

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

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June 3, 2016

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: June 8, 2016 Budget and Finance Committee Meeting

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| Items 5, 6, 7 and 8 Files 16-0416, 16-0417, 16-0418 and 16-0419 | Department: Office of Contract Administration (OCA) |
| EXECUTIVE SUMMARY | |
| <p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize OCA to enter into four new Technology Marketplace Tier 1B contracts between the City and four technology companies to provide specialized information technology products and services: (1) Cornerstone Technology Partners II JV (“Cornerstone”), (2) Learn iT!, (3) SoftNet Solutions Inc. (“SoftNet”), and (4) United Layer. <p>Key Points</p> <ul style="list-style-type: none"> • The Technology Marketplace offers technology products and services through three tiers of contracts. The Tier 1 contracts have amounts of more than \$10 million and require the technology company to provide a wide selection of products, professional services, maintenance, and training for City departments. Tier 1 contracts consist of Tier 1A, which offer general services, and Tier 1B, which offer specialized services. • The Board of Supervisors previously approved three Tier 1B contracts in September 2014 (File 14-0903) with three technology companies to provide specialized information technology products and services: (1) Stellar Services, (2) Robert Half Technology, and (3) InterVision Systems Technologies, Inc. OCA is now requesting to add the four additional companies noted above to the pool of Tier 1B contractors, resulting in seven total companies providing Tier 1B specialized technology products and services through the Technology Marketplace. • Each of the four proposed contracts has a term of approximately two years and 11 months from the date of Board of Supervisors approval through March 15, 2019, with two one-year options to extend the contracts through March 15, 2021. Each of the four contracts has a not-to-exceed amount of \$12,000,000 <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed four contracts, City departments can purchase technology products and services through the Technology Marketplace on an as-needed basis up to and not-to-exceed amount of \$12,000,000 for each contract. All monies to purchase technology products and services are subject to appropriation approval by the Board of Supervisors. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolutions. | |

MANDATE STATEMENT

In accordance with City Charter Section 9.118(b), contracts that have a term of more than ten years or expenditures of \$10 million or more, or amendments to such contracts of more than \$500,000, are subject to Board of Supervisors approval.

BACKGROUND

The Office of Contract Administration (OCA) selects information technology firms through a competitive Request for Proposals (RFP) process to provide goods and services through the Technology Marketplace. City departments may purchase technology products and specialized services through the Technology Marketplace on an as-needed basis.

The Technology Marketplace offers technology products and services through the following three tiers of contracts. The Tier 1 contracts have amounts of more than \$10 million and require the technology company to provide a wide selection of products, professional services, maintenance, and training for City departments. Tier 1 contracts consist of Tier 1A, which offer general services, and Tier 1B, which offer specialized services. Tier 2 contracts are for amounts of less than \$10 million, and Tier 3 contracts are for services provided by Local Business Enterprises for amounts of \$400,000 or less.

DETAILS OF PROPOSED LEGISLATION

File 16-0416 is a resolution authorizing OCA to enter into a Technology Marketplace Tier 1B contract between the City and Cornerstone Technology Partners II JV (“Cornerstone”);

File 16-0417 is a resolution authorizing OCA to enter into a Technology Marketplace Tier 1B contract between the City and Learn iT!;

File 16-0418 is a resolution authorizing OCA to enter into a Technology Marketplace Tier 1B contract between the City and SoftNet Solutions Inc. (“SoftNet”); and

File 16-0419 is a resolution authorizing OCA to enter into a Technology Marketplace Tier 1B contract between the City and United Layer.

These four companies were selected through a competitive Request for Proposals (RFP) process.

The Board of Supervisors previously approved three Tier 1B contracts in September 2014 (File 14-0903) with three technology companies to provide specialized information technology products and services: (1) Stellar Services, (2) Robert Half Technology, and (3) InterVision Systems Technologies, Inc. These three contracts each had a term of three years from October 1, 2014 through September 30, 2017, and a not-to-exceed amount of \$12,000,000, totaling \$36,000,000 over three years. City departments purchased \$9,795,523 in technology products and services from these three Tier 1B contracts between October 2014 and March 2016, as shown in Table 1 below.

