 2011 and extend for a 12-month period. Based on an RFP process, as described above, the requested \$120,000 would be allocated to three nonprofit organizations for the following purposes, as summarized in Table 1 below: (a) \$50,000 to Chinatown Community Development Center to hire a SOMA Community Coordinator position to coordinate and focus community benefits related to the affordable housing development project at 333 Harrison Street; (b) \$50,000 for Tekmeca to provide a strategic planning consultant to the SOMA Community Advisory Committee in reassessing and refining the SOMA Community Stabilization Fund Strategic Plan; and (c) \$20,000 for Asian Neighborhood Design to hire one experienced union journey-level instructor for the Carpenters Training Committee for Northern California to provide certified carpentry curriculum employment training for SOMA residents.

**Table 1: 2010 SOMA Community Stabilization Fund Proposed Grant Funding for Three Recommended Nonprofit Organizations**

Chinatown Community Development Center			\$50,000
Tekmeca			50,000
Asian Neighborhood Design			20,000
<b>Total</b>			<b>\$120,000</b>

Mr. Cheu advises that, based on the evaluation of the three proposals received in response to the two RFPs discussed above, the Chinatown Community Development Center and Tekmeca were selected to receive \$50,000 each from the SOMA Community Stabilization Fund.

Mr. Cheu further advises that although Asian Neighborhood Design withdrew their proposal to provide a community coordinator for the affordable housing development project at 333 Harrison Street, the proposed resolution would authorize MOH to amend an existing \$75,000 agreement with Asian Neighborhood Design, to provide an additional \$20,000 to Asian Neighborhood Design, resulting in a total agreement of \$95,000 to support hiring the union journey-level instructor to provide employment training for SOMA residents. According to Mr. Cheu, Asian Neighborhood Design was previously selected by MOH and was approved by the Board of Supervisors (Resolution 0151-10) to receive \$75,000 of SOMA Community Stabilization Funds based on a competitive RFP process conducted in 2010 to provide employment training services for SOMA residents.

## FISCAL ANALYSIS

Based on information provided by Mr. Benjamin McCloskey, Manager of Fiscal Operations & Analysis, MOH, as summarized in Table 2 below, since the SOMA Community Stabilization Fund was created in August of 2005, a total of \$5,431,484 has been received from developer fees and an additional \$1,274,925 was transferred from the Rincon Hill Community Improvement Fund for total funding (including interest earnings) of \$6,706,409. As noted above, a Community Stabilization Fund fee of \$10.95 per gross square foot is imposed on developers for the

construction of new residential developments within the Rincon Hill Area Plan. Further, up to \$6 million of the Rincon Hill Community Improvement Funds from a separate \$8.60 per square foot Community Improvement Impact Fee are deposited into the SOMA Community Stabilization Fund.

**Table 2: Revenues Received in SOMA Fund**

	<b>SOMA Community Stabilization Fund</b>	<b>Funds Transferred from the Rincon Hill Community Improvement Fund</b>	<b>Total Available Monies in the SOMA Community Stabilization Fund</b>
FY 2005-2006	\$98,471	\$1,169,835	\$1,268,306
FY 2006-2007	203,292	0	203,292
FY 2007-2008	0	0	0
FY 2008-2009	67,324	0	67,324
FY 2009-2010	4,962,933	0	4,962,933
FY 2010-2011	0	0	0
Interest Earnings	99,464	105,090	204,554
<b>Total</b>	<b>\$5,431,484</b>	<b>\$1,274,925</b>	<b>\$6,706,409</b>

Source: Mayor's Office of Housing

Table 3 below summarizes the expenditures incurred as of March 29, 2011, by the SOMA Community Stabilization Fund, by fiscal year, totaling \$1,026,784.

