

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

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TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: October 30, 2019 Budget and Finance Committee Meeting

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<p>Item 1 File 19-1022 <i>(Continued from October 23, 2019 meeting)</i></p>	<p>Department: Department of Technology</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed resolution would authorize the Department of Technology on behalf of the City to enter into a reseller agreement with ConvergeOne, Inc. for a three-year term from November 1, 2019 through November 1, 2022, with two optional two-year extensions, for a maximum of seven years through November 1, 2026. The maximum not-to-exceed agreement amount is \$70,000,000. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • Currently, City departments may purchase Cisco Systems, Inc. (Cisco) products and services through multiple vendors in the City’s Tech Marketplace. In order to reduce the time to purchase Cisco products and services and to better access discounts from Cisco, the Department of Technology decided to consolidate all City spending on Cisco products and services into a single citywide (enterprise) agreement with one vendor. • The Department of Technology selected ConvergeOne, Inc., an authorized reseller of Cisco products and services, through a competitive solicitation. According to the Department, this will reduce the time it takes to complete a Cisco procurement from 54 days to 14 days, allow better tracking of purchases, and allow for deeper discounts on Cisco products. • The proposed agreement would allow the City to purchase Cisco equipment, software, hardware and software maintenance, and technology consulting services, including pre-sale support. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • Average annual spending on Cisco products and services by City departments between FY 2014-15 and FY 2018-19 was \$12.14 million. The proposed agreement’s not-to-exceed amount of \$70 million, equivalent to \$10 million per year, is an estimate based on an approximately 20 percent additional discount that is applied to average annual spending of \$12.14 million. • Although estimated spending over the initial three-year agreement term is \$30 million (or \$10 million per year for three years), the Department of Technology is requesting approval of the total agreement not-to-exceed amount of \$70 million because the proposed discounts are based on purchases of \$70 million. Therefore, under the proposed resolution, the Board of Supervisors is approving the full seven-year agreement term, including the initial term of three years and the two (2) two-year extensions. Because, according to the Department, the discounts in the proposed agreement are based on total purchases of \$70 million, we recommend approval of the proposed resolution. • Actual spending on the proposed agreement is as-needed, based on City departments’ technology needs and Board of Supervisors appropriation approval. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve the proposed resolution 	

MANDATE STATEMENT

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

BACKGROUND

Current Procurement Process for Cisco Products

City departments may purchase Cisco Systems, Inc. (Cisco) products and services through vendors in the City's Tech Marketplace. According to Mr. Hao Xie, the Strategic Sourcing Manager for the Department of Technology, each purchase through the Tech Marketplace requires a request for bids and takes an average of 54 days to complete. In addition, because products and services are purchased through multiple vendors, the City cannot easily track spending on Cisco products or types of products purchased from Cisco, or obtain bulk discounts that take into account the Citywide spending on Cisco products. To address these issues, the Department of Technology is requesting approval of a Citywide agreement (commonly known as an enterprise agreement) to consolidate all City spending on Cisco products onto a single agreement. According to Mr. Xie, this will reduce the time it takes to complete a Cisco procurement from 54 days to 14 days, allow better tracking of purchases, and allow for deeper discounts on Cisco products.

Request for Proposals

The Department of Technology issued a request for proposals (RFP) for authorized Cisco products resellers in August 2019. As shown in Table 1 below, three vendors submitted qualifying proposals, with ConvergeOne, Inc. receiving the highest score (90.78 out of a possible 100).¹

Table 1: RFP Scores for Cisco Reseller Bidders

Vendor	Total Score	Rank
ConvergeOne	90.78	1
En Pointe	81.24	2
World Wide Tech	71.96	3

Source: Department of Technology

¹ The proposals were evaluated by three staff from the Department of Technology, San Francisco Municipal Transportation Agency, and Office of Contract Administration.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Department of Technology on behalf of the City to enter into a reseller agreement with ConvergeOne, Inc. for a three-year term from November 1, 2019 through November 1, 2022, with two optional two-year extensions, for a maximum of seven years through November 1, 2026. The maximum not-to-exceed agreement amount is \$70,000,000.

