

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 7, 2017

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: April 13, 2017 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File		Page
2	17-0212	Ten Year Expenditure Plan – FYs 2018-2027	1
3	17-0241	Five Year Information and Communication Technology Plan – FYs 2018-2022	11

Item 2
File 17-0212
Department:
 General Services Agency - City Administrator's Office
 (CAO)

EXECUTIVE SUMMARY
Legislative Objectives

- The proposed resolution adopts the City's 10-Year Capital Plan for FY 2017-18 through FY 2026-27. Key goals and objectives include increasing resiliency to respond and recover from a disaster; planning for newly developing areas along the waterfront and at Treasure Island; investing in facility repairs and improvements through the General Fund Pay-As-You-Go Program.
- The proposed Capital Plan maintains previously adopted policies, such as 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 "Good" Pavement Condition Index (PCI); maintain a Capital Planning Fund for critical project development outside the regular General Fund budget.

Key Points

- 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 10-Year Capital Plan include: improvements to the Zuckerberg San Francisco General Hospital campus; Hall of Justice administrative relocation and prisoner exit; the Water System and Sewer System Improvement Programs; Central Shops relocation; Seawall Lot 322-1 development project; Ferry Terminal expansion project; Animal Care and Control shelter replacement; and neighborhood park renovations.

Fiscal Impact

- The proposed FY 2017-18 through FY 2026-27 Capital Plan recommends \$5.3 billion in General Fund capital improvements, \$18.9 billion in enterprise funds, and \$11.0 billion in external agency funds, for total proposed spending of \$35.2 billion over 10 years in capital improvements across seven service areas.

Recommendation

- Approve the proposed resolution.

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 10-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 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 10-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 in the Plan are divided into seven Service Areas:

1. Economic & Neighborhood Development
2. General Government
3. Health & Human Services
4. Infrastructure & Streets
5. Public Safety
6. Recreation, Culture, & Education
7. Transportation

Each Service Area chapter describes the associated Renewal Program, Enhancement Projects, Deferred Projects, and Emerging Projects. Project requests are considered using five funding principles:

- 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 an 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 of Supervisors or the 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. Additionally, appropriated funds are not always 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 nine G.O. bonds totaling nearly \$3.5 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
2015	Affordable Housing	\$ 310
2016	Public Health and Safety	\$ 350
Voter-approved G.O. Bond Total (2008-2016)		\$ 3,482

Source: Proposed Capital Plan, Fiscal Years 2018-2027

DETAILS OF PROPOSED LEGISLATION

The proposed resolution adopts the City's 10-Year Capital Plan for FY 2017-18 through FY 2026-27. The proposed 10-Year Capital Plan identifies key goals and objectives to be accomplished during the next 10 years, including:

- Increasing resiliency by promoting the ability to (1) quickly respond to disaster, (2) recover from systemic crises such as economic downturn and housing shortages, and (3) prepare for and address slow-moving disasters like climate change and sea level rise;

- Promoting sustainability through green building, clean energy, mass transit, urban forestry, and preserving existing assets;
- Large investments in newly developing areas along the waterfront and at Treasure Island;
- Continuing to use G.O. bonds and other forms of debt to make improvements to the City's transportation network, parks and open spaces, sewers, and other key facilities;¹ and
- Investing in facility repairs and improvements through the General Fund Pay-As-You-Go Program.

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

- The General Fund revenue commitment for the Pay-As-You-Go Program will grow at 7 percent per year;
- The Street Resurfacing Program will be funded at the level needed to achieve a "Good" Pavement Condition Index (PCI) of 70² by 2025;
- Projects under the City's Americans with Disability Act (ADA) Transition Plans for facilities and the public right-of-way will be fully funded;
- Annually reserving \$10 million from the Pay-As-You-Go Program to fund critical emergencies and enhancement projects that are not covered through the proposed debt programs; and
- Maintaining restrictions on issuing debt such that G.O. bonds under the control of the City will not increase long-term property tax rates above FY 2005-06 levels, and the amount of General Fund revenue spent on debt service will not exceed 3.25 percent of discretionary revenues.