**Table 3: Expenditures in SOMA Fund**

	<b>Salaries and Benefits</b>	<b>Inclusionary Housing Study</b>	<b>Grant Expenditures</b>	<b>Total Expenditures</b>
FY 2006-2007	\$45,614	\$40,000	\$0	\$85,614
FY 2007-2008	82,452	110,000	0	192,452
FY 2008-2009	185,596	0	0	185,596
FY 2009-2010	102,090*	0	0	102,090
FY 2010-2011	64,278	0	396,754	461,032
<b>Total</b>	<b>\$480,030</b>	<b>\$150,000</b>	<b>\$396,754**</b>	<b>\$1,026,784</b>

\* Includes \$264 for advertising for public hearing and \$4,694 for City Attorney costs.

\*\*This \$396,754 represents grant expenditures incurred as of March 29, 2011. Total expected Grant Expenditures are anticipated to be \$1,844,273 through November 2011.

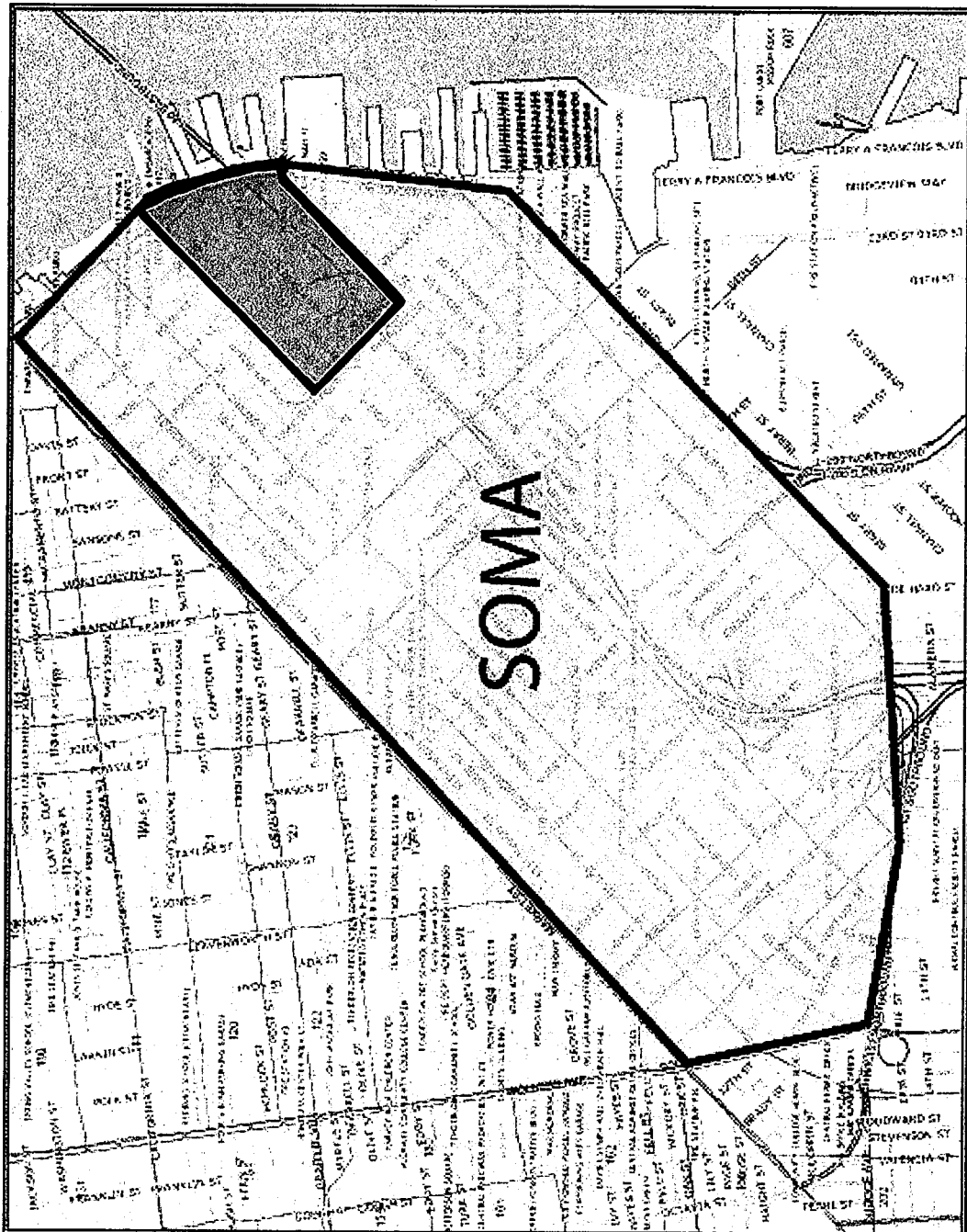
Source: Mayor's Office of Housing

Given the \$6,706,409 of revenues received, as summarized in Table 2 above, and the \$1,026,784 of expenditures incurred through March 29, 2011, as summarized in Table 3 above, there is a current net balance of \$5,679,625 (\$6,706,409 revenues (see Table 2 above) less \$1,026,784 expenditures (see Table 3 above)) in the SOMA Community Stabilization Fund. If the requested \$120,000 is approved, and based on prior expenditure authorization approved by the Board of Supervisors, MOH anticipates that this fund balance will be reduced to \$4,111,656 as of June 30, 2012.

**RECOMMENDATION**

Approve the proposed resolution.

MAP – SOMA Community Stabilization Fund  
(Rincon Hill Downtown Residential District Highlighted)





**Item 5**  
**File 10-1519**

**Department(s):**  
Department of Technology

## EXECUTIVE SUMMARY

### Legislative Objective

Hearing on the Committee on Information Technology's (COIT) request for release of \$6,393,373 placed on reserve by the Board of Supervisors for Information Technology (IT) salary expenditures in 14 City departments.

### Key Points

During the FY 2010-11 budget deliberations, the Board of Supervisors placed \$6,393,373 on reserve, "pending information on the progress of IT consolidation". Although IT consolidation includes facilities, equipment, and positions, the current plan is to consolidate City departments' servers and data equipment at two facilities, the Airport and 200 Paul Street.

The Department of Technology does not anticipate cost savings in FY 2010-11 from data center consolidation, but estimates cost savings of \$308,739 in FY 2011-12.