Services Included in the Proposed Agreement

The proposed agreement would allow the City to purchase Cisco equipment, software, hardware and software maintenance, and technology consulting services, including pre-sale support. The services in the proposed agreement are consistent with those requested in the RFP.

FISCAL IMPACT

As noted above, because City departments currently purchase Cisco products and services through several Tech Marketplace vendors, the Office of Contract Administration does not have data on the actual amount spent each year by City departments on Cisco products and services. According to the Department of Technology, based on spending data provided by Cisco, average annual spending by City departments on Cisco products and services in the five-year period from FY 2014-15 through FY 2018-19 was \$12.14 million. Actual spending by City departments on Cisco products and services is shown in Table 2 below.

Table 2: Actual City Spending on Cisco Products and Services (\$ millions)

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20 (est.)
Cisco Products						
Equipment	\$7.6	\$11.5	\$7.1	\$8.4	\$7.9	\$13.3
Maintenance & Support	2.6	3.3	3.7	4.5	4.1	4.4
Services	n/a	n/a	n/a	n/a	1.7	1.2
Total	\$10.2	\$14.8	\$10.8	\$12.9	\$13.7	\$18.9

Source: Cisco

According to Mr. Xie, the Department of Technology estimates spending of \$18.9 million in FY 2019-20 (which is \$5.2 million more than actual spending in FY 2018-19) due to purchases for the new Permit Center under construction at 49 South Van Ness.

According to Mr. Xie, the agreement not-to-exceed amount of \$70 million, equivalent to \$10 million per year over the seven-year term, is an estimate based on an approximately 20 percent average additional discount (available from the proposed agreement and shown in Table 3 below) that is applied to average annual spending of \$12.14 million. An increase to the agreement not-to-exceed amount of more than \$500,000 would require Board of Supervisors’ approval under Charter Section 9.118.

Actual spending on the proposed agreement is as-needed, based on City departments’ technology needs and Board of Supervisors appropriation approval.

The proposed agreement provides discounts on Cisco products and services purchased by City departments as shown in Table 3 below, which, according to Mr. Xie, should result in savings compared to current purchases of Cisco products and services from multiple Tech Marketplace vendors.

Table 3: Minimum Discounts for Cisco Products

Product	Minimum Discount from Retail Price
Routers, switches, and most other hardware	48%
Servers and related equipment	61%
Software and security tools	25%
Third-party products and software	48%
Maintenance and support for hardware	25%
Support for third-party products and software	25%
Support for software applications and features	25%
Optimization, testing, migration planning	10%
Predictive analytics, automated fault management	32%
Cisco managed networks, data centers, security	32%

Source: Appendix B of Proposed Agreement

According to Ms. Linda Gerull, Chief Information Officer, Cisco products will be used for the following information technology projects that have been approved by the Committee on Information Technology:

- Installation of the phones and information networks for the Permit Center under construction at 49 South Van Ness
- Upgrading the City's existing phone systems
- Upgrading the City's data centers

Per the Administrative Code Section 22A, departments must inform the Chief Information Officer regarding their technology procurements, which will help ensure all City spending on Cisco products takes place on the proposed agreement rather than through existing contracts. In addition, according to Mr. Xie, the Department of Technology holds quarterly forums to provide updates to all City departments regarding technology purchases.

Agreement Amount

The agreement not-to-exceed amount of \$70 million is based on estimated spending of \$10 million per year over seven years. According to Mr. Xie, although estimated spending over the initial three-year agreement term is \$30 million (or \$10 million per year for three years), the Department of Technology is requesting approval of the total agreement not-to-exceed amount of \$70 million because the proposed discounts noted in Table 3 above are based on purchases

of \$70 million. Therefore, under the proposed resolution, the Board of Supervisors is approving the full seven-year agreement term, including the initial term of three years and the two (2) two-year extensions.