Selected Projects

Projects to be funded over the course of the 10-year plan include, but are not limited to: Improvements to the Zuckerberg San Francisco General Hospital campus; Hall of Justice administrative relocation and prisoner exit; the Water System and Sewer System Improvement Programs; Central Shops relocation; Seawall Lot 322-1 development project; Ferry Terminal expansion project; Animal Care and Control shelter replacement; and neighborhood park renovations.

Major transportation projects to be funded during the Capital Plan term include the Central Subway, Muni Forward, Muni track and fleet capital replacements, the Vision Zero Pedestrian Safety Program, the Van Ness and Geary Bus Rapid Transit projects, the new air traffic control

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.

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.

tower and other improvements at SFO, Transbay Transit Center, and Presidio Parkway (formerly Doyle Drive).

FISCAL IMPACT

The proposed FY 2017-18 through FY 2026-27 10-Year Capital Plan recommends \$5.3 billion in General Fund capital improvements, \$18.9 billion in enterprise funds, and \$11.0 billion in external agency funds, for total proposed spending of \$35.2 billion over 10 years in capital improvements across seven service areas. As shown in Table 2 below, the Transportation and Infrastructure & Streets service areas will receive the largest proportions of overall funding, at 44 and 27 percent, respectively.

**Table 2: Proposed Uses of Funds by Service Area and Funding Source,
FY 2017-18 to FY 2026-27 Capital Plan (millions of dollars)**

	General Fund ¹	Enterprise Funds ²	External Funds	Total	Percent of Total
Public Safety	\$1,655	\$0	\$0	\$1,655	5%
Health & Human Services	922	0	11	933	3%
Infrastructure & Streets	1,688	7,837	0	9,525	27%
Recreation, Culture, & Education	744	0	1,635	2,379	7%
Economic & Neighborhood Development	0	1,884	3,094	4,978	14%
Transportation	0	9,200	6,283	15,483	44%
General Government	243	0	0	243	1%
Total	\$5,252	\$18,922	\$11,023	\$35,197	100%
Percent of Total	15%	54%	31%	100%	

Source: Capital Planning Committee

¹ General Fund consists of annual General Fund contributions (pay-as-you-go), G.O. 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 below shows the total proposed Capital Plan expenditures of approximately \$35.2 billion by year and by service area over the 10-year period from FY 2017-18 through FY 2026-27.

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

Service Area	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 to FY 2026-27	Total
Public Safety	\$339,613	\$109,068	\$25,370	\$793,766	\$6,414	\$380,525	\$1,654,756
Health and Human Services	220,447	235,182	16,290	17,408	319,145	125,123	933,595
Infrastructure and Streets	1,191,542	1,566,341	1,912,079	897,860	571,533	3,386,174	9,525,529
Recreation, Culture & Education	955,726	268,484	89,382	65,056	585,680	414,495	2,378,823
Economic & Neighborhood Development	1,032,851	657,615	542,545	440,797	342,768	1,961,892	4,978,468
Transportation	3,218,209	2,612,145	1,924,552	1,615,412	975,110	5,137,425	15,482,853
General Government	20,232	15,323	16,009	16,889	18,243	156,092	242,788
Total	\$6,978,620	\$5,464,158	\$4,526,227	\$3,847,188	\$2,818,893	\$11,561,726	\$35,196,812
Percent of Total	20%	16%	13%	11%	8%	33%	100%

Source: Budget and Legislative Analyst Summary

General Fund Sources

The proposed Capital Plan estimates \$5.3 billion in General Fund sources to fund the Capital Plan expenditures over a 10-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 \$1.897 billion over the 10-year period for annual pay-as-you-go program investments that will maintain existing facilities and infrastructure. This represents an increase in total pay-as-you-go funding, when adjusted for inflation, from the FY 2015-16 to FY 2024-25 Capital Plan amount by \$188 million.

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, critical enhancements, the Recreation and Parks base commitment, and the capital contribution to the street tree maintenance set aside are fully funded. The remaining funds are allocated to right-of-way renewals (such as curb ramps), and facility renewal, based on their proportionate need.