While the City will incur certain costs for constructing the new consolidated data center at the Airport and leasing additional space for the consolidated data center at 200 Paul Street, the associated savings from the two new consolidated data centers is less certain. Any savings from data center consolidation will require City departments to reduce their expenditures for IT salaries and equipment.

### Fiscal Impact

Approval of this request would result in the release of \$6,393,373 on reserve, which represents approximately ten percent of IT staff salaries in the 14 subject City departments. Not approving the requested release of \$6,393,373 in funds on reserve would result in the layoff of existing positions in the 14 City departments.

### Policy Considerations

Because neither "progress on consolidation" was defined at the time of the establishment of the subject reserve nor specific guidelines for measurement of such progress were provided to either COIT or the Department of Technology, evaluation of the progress toward consolidation and therefore the release of the \$6,393,373 is a policy decision for the Board of Supervisors.

### Recommendations

1. Request that the Department of Technology provide status reports on the data center consolidation project every six months, with the first report due on June 1, 2011. The status report should provide details on (1) the project costs and timelines for constructing the Airport data center, (2) increased license costs for 200 Paul Street, (3) the transfer of data equipment and positions from City departments to the consolidated data centers at the Airport and 200 Paul Street, and (4) specific reductions in City departments' IT budgets for equipment, positions and other costs related to data center consolidation. If the City departments have not achieved budgetary savings from the data center consolidation project, the Department of Technology should provide the reasons.

2. Release of the requested \$6,393,373 funds on reserve is a policy matter for the Board of Supervisors.

## MANDATE STATEMENT AND BACKGROUND

### Mandate Statement

Section 3.3 of the City's Administrative Code provides that the Board of Supervisors or the Budget and Finance Committee may place requested expenditures on reserve which are then subject to release by the Board of Supervisors or Budget and Finance Committee.

### Background

#### Establishment of Reserve

During the consideration of the City's FY 2010-11 budget at the July 13, 2010 Board of Supervisors meeting, the Board of Supervisors placed \$6,393,373 on reserve in 14 City department's FY 2010-11 budgets as "IT salary expenditure appropriation reserves pending information on the progress of consolidation" (Annual Appropriations Ordinance; File 10-0701). According to staff from the Controller's Office, this \$6,393,373 reserve represents approximately ten percent of the IT staff budgets in the 14 subject departments (see Table 1 below for the funds reserved in each City department). Neither the Annual Appropriation Ordinance nor the Board of Supervisors provided a specific definition of the "progress of consolidation" that was required in order to release the subject funds on reserve.

Additionally, according to Mr. Jon Walton, Director of the Committee on Information Technology (COIT)<sup>1</sup>, no specific metrics for evaluating progress were provided to him when the reserve was established. According to the July 22, 2010 COIT meeting minutes, the "Board of Supervisor's IT reserve release was dependent on the Data Center Plan", discussed below, and "on all of the IT centralization issues (email, fiber, licensing, etc.)". The letter requesting release of the \$6,393,373 reserve states that the funds were placed on reserve "pending a progress review on the consolidation, standardization, and optimization of City and County of San Francisco (City) technology operations and applications."

#### Initial COIT Discussions on IT Consolidation

COIT first formally discussed consolidating City departments' IT resources in January 2010. At the May 20, 2010 meeting, COIT members endorsed data center consolidation, and created a working group, comprised of approximately 15 to 20 City department IT and budget managers, to develop a plan for consolidating City departments' IT resources. While consolidation of City departments' IT resources includes consolidating facilities, equipment, and staff, the working group has focused on facility and equipment consolidation.

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<sup>1</sup> The Committee on Information Technology is comprised of 13 members representing the Mayor, Board of Supervisors, and City departments whose purpose is to provide the necessary technology policy, procedures, and oversight to ensure that the City meets its goals and objectives, in accordance with Administrative Code Section 3.24.

## **The Data Center Consolidation Project**

### City Departments' Existing Data Centers

The City and County of San Francisco currently houses its IT equipment (approximately 1,500 servers plus storage and mainframe computers) in a number of data centers, rooms and closets throughout the City. According to one COIT report<sup>2</sup>, “this dispersed approach leads to duplicated support costs and greater exposure to risks such as power failures, excessive heat and tampering...Currently, City departments are competing for limited funds to build and operate standalone data centers. In other cases they are housing servers in unsuitable locations.”

### Facility and Equipment Consolidation

The COIT working group analyzed 12 potential data center locations and scored each alternative according to a set of criteria. This numeric scoring data was evaluated by the working group in conjunction with other information related to total available space, availability of non-General Fund sources, ability to replicate servers in remote locations, business alignment, and time to execute.

Subsequently, based on the information gathered and analysis performed by the COIT working group, the COIT members at the December 16, 2010 COIT meeting approved a plan to have two consolidated data centers for the City, one of which is located at the Airport.

200 Paul Street received the second highest score for locating a consolidated data center, based on the working group's scoring of alternative data center locations<sup>3</sup>. After reviewing options for reducing the costs of a second consolidated data center, COIT members approved 200 Paul Street as the location of the second consolidated data center in the February 24, 2011 meeting.

## **DETAILS OF PROPOSED LEGISLATION**

The proposed request is to release \$6,393,373 previously placed on reserve by the Board of Supervisors in the following 14 City departments, as shown in Table 1 below.

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<sup>2</sup> “City and County of San Francisco Data Center Consolidation: Final Report and Recommendations,” Committee on Information Technology, December 9, 2010.

<sup>3</sup> As noted in the Fiscal Impact section of this report, the Department of Technology currently has a five-year license agreement with UnitedLayer, from February 1, 2011 through January 31, 2016, in which the Department of Technology leases server cabinet and cage space at 200 Paul Street from UnitedLayer to house the City's mainframe, server, and data equipment. The Board of Supervisors approved the license agreement in January 2011 (File 10-1495).