Table 1: City Departments' Expenditures for Tier 1B Technology Products and Services, October 2014 to March 2016

| Technology Company | Not-to-Exceed Amount | Expenditures to Date | Balance |
|---|-----------------------------|-----------------------------|---------------------|
| Stellar Services, Inc. | \$12,000,000 | \$326,160 | \$11,673,840 |
| Robert Half Technology | 12,000,000 | 1,964,508 | 10,035,492 |
| InterVision Systems Technologies, Inc. ¹ | 12,000,000 | 7,504,855 | 4,495,145 |
| Total | \$36,000,000 | \$9,795,523 | \$26,204,477 |

Source: OCA

OCA is now requesting to add the four additional companies noted above to the pool of Tier 1B contractors, resulting in seven total companies providing Tier 1B specialized technology products and services through the Technology Marketplace. According to Ms. Jaci Fong, OCA Director, OCA determined that additional Tier 1B technology companies were needed to facilitate the procurement of a wider array of technologies, services and expertise for City departments.

Each of the four proposed contracts has a term of approximately two years and 9 months from the date of Board of Supervisors approval through March 15, 2019, with two one-year options to extend the contracts through March 15, 2021. Each of the four contracts has a not-to-exceed amount of \$12,000,000, as shown in Table 2 below.

Table 2: Not-to-Exceed Amounts in Four New Tier 1B Technology Contracts

| Technology Company | Not-to-Exceed Amount |
|---------------------------|-----------------------------|
| Cornerstone | \$12,000,000 |
| Learn iT! | 12,000,000 |
| SoftNet | 12,000,000 |
| United Layer | 12,000,000 |
| Total | \$48,000,000 |

Source: OCA

City departments may purchase technology products and services from Technology Marketplace contracts. For purchases of more than \$100,000 the City department must obtain competitive quotes from all Tier 1B companies. For purchases of more than \$10,000 but of \$100,000 or less, City departments must provide a price quote from the Technology Marketplace contractor when submitting a requisition to OCA to purchase technology products or services from the Technology Marketplace contractor. For purchases of \$10,000 or less, OCA encourages but does not require more than one price quote.

The proposed contracts between the City and Cornerstone, Learn iT!, SoftNet, and United Layer require the contractor to sell products and services to City departments at the "most favorable

¹ OCA is requesting approval for the first amendment to the contract with InterVision Systems Technologies, Inc. ("InterVision") under File 16-0414 of this report.

pricing for products and services it makes available to major companies or other public entities within the State of California comparable in size and/or requirements to the City”.

FISCAL IMPACT

Under the proposed four contracts, City departments can purchase technology products and services through the Technology Marketplace on an as-needed basis up to and not-to-exceed amount of \$12,000,000 for each contract. All monies to purchase technology products and services are subject to appropriation approval by the Board of Supervisors.

RECOMMENDATION

Approve the proposed resolution.

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| Items 9, 10, 11 and 12 Files 16-0413, 16-0415, 16-0414 and 16-0412, | Department: Office of Contract Administration (OCA) |
| EXECUTIVE SUMMARY | |
| <p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolutions would approve the first amendment to the Technology Marketplace Tier 1B contract between the City and InterVision Systems Technologies, Inc. (InterVision) and the second amendments to each of the three Technology Marketplace Tier 1A contracts between the City and Xtech Joint Venture (Xtech), ComputerLand of Silicon Valley (ComputerLand), and En Pointe Technology Sales, LLC (En Pointe). The first amendment to the InterVision contract increases the not-to-exceed amount by \$3 million, from \$12 million to \$15 million. The second amendment to the (a) Xtech contract increases the not-to-exceed amount by \$24 million, from \$32 million to \$56 million, (b) ComputerLand contract increases the not-to-exceed amount by \$12 million, from \$32 million to \$44 million, and (c) En Pointe contract increases the not-to-exceed amount by \$19 million, from \$31 million to \$50 million. The total increase in all four contracts is \$58 million, from \$107 million to \$165 million. The contracts' end dates of September 30, 2017 are unchanged. <p>Key Points</p> <ul style="list-style-type: none"> • Each of the four technology companies were selected through a competitive Request for Proposals (RFP) process with original contracts beginning October 1, 2014 and ending September 30, 2017. • In July 2015, the Board of Supervisors approved the first amendments to the Tier 1A contracts with Xtech, ComputerLand, and En Pointe contracts which increased the initial not-to-exceed amounts of \$12 million each to \$32 million, \$32 million, and \$31 million, respectively. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The four existing Technology Marketplace contracts combined have a total not-to-exceed amount of \$107,000,000 for the three-year term from October 1, 2014 through September 30, 2017. During the first 18 months of the contracts, from October 2014 through March 2016, City departments expended or encumbered approximately 77 percent or \$82,845,735 of the total combined contracts' not-to-exceed amount of \$107,000,000. • According to OCA, the requested increase in the not-to-exceed amount of each of the three contracts is projected to be sufficient for estimated contract expenditures through the end of the contract term in September 2017. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolutions. | |

MANDATE STATEMENT

In accordance with City Charter Section 9.118(b), contracts that have a term of more than ten years or expenditures of \$10 million or more, or amendments to such contracts of more than \$500,000, are subject to Board of Supervisors approval.