Table 4 below shows the fixed 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)**

Program Use	FY 2018-22	FY 2023-27	Plan Total	% of Total
Routine Maintenance	\$67	\$86	\$153	8%
ADA Facilities	7	6	13	1%
ADA Public Right-of-Way	38	49	87	5%
Street Resurfacing	278	416	694	37%
Critical Enhancements	50	50	100	5%
Recreation and Parks Base Commitment	75	75	150	8%
Street Tree Set Aside	25	32	57	3%
Right-of-Way Renewal	47	74	121	6%
Facility Renewal	202	320	522	28%
Total Projected Funding	\$789	\$1,108	\$1,897	100%

Source: Proposed 10-Year Capital Plan

Over the first five years of the plan, the Capital Plan projects \$789.5 million in total annual General Fund allocations to the Pay-As-You-Go Program, as shown in Table 4 above and Table 5 below.

The Budget and Legislative Analyst determined the projected annual FY 2017-18 to 2021-22 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 Capital Plan. Table 5 below demonstrates that the majority of pay-as-you-go program dollars (64.1 percent) will be allocated to Public Works projects.

**Table 5: Projected Pay-As-You-Go Program Allocation by Department,
FY 2017-18 to FY 2021-22 (thousands of dollars)**

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	Total	% of Total
Arts Commission	\$1,772	\$1,022	\$1,097	\$1,178	\$1,311	\$6,380	0.8
Asian Art Museum	375	439	472	506	563	2,355	0.3
Emergency Management	274	321	345	370	412	1,722	0.2
Dept. of Technology	22	26	28	30	33	139	0.0
Dept. of Public Health	10,433	12,221	13,130	14,098	15,682	65,564	8.3
Fine Arts Museums	1,781	2,086	2,241	2,406	2,677	11,191	1.4
Fire Department	383	449	483	518	576	2,409	0.3
General Services Agency	8,069	9,673	10,311	10,990	12,101	51,144	6.5
Human Services Agency	1,620	1,897	2,038	2,188	2,434	10,177	1.3
Juvenile Probation	2,149	1,463	1,571	1,687	1,877	8,747	1.1
Police Department	85	99	106	114	127	531	0.1
Public Works	61,378	66,187	72,839	79,988	85,993	366,385	46.4
Sheriff's Department	2,276	2,667	2,865	3,076	3,422	14,306	1.8
War Memorial	4,885	5,722	6,148	6,601	7,343	30,699	3.9
Routine Maintenance*	12,180	12,789	13,428	14,100	14,805	67,302	8.5
Critical Enhancements*	10,000	10,000	10,000	10,000	10,000	50,000	6.3
Recreation and Parks Base Commitment*	15,000	15,000	15,000	15,000	15,000	75,000	9.5
Street Tree Set Aside*	4,600	4,830	5,072	5,325	5,591	25,418	3.2
Total	\$137,282	\$146,891	\$157,174	\$168,175	\$179,947	\$789,469	

Source: Budget and Legislative Analyst summary based on Capital Plan Information

*The critical enhancements, routine maintenance, Recreation and Parks base commitment, and street tree set aside categories are not assigned to specific departments, but will be made available citywide. Routine maintenance and the street tree set aside are increased by 5% annually to adjust for cost escalation.

- **General Fund – General Obligation Bonds**

Under the City's financial policies the issuance of an estimated \$2.1 billion in General Obligation (G.O.) bonds proposed by the Capital 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 described further below.

Table 6 below illustrates the Capital Plan's proposed G.O. Bond Program of \$2.1 billion in new bonds for the next 10 years.

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

Election Date	Bond Program	Amount
November 2018	Seawall Fortification	\$350
November 2018	Parks and Open Space	185
November 2020	Earthquake Safety & Emergency Response	290
November 2022	Public Health	300
November 2024	Transportation	500
June 2025	Parks and Open Space	185
November 2026	Earthquake Safety & Emergency Response	290
G.O. Bond Debt Total		\$2,100

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 \$963 million over 10 years, to be repaid by General Fund revenues.

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

Issuance Year	Proposed Project	Amount
FY 2017-18	DPH 101 Grove & Juvenile Probation Administrative Relocation	\$155
FY 2018-19	County Jail #2 Improvements Match	12
FY 2020-22	Critical Repairs – Recession Allowance (\$50M Annually)	150
FY 2020-21	Hall of Justice (HOJ) Administrative Relocation	308
FY 2020-21	Closure of HOJ Jails ³	190
FY 2024-25	101 Grove Retrofit	50
FY 2024-25	Public Works Yard Consolidation	50
FY 2025-26	HOJ Demolition & Enclosure	48
General Fund Debt Total		\$963

Source: Proposed 10-Year Capital Plan

³ County Jails 3 and 4 are located in HOJ. The Work Group convened by the President of the Board of Supervisors plans to issue a report in April 2017 identifying strategies to reduce the jail population and strengthen prevention and treatment services to allow for the permanent closure of County Jails 3 and 4.

Capital Planning Fund

The City uses a revolving Capital Planning Fund for critical project development or pre-bond planning outside the regular General Fund budget. Historically, the General Fund supported pre-bond project development on the condition that the General Fund would be reimbursed once project bonds were issued. The Capital Plan assumes that bond reimbursements will flow into the Capital Planning Fund and be used for future project development and pre-bond planning.

Several projects are expected to receive a total of \$6 million of Capital Planning Funds over the 10-year plan term, including: 1) seawall fortification; 2) relocation of DPH staff out of 101 Grove Street; 3) relocation of services out of the Hall of Justice; and 4) public safety improvements expected to be funded through the Earthquake Safety & Emergency Response G.O. bonds.

Appropriation Approval

Funds to implement projects in the proposed 10-Year Capital Plan are subject to Board of Supervisors appropriation approval.

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 proposed Capital Plan defers \$4.6 billion in identified needs for General Fund departments. General Fund department renewal investments have a current backlog of approximately \$799 million, which is expected to increase 93 percent over the next 10 years to \$1,544 million. If the City funds the Pay-As-You-Go Program at the levels recommended in the proposed Capital Plan, the City will begin to fully fund its annual renewal needs starting in FY 2031-32. However, due to accumulation of deferred maintenance and cost escalation, the backlog is not expected to decrease.

RECOMMENDATION

Approve the proposed resolution.

Item 3
File 17-0241

Department:
General Services Agency - City Administrator's Office
(CAO)

EXECUTIVE SUMMARY

Legislative Objectives

- 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.

Key Points

- The proposed five-year FY 2017-18 to FY 2021-22 ICT Plan is the fourth iteration of the plan since the original plan was adopted six years ago. It includes a recommended funding allocation for two categories of projects: Major IT Projects and Annual Projects.
- The proposed ICT Plan will serve as a guiding document for COIT to recommend specific information technology projects during the City's annual budget process.
- The ICT 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 ICT Plan recommends that (1) the City grow the Major IT Projects Allocation and Annual Projects Allocation by 10 percent annually; (2) COIT prioritize General Fund support for projects that align with Plan goals; (3) the City plan and scope total life cycle costs and returns prior to investing in Major IT Projects; (4) COIT sequence funding of Major IT Project based on risk, readiness, and cost effectiveness; (5) COIT support projects that replace or enhance existing services; and (6) the City set aside funding for continual refreshment of IT hardware.

Fiscal Impact

- The proposed FY 2017-18 to FY 2021-22 Five-Year ICT Plan recommends investing \$184.7 million in General Fund sources in ICT projects citywide over the next five years. It recommends investing \$113.5 million in Major IT Projects and \$71.2 million in Annual Projects.

Recommendation

- Approve the proposed resolution.

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 to reflect the City's priorities, resources and requirements.

BACKGROUND

The proposed FYs 2018-2022 Information and Communication Technology (ICT) Plan is the fourth iteration of the plan since the original plan was adopted six years ago. The ICT 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 ICT Plan identifies three overall goals for projects, namely:

- Goal 1: Support, Maintain, and Secure Critical Infrastructure;
- Goal 2: Increase Efficiency and Effectiveness of City Operations; and
- Goal 3: Improve Access and Transparency to Local Government.

Funding recommendations totaling \$184.7 million will be made by COIT in two project categories: Major IT Projects and Annual Allocation, as shown below in Table 1.

Table 1: Projected COIT Allocation from FY 2017-18 through FY 2021-22 (dollars in millions)

	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	Total	% of Total
Annual Allocation	\$11.7	\$12.8	\$14.1	\$15.5	\$17.1	\$71.2	38.5%
Major IT Projects	18.6	20.5	22.5	24.7	27.2	113.5	61.5%
Total	\$30.3	\$33.3	\$33.6	\$40.3	\$44.3	\$184.7	100%

Source: Proposed Five-Year ICT Plan

COIT will recommend funding the following Major IT Projects:

1. Financial Systems Replacement Project
2. Public Safety & Public Service Radio Replacement
3. Replacement of the Property Tax System
4. Electronic Health Records

For Annual Projects Allocation, COIT will recommend that:

1. The City continue to grow the Major IT Project Allocation and Annual Projects Allocation by 10 percent annually;
2. COIT prioritize General Fund support for technology projects that align with ICT Plan goals;
3. Comprehensive planning and scoping to understand total life cycle costs and returns precedes investment in Major IT Projects;
4. COIT sequence funding of Major IT Projects on the basis of risk, project readiness, and cost effectiveness;
5. COIT support technology projects that replace or enhance existing services and promote cost savings; and
6. The City set aside a funding source for the continual refreshment of IT hardware.

FISCAL IMPACT

The proposed ICT Plan recommends investing \$184.7 million in General Fund revenues in ICT projects citywide over the next five years, with \$113.5 million going towards Major IT Projects and \$71.2 million going towards the Annual Project Allocation.

Major IT Projects

COIT recommends investing a total of \$113.5 million towards four Major IT Projects over the next five years, as shown in Table 2 below.

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

Project Name	FY 18-22 Estimated Total
Financial Systems Replacement*	-
Public Safety and Service Radio Replacement	\$31.7
Property Assessment & Tax System Replacement	\$52.9
Electronic Health Records	\$28.7
TOTAL	\$113.5

Source: Proposed Five-Year ICT Plan

* The Financial Systems Replacement has already been fully funded.

The Financial Systems Replacement project is on schedule for completion in FY 2017-18 and has already been fully funded; however, the General Fund request for the Public Safety Radio and Property Tax System replacements outstrip available resources in the next two fiscal years. The Electronic Health Records project can begin to receive funding in FY 2019-20.

The General Fund support for these projects will only cover a portion of the total project cost. COIT will utilize other strategies, including seeking alternative funding sources, project sequencing, and project deferral to ensure that the projects are fully funded.

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

Financial Systems Replacement

The City is currently replacing the mainframe-based central financial and accounting information system (FAMIS). The City's new Financial System is expected to go live in FY 2017-18 and will be the system of record for accounting, budget control, purchasing, and financial reporting for all City departments. This project has been fully funded with costs split between the General Fund and Enterprise Departments.

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 9,000 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), reported that the project has a total budget of approximately \$78.8 million, of which \$31.7 million is funded through the Major IT Project allocation in the proposed ICT plan. Other funding includes a \$35 million loan financed by Bank of America, and

a combination of General Fund sources including Capital Planning, the City's equipment budget, and user department support. Project completion is anticipated by 2020.

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. The current system is 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.

According to Ms. Tajel Shah, Finance & Information Officer for the Treasurer/Tax Collector's Office, The project has a total projected budget of approximately \$56 million, of which approximately \$3.1 million has been previously appropriated by the Board of Supervisors. COIT recommends funding the balance of \$52.9 million for this project should additional resources become available because it is the City's next highest priority for a Major IT Project.

Electronic Health Records

The Department of Public Health's (DPH) current electronic health record system is near end-of-life and will no longer be supported by the vendor within three to five years. DPH must transition to a new electronic health record system that unifies all hospitals and clinics under a single system. A unified electronic health record system will allow DPH to transition to performance-based medicine and better track patients and service delivery outcomes.

DPH anticipates funding this project within their operating budget and through outside sources. This project was identified as an emerging need in the FY 2016-20 ICT Plan, but was not allocated funding at that time. Should there be additional General Fund costs, COIT recommends providing a defined funding schedule for the project.

Annual Projects Allocation

Departments have requested a total of \$134.0 million in General Fund support for Annual Allocations over the next five years, of which COIT recommends funding \$71.2 million from the General Fund. COIT will prioritize project recommendations by (1) selecting those that impact multiple departments; (2) regularly evaluating implementation success and re-allocating funding towards projects that are well-managed; and (3) deferring projects that need additional planning.

Of the total funding requests made by City departments, the majority of the funds, 56 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 Citywide SharePoint online implementation, mobile device management, and Upgrade the Network.

RECOMMENDATION

Approve the proposed resolution.