**Table 1:**  
**FY 2010-11 IT Salary Expenditure Appropriation Reserves by Department**

<b>Department</b>	<b>Reserve</b>
Airport	\$ 638,684
Controller	459,193
Department of Building Inspection	147,976
Department of Emergency Management	168,796
Administrative Services (General Services Agency)	115,840
Public Works (General Services Agency)	314,593
Technology (General Services Agency)	887,550
Human Services Agency	570,305
Police	327,314
Public Health	1,465,780
Public Library	111,354
Public Utilities Commission	914,398
Retirement System	103,266
Treasurer/Tax Collector	168,325
<b>Total</b>	<b>\$ 6,393,373<sup>4</sup></b>

Source: Annual Appropriations Ordinance

As noted above, according to the Controller's Office, the subject \$6,393,373 reserve represents approximately ten percent of the IT staff budgets in the 14 above-noted City departments.

## **FISCAL IMPACT**

Approval of this request would result in the release of \$6,393,373 that is currently on reserve, to fund the ongoing salaries and fringe benefits to pay the existing IT staff in each of the 14 City departments listed above. Since the reserve amounts applied to each of the 14 departments were calculated based on approximately ten percent of each department's IT staff budget, the reserves do not represent the costs of specific positions in the departments.

Not approving the requested release of \$6,393,373 in funds on reserve would result in the layoff of existing positions in the 14 City departments. However, the specific positions that would be laid off have not been identified.

<sup>4</sup> The table included in the FY 2010-11 Annual Appropriations Ordinance shows the individual departmental reserve amounts as listed in Table 1 above. Note that due to rounding, the sum total listed in the FY 2010-11 Annual Appropriations Ordinance erroneously shows \$6,393,373, which is one dollar less than the sum of the amounts shown for each department.

## **COIT's Estimates of Data Center Consolidation Costs and Savings**

COIT does not anticipate cost savings in FY 2010-11 from data center consolidation, but as shown in the Attachment provided by the Department of Technology, COIT estimates cost savings of \$308,739 in FY 2011-12.

While the City will incur certain costs for constructing the new consolidated data center at the Airport and leasing additional space for the consolidated data center at 200 Paul Street, the associated savings from the two new consolidated data centers is less certain. Any savings from data center consolidation will require City departments to reduce their expenditures for IT salaries and equipment.

### Estimated Costs of the Consolidated Data Center at the Airport

The Airport has begun planning and designing a new consolidated data center located at 26 McDonnell Road adjacent to the Airport's existing data facility, with expected development costs of approximately \$6 million and a completion date in approximately May 2012. Development of the proposed consolidated data center would be financed by Airport revenue bonds over 20 years, with the initial debt service payment of an estimated \$495,400 in FY 2012-13. Ongoing operating and maintenance costs for the new Airport data center are estimated to be \$743,320 per year, beginning in FY 2012-13 (see Attachment).

Airport revenue bonds to finance the proposed consolidated data center were previously approved by the Board of Supervisors in May 2008 (File 08-0590). Debt service and ongoing operating/maintenance costs would be allocated to the General Fund and non-General Fund departments using the consolidated data center.

### Estimated Costs of Locating a Second Consolidated Data Center at 200 Paul Street

The Department of Technology currently has a five-year license agreement with UnitedLayer, from February 1, 2011 through January 31, 2016, to lease 30 server cabinets and two caged areas at 200 Paul Street. The annual cost of the license for the first year is \$1,770,180. According to Mr. Ken Bukowski, Department of Technology Chief Financial Officer, consolidating the second data center at 200 Paul Street could be achieved within the existing license agreement between the Department of Technology and UnitedLayer. Under the existing license agreement, the Department of Technology can increase the number of racks used for data equipment, with estimated increased annual costs of \$179,400 in FY 2011-12 and FY 2012-13. Therefore, the annual license cost would be \$1,949,580 (\$1,770,180 plus \$179,400).