Because, according to the Department, the discounts in the proposed agreement are based on total purchases of \$70 million, the Budget and Legislative Analyst recommends approval of the proposed resolution, setting the not-to-exceed amount at \$70 million.

RECOMMENDATION

Approve the proposed resolution.

Item 3 File 19-0997	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would retroactively approve an electricity purchase contract between San Francisco Public Utilities Commission's (SFPUC) CleanPowerSF program and Pacific Gas & Electric Company (PG&E) for a term of three years, from January 2020 through December 2022, for an amount not to exceed \$11,070,118. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • State law requires all electric service providers, including CleanPowerSF, to maintain certain quantities of Resource Adequacy to ensure sufficient electric generation resources to meet unusually high levels of customer demand. Resource Adequacy requirements are determined by formula using demand forecasts. The California Public Utilities Commission (CPUC) has set new Resource Adequacy requirements, with retail sellers required to procure certain amounts of Resource Adequacy for three years. Retail sellers must also procure different types of Resource Adequacy products from different geographical areas. • In August 2019, CleanPowerSF submitted bids into PG&E's 2019 Multi-Year Resource Adequacy Sale solicitation. A bid for \$11,070,118 was accepted by PG&E, and CleanPowerSF agreed to a purchase contract. On October 8, 2019, the SFPUC Commission approved the contract. • SFPUC is requesting retroactive approval because the contract has already been executed, as PG&E only allowed for a five-day window to sign. The contract would help CleanPowerSF to meet its Resource Adequacy requirements over the three-year period. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Over the three-year term of the contract, CleanPowerSF would have total expenditures of up to \$11,070,118. The Resource Adequacy purchase is already built into CleanPowerSF's rate model and will not impact ratepayers. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

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

BACKGROUND

In May 2016, the San Francisco Public Utilities Commission (SFPUC) launched the CleanPowerSF Community Choice Aggregation (CCA)¹ program to provide cleaner and more sustainable electricity at comparable rates to those offered by Pacific Gas & Electric Company (PG&E). CleanPowerSF uses clean and renewable energy purchased from various sources, including SFPUC's Hetch Hetchy Power.

State law requires all electric service providers, including CleanPowerSF, to maintain certain quantities of Resource Adequacy to ensure sufficient electric generation resources to meet unusually high levels of customer demand. Resource Adequacy requirements are determined by formula using demand forecasts.

The California Public Utilities Commission (CPUC) has set new Resource Adequacy requirements in 2019. Retail sellers, such as the SFPUC, are now required to procure certain amounts of Resource Adequacy for three years instead of one year. Retail sellers must also procure different types of Resource Adequacy products from different geographical areas.

In August 2019, CleanPowerSF submitted bids in response to PG&E's 2019 Multi-Year Resource Adequacy sale solicitation. A bid for \$11,070,118 was accepted by PG&E, and CleanPowerSF agreed to a purchase contract. On October 8, 2019, the SFPUC Commission approved the Resource Adequacy contract with PG&E.²

DETAILS OF PROPOSED LEGISLATION

The SFPUC will submit an amended resolution to the October 30, 2019 Budget and Finance Committee to retroactively approve a contract with PG&E for the purchase of Resource Adequacy products for three years from January 2020 through December 2022 and a not to exceed amount of \$11,070,118. Our report is based on the SFPUC's proposed amended resolution.³

¹ Community Choice Aggregation (CCA) programs enable local governments to purchase and/or develop power on behalf of the local community.

² The SFPUC Commission also approved a second purchase contract with PG&E for an amount not to exceed \$15,000,000, as well as sale contracts with PG&E and Southern California Edison for amounts not to exceed \$2,000,000 and \$1,500,000, respectively. According to Ms. Mulberg, the \$15,000,000 purchase contract was only partially accepted at an amount below \$10,000,000, which does not require Board of Supervisors approval. The sales contracts were ultimately not executed.