BACKGROUND

The Office of Contract Administration (OCA) selects information technology firms through a competitive Request for Proposals (RFP) process to provide goods and services through the Technology Marketplace. City departments may purchase technology products and specialized services through the Technology Marketplace on an as-needed basis.

The Technology Marketplace offers technology products and services through the following three tiers of contracts. The Tier 1 contracts have amounts of more than \$10 million and require the technology company to provide a wide selection of products, professional services, maintenance, and training for City departments. Tier 1 contracts consist of Tier 1A, which offer general services, and Tier 1B, which offer specialized services. Tier 2 contracts are for amounts of less than \$10 million, and Tier 3 contracts are for services provided by Local Business Enterprises for amounts of \$400,000 or less.

The City has nine active Tier 1 contracts, six of which are Tier 1A and three of which are Tier 1B.¹ Legislation to approve four additional Tier 1B contracts is pending before the Board of Supervisors (Files 16-0416 through 16-0419 of this report).²

DETAILS OF PROPOSED LEGISLATION

File 16-0412 is a resolution to approve the second amendment to the Technology Marketplace Tier 1A contract between the City and Xtech, JV (Xtech);

File 16-0413 is a resolution to approve the second amendment to the Technology Marketplace Tier 1A contract between the City and ComputerLand of Silicon Valley (ComputerLand);

File 16-0414 is a resolution to approve the first amendment to the Technology Marketplace Tier 1B contract between the City and InterVision Systems Technologies, Inc. (InterVision); and

File 16-0415 is a resolution to approve the second amendment to the Technology Marketplace Tier 1A contract between the City and En Pointe Technologies Sales, LLC (En Pointe).

OCA entered into contracts with each of these four companies, based on a competitive RFP process, for a three-year term from October 1, 2014 through September 30, 2017, with two

¹ The six Tier 1A technology companies are Central Computers, Inc., ComputerLand of Silicon Valley, En Pointe Technologies Sales, Inc., Technology Integration Group, World Wide Technology, Inc., and Xtech JV. The three Tier 1B technology companies are InterVision Systems Technologies, Inc., Robert Half Technology, and Stellar Services, Inc.

² The four proposed Tier 1B technology companies include Cornerstone Technology Partners II, JV, Learn iT!, SoftNet Solutions, Inc., and United Layer.

one-year options to extend the contract through September 30, 2019. The initial not-to-exceed amount of each contract was \$12,000,000.

The Board of Supervisors approved the first amendments to the contracts with three of the four companies - Xtech, ComputerLand, and En Pointe - in July 2015. The first amendments to the contracts with Xtech and ComputerLand increased the not-to-exceed amount in each contract by \$20 million from \$12 million to \$32 million. The first amendment to the contract with En Pointe increased the not-to-exceed amount by \$19 million from \$12 million to \$31 million.

The proposed resolutions increase the not-to-exceed contract amount for each of the four contracts as shown in Table 1 below. All other contract provisions, including the contract term, which expires on September 30, 2017 with two one-year options to extend the contracts at the sole discretion of OCA, will remain the same.

Table 1. Proposed Increase in Contract Not-to-Exceed Amount

| Contract | Current | Proposed | Increase |
|-----------------------------|----------------------|----------------------|---------------------|
| Xtech (File 16-0412) | \$32,000,000 | \$56,000,000 | \$24,000,000 |
| ComputerLand (File 16-0413) | 32,000,000 | 44,000,000 | 12,000,000 |
| InterVision (File 16-0414) | 12,000,000 | 15,000,000 | 3,000,000 |
| En Pointe (File 16-0415) | 31,000,000 | 50,000,000 | 19,000,000 |
| Total | \$107,000,000 | \$165,000,000 | \$58,000,000 |

Source: Office of Contracts and Administration (OCA) staff.

FISCAL IMPACT

The four existing Technology Marketplace contracts have a combined total not