### Consolidated Data Center Cost Savings

COIT anticipates that consolidation of City departments' servers and data equipment would reduce the need for the additional 200 Paul Street data center space after FY 2012-13. Therefore, according to Mr. Bukowski, although the Department of Technology would continue to lease space at 200 Paul Street under the existing license agreement, which expires on January 31, 2016, the additional \$179,400 in increased license costs for the consolidated data center at 200 Paul Street would be eliminated beginning in FY 2013-14.

While the City will incur initial costs of \$1,550,000 in FY 2011-12 and FY 2012-13 for the “virtualization” of servers<sup>5</sup>, these costs are offset by estimated reductions for the purchase of new servers of \$1,697,000, as shown in the Attachment.

Additionally, COIT projects salary savings of \$591,139 in FY 2011-12 through attrition of an unspecified number of Citywide data center related IT position.

#### Summary of Costs and Savings

As shown in the Attachment, COIT estimates that the data center consolidation project would incur increased costs, as follows:

- (1) Development of the new consolidated data center located at the Airport,
- (2) An increase in the existing license agreement between the Department of Technology and UnitedLayer for the consolidated data center space located at 200 Paul Street,
- (3) Purchase of new “virtualization” equipment and services, and
- (4) Staff training.

As shown in the Attachment, COIT estimates that the data center consolidation project would incur savings, as follows:

- (1) Reduced purchases of hardware and data equipment, and
- (2) Salary savings from reductions in City departments’ IT positions.

Based on the costs and savings reported by COIT as shown in the Attachment, COIT projects net savings to the City of \$308,739 in FY 2011-12, \$29,386 in FY 2012-13, and \$1,714,980 per year in FY 2013-14 through FY 2015-16.

As noted above, while the City will incur certain costs for the consolidated data center project, the associated savings are less certain.

#### **Consolidation Project Staffing Proposal by the Department of Technology**

According to Mr. Walton, the data center consolidation project will require two years to complete and the resources of seven full-time staff for project management, technical work, change management, communications and quality assurance, as shown in Table 3 below.

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<sup>5</sup> Currently, the City uses one or more servers for each operating system or application, such as the City’s Financial and Accounting Management Information System (FAMIS). Under virtualization, physical servers are augmented by “virtual” servers, which are software programs that serve in place of physical servers. By purchasing “virtual” or software-based servers, the City can run several applications on one physical server, reducing the number and location of physical servers, and the staff costs necessary to maintain physical servers.

**Table 3:**  
**Cost of Proposed Consolidation Project Staff**

<b>Job Class</b>	<b>Total Cost per Position</b>	<b>Number of Positions</b>	<b>Total Annual Cost</b>
0932 Data Center Consolidation Manager	\$169,550	1.00	\$169,550
1043 Senior IS Engineer	156,442	4.00	625,768
1042 IS Engineer	141,469	2.00	282,938
<b>Total</b>	<b>\$467,461</b>	<b>7.00</b>	<b>\$1,078,256</b>

The Department of Technology has hired the 0932 Data Center Consolidation Manager as of April 4, 2011. This position will be responsible for developing the detailed data center consolidation project plan to complete the project within two years.

According to Mr. Walton, in an effort to minimize project costs, COIT requested that departments with the highest IT staff budgets on reserve offer staff or vacant positions to collectively provide funding for the seven project positions, as shown in Table 4 below.

**Table 4:**  
**Positions Offered by Departments to Fund the Seven Consolidation Project Staff**

<b>Department</b>	<b>Filled/ Vacant</b>	<b>Job Class</b>	<b>Hire As</b>
Technology	Filled	0932 Manager IV	0932 Data Center Consolidation Manager
Public Works	Filled	1043 Senior IS Engineer	1043 Senior IS Engineer
Police	Vacant	1043 Senior IS Engineer	1043 Senior IS Engineer
Public Health	Vacant	0933 Manager V	1043 Senior IS Engineer
Public Utilities Commission	Filled	1043 Senior IS Engineer	1043 Senior IS Engineer
Controller	Vacant	1824 Principal Administrative Analyst	1042 IS Engineer
Human Services Agency	Vacant	1042 IS Engineer	1042 IS Engineer

According to Mr. Walton, the data center consolidation project will not incur new salary and benefit costs because the seven data center consolidation project positions are existing positions in the respective City departments' FY 2010-11 budgets. Mr. Walton states that these seven City departments will retain these seven project positions in their base budgets in FY 2011-12 and FY 2012-13.

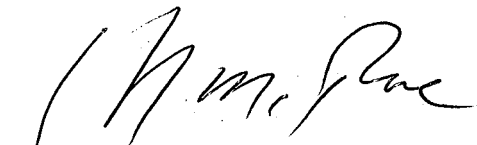
## **POLICY CONSIDERATIONS**

Since "progress on consolidation" was neither defined in writing in the Annual Appropriation Ordinance reserve nor specified by the Board of Supervisors in the July 13, 2010 Board of Supervisors meeting, and since no specific guidelines for measurement of such progress were provided to either COIT or the Department of Technology, evaluation of the progress toward consolidation and therefore release of the requested \$6,393,373 in funds on reserve are policy decisions for the Board of Supervisors.

Because savings from the proposed data center consolidation project are uncertain, the Board of Supervisors should request the Department of Technology to provide status reports on the data center consolidation project every six months, with the first report due on June 1, 2011. The status report should provide details on (1) the project costs and timelines for constructing the Airport data center, (2) increased license costs for 200 Paul Street, (3) the transfer of data equipment and positions from City departments to the consolidated data centers at the Airport and 200 Paul Street, and (4) specific reductions in City departments' IT budgets for equipment, positions and other costs. If the City departments have not achieved budgetary savings from the data center consolidation project, the Department of Technology should provide the reasons.

## RECOMMENDATIONS

1. Request that the Department of Technology provide status reports on the data center consolidation project every six months, with the first report due on June 1, 2011. The status report should provide details on (1) the project costs and timelines for constructing the Airport data center, (2) increased license costs for 200 Paul Street, (3) the transfer of data equipment and positions from City departments to the consolidated data centers at the Airport and 200 Paul Street, and (4) specific reductions in City departments' IT budgets for equipment, positions and other costs related to data center consolidation. If the City departments have not achieved budgetary savings from the data center consolidation project, the Department of Technology should provide the reasons.
2. Release of the requested \$6,393,373 of funds on reserve is a policy matter for the Board of Supervisors. Not approving the requested release of \$6,393,373 in funds on reserve would result in the layoff of existing positions in the 14 City departments.



Harvey M. Rose

cc: Supervisor Chu  
Supervisor Mirkarimi  
Supervisor Kim  
President Chiu  
Supervisor Avalos  
Supervisor Campos  
Supervisor Cohen  
Supervisor Elsbernd  
Supervisor Farrell  
Supervisor Mar  
Supervisor Wiener  
Clerk of the Board  
Cheryl Adams  
Controller  
Greg Wagner



### Data Center Consolidation - Projected Return on Investment

CY	BY	BY+1	BY+2	BY+3	BY+4	BY+19	Total Through
FY10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY17-FY31	FY 29-31

#### Baseline - Estimated Data Center Expenditures

Power	\$ 331,408	\$ 331,408	\$ 331,408	\$ 331,408	\$ 331,408	\$ 4,971,116	\$ 6,959,563
Rent	\$ 1,880,478	\$ 1,880,478	\$ 1,880,478	\$ 1,880,478	\$ 1,880,478	\$ 28,207,170	\$ 39,490,038
Staffing	\$ 11,822,779	\$ 11,822,779	\$ 11,822,779	\$ 11,822,779	\$ 11,822,779	\$ 177,341,682	\$ 248,278,354
Equipment Refresh	\$ 3,394,000	\$ 3,394,000	\$ 3,394,000	\$ 3,394,000	\$ 3,394,000	\$ 50,910,000	\$ 71,274,000
<b>Total Baseline</b>	<b>\$ 17,428,665</b>	<b>\$ 17,428,665</b>	<b>\$ 17,428,665</b>	<b>\$ 17,428,665</b>	<b>\$ 17,428,665</b>	<b>\$ 266,429,968</b>	<b>\$ 366,001,955</b>

#### Data Center Consolidation - Estimated Project Costs

<b>Phase I - Facilities</b>							
Airport Investments, Tier II Facility	\$ -	\$ -	\$ 495,400	\$ 495,400	\$ 495,400	\$ 7,431,000	\$ 9,412,600
Airport, New Ongoing Maintenance	\$ -	\$ -	\$ 743,320	\$ 743,320	\$ 743,320	\$ 11,149,800	\$ 14,123,080
200 Paul Transition, Additional Racks*	\$ -	\$ 179,400	\$ 179,400	\$ -	\$ -	\$ -	\$ 358,800
Subtotal	\$ -	\$ 179,400	\$ 1,418,120	\$ 1,238,720	\$ 1,238,720	\$ 18,580,800	\$ 23,894,480
<b>Phase II - Equipment &amp; Training</b>							
Virtualization Equipment & Services	\$ -	\$ 1,550,000	\$ 1,550,000	\$ -	\$ -	\$ -	\$ 3,100,000
Training	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000
Subtotal	\$ -	\$ 1,800,000	\$ 1,550,000	\$ -	\$ -	\$ -	\$ 3,350,000
<b>Total Consolidation Costs</b>	<b>\$ 1,979,400</b>	<b>\$ 2,968,120</b>	<b>\$ 1,238,720</b>	<b>\$ 1,238,720</b>	<b>\$ 1,238,720</b>	<b>\$ 18,580,800</b>	<b>\$ 27,244,480</b>

#### Baseline Operational Savings

Baseline Operations	\$ 17,428,665	\$ 17,428,665	\$ 17,428,665	\$ 17,428,665	\$ 17,428,665	\$ 261,429,968	\$ 366,001,955
Savings from Consolidation - Equipment**	\$ -	\$ (1,697,000)	\$ (1,697,000)	\$ (848,500)	\$ (848,500)	\$ (12,727,500)	\$ (18,667,000)
Savings from Consolidation - Staffing***	\$ -	\$ (591,139)	\$ (1,300,506)	\$ (2,105,200)	\$ (2,105,200)	\$ (31,577,995)	\$ (39,785,239)
Subtotal	\$ 17,428,665	\$ 15,140,526	\$ 14,431,159	\$ 14,474,965	\$ 14,474,965	\$ 217,124,473	\$ 307,549,716

<b>Total Baseline - Consolidation Costs +</b>	<b>\$ 17,428,665</b>	<b>\$ 17,119,926</b>	<b>\$ 17,399,279</b>	<b>\$ 15,713,685</b>	<b>\$ 15,713,685</b>	<b>\$ 235,705,273</b>	<b>\$ 334,794,496</b>
<b>Projected Savings</b>	<b>\$ -</b>	<b>\$ (608,739)</b>	<b>\$ (29,386)</b>	<b>\$ (1,714,980)</b>	<b>\$ (1,714,980)</b>	<b>\$ (25,724,695)</b>	<b>\$ (31,207,759)</b>

<b>NET FISCAL IMPACT (Consolidation, less Baseline)</b>	<b>\$ -</b>	<b>\$ (608,739)</b>	<b>\$ (29,386)</b>	<b>\$ (1,714,980)</b>	<b>\$ (1,714,980)</b>	<b>\$ (25,724,695)</b>	<b>\$ (31,207,759)</b>
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\* Assumes reduction in rack space over time at 200 Paul.

\*\*\* In order to achieve early ROI, equipment refresh funding is reduced by 50% in first two years and 25% ongoing.

\*\*\* Staffing savings to come from elimination of vacant positions through attrition, increasing from 5% in FY11-12 to 15% ongoing starting in FY13-14 after consolidation.