³ File 19-0997 would retroactively approve (1) two contracts between CleanPowerSF and PG&E to purchase Resource Adequacy products for a not to exceed amount of \$26,070,118, and (2) two sale contracts between

According to SFPUC, SFPUC is requesting retroactive approval because PG&E required the contract to be signed by September 18, 2019, or would otherwise enter into contracts for the energy products with other buyers.

FISCAL IMPACT

The contract amount of \$11,070,118 is based on the bid price per kW (kilowatt) per month multiplied by the total kW of capacity. The actual bid price varies by the type of Resource Adequacy capacity product.

As noted above, CPUC requires retail sellers to procure different types of Resource Adequacy products from different geographical areas. According to Ms. Erin Mulberg, Power Enterprise Acting Manager of Origination and Power Supply, the energy source for the Resource Adequacy products is not currently known, but will be known 45 days before each monthly release of Resource Adequacy.

Ms. Mulberg states that Resource Adequacy capacity contracts are contracts that commit power plants to be available to the state's grid operator, the California Independent System Operator (CAISO), when the demand for electricity in California is at its highest levels. Under these contracts, CleanPowerSF does not purchase energy from the plants. Instead, CleanPowerSF receives a commitment from the plant to make its power producing capability available to the CAISO if the state needs it to ensure electric system reliability.

Over the three-year term of the contract, CleanPowerSF would have total expenditures of up to \$11,070,118. Projected expenditures by year are shown in Table 1 below.

Table 1: Projected Contract Expenditures by Year

Calendar Year	Amount
2020	\$223,828
2021	5,546,290
2022	5,300,000
Total	\$11,070,118

According to Ms. Mulberg, the Resource Adequacy purchase is already built into the CleanPowerSF price model and will not impact ratepayers. Additional purchase contracts will be needed to meet CPUC's Resource Adequacy requirements.

RECOMMENDATION

Approve the proposed resolution.

CleanPowerSF and Southern California Edison Company and between CleanPowerSF and PG&E, for a total not to exceed amount of \$3,500,000. As noted above, the SFPUC (1) amended the contract with PG&E for \$15,000,000 to an amount less than \$10,000,000, and (2) did not execute the two sales contracts, totaling \$3,500,000.

Item 5 File 19-1023	Department: Adult Probation Department (ADP)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the first amendment to the grant agreement between the Adult Probation Department (Adult Probation) and University of California, San Francisco (UCSF) to operate the Community Assessment and Services Center (CASC), extending the term by three years, for a total term of five years from November 2017 through October 2022, and increasing the not-to-exceed amount by \$12,207,010, for a total not to exceed \$18,007,010. <p>Key Points</p> <ul style="list-style-type: none"> • In 2011, California enacted Assembly Bill 109 (AB 109), the Public Safety Realignment initiative, to reduce prison populations by improving criminal justice practices and providing funding for community supervision and reentry services. To comply with the law, Adult Probation established the CASC, located at 564 6th Street, to provide a one-stop client reentry center. • In June 2017, ADP issued a Request for Proposals (RFP) for a behavioral health and reentry services provider at CASC. UCSF was deemed the highest scoring responsive and responsible proposer and was awarded a grant agreement for a term of two years, from November 2017 through October 2019, and amount not to exceed \$5,800,000, with a three year option to extend. The initial grant agreement term expires on October 31, 2019, and Adult Probation and UCSF have agreed to exercise the option to extend through October 2022. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed first amendment would increase the not-to-exceed amount of the grant agreement by \$12,207,010, for a total not to exceed \$18,007,010. The three-year extension term would be fully funded by State funds. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

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

BACKGROUND

In 2011, the California State Legislature and Governor enacted Assembly Bill 109 (AB 109), the Public Safety Realignment initiative. AB 109, along with Senate Bill 678 (SB 678), sought to reduce prison populations by improving criminal justice practices and providing funding for community supervision and reentry services. To comply with the law, the Adult Probation Department conducted extensive staff training and launched new reentry services.

The Adult Probation Department established the Community Assessment and Services Center (CASC), located at 564 6th Street, to provide a one-stop client reentry services center. Along with probation and reentry, the CASC provides healthcare, behavioral health, income benefits enrollment, child support, case management, substance abuse, a 5 Keys Charter High School, employment readiness and job placement, and housing placement services.

In June 2017, the Department issued a Request for Proposals (RFP) for a behavioral health and reentry services provider at CASC. The RFP was for a two-year contract at an amount of approximately \$5,800,000, with an option to extend for an additional three years. The Department received two proposals, which were reviewed and scored by a three-member evaluation panel, as shown in Table 1 below.

Table 1: Proposals and Scores from RFP

Proposer	Score
UCSF Citywide Case Management	92.83
HealthRIGHT 360 ¹	78.93

The University of California, San Francisco (UCSF) was deemed the highest scoring responsive and responsible proposer. The Adult Probation Department and UCSF agreed to a two-year grant agreement, from November 2017 through October 2019, at an amount not to exceed \$5,800,000, and a three-year option to extend the term through October 2022. The contract did not require Board of Supervisors approval because it did not exceed 10 years or \$10,000,000.

The grant agreement expires October 31, 2019. The Adult Probation Department and UCSF have agreed to exercise the option to extend through October 2022.

¹ HealthRIGHT 360 scored below the minimum score of 80 required to advance to the interview stage.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to the grant agreement between the Adult Probation Department and UCSF, extending the contract by three years through October 2022, and increasing the not-to-exceed amount by \$12,207,010, for a total not to exceed \$18,007,010.

According to Ms. Veronica Martinez, Adult Probation Department Finance and Administrative Services Division, UCSF provides services to approximately 130 unduplicated clients per day. Services include substance dependency, mental health, and reentry classes, as well as medication distribution services. UCSF also provides facilities management for 564 6th Street.

According to Ms. Martinez, UCSF will add a net of 2.4 full time equivalent (FTE) position in the extension term. UCSF will add a 1.0 FTE Clinical Social Worker position, a 1.0 FTE Clinical Supervisor position, and a 0.5 FTE Administrative Support position, while removing a vacant 0.1 FTE Psychiatrist position.

According to Ms. Martinez, UCSF has met or exceeded all performance measures for the grant agreement.²

FISCAL IMPACT

The proposed first amendment would increase the not-to-exceed amount of the grant agreement by \$12,207,010, for a total not to exceed \$18,007,010. The agreement budget is shown in Table 2 below.

Table 2: Grant Agreement Budget

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Salaries	\$1,100,794	\$1,736,697	\$2,099,962	\$2,166,898	\$2,221,071	\$9,325,423
Benefits	422,487	735,491	839,985	866,759	888,428	3,753,151
Operating Expense	341,331	832,573	612,656	607,772	604,784	2,999,115
<i>Subtotal</i>	<i>\$1,864,612</i>	<i>\$3,304,762</i>	<i>\$3,552,602</i>	<i>\$3,641,430</i>	<i>\$3,714,283</i>	<i>\$16,077,689</i>
Indirect Cost (12%)	223,753	396,571	426,312	436,972	445,713	1,929,322
Total	\$2,088,365	\$3,701,333	\$3,978,915	\$4,078,401	\$4,159,996	\$18,007,010

According to Ms. Martinez, the Department expects to fully expend the \$5,800,000 not-to-exceed amount of the original grant agreement by the expiration date. The grant agreement is fully funded by State funds.

RECOMMENDATION

Approve the proposed resolution.

² Performance measures include: (i) 100 percent of referrals tracked on the Adult Probation Department's tracking document; (ii) 100 percent of assessed clients assigned to the appropriate case management level; (iii) 100 percent of case managed clients receiving an individual treatment plan; (iv) clinical caseloads remaining at least 90 percent of capacity of 120 slots; and (v) reentry caseloads remaining at least 90 percent of capacity of 100 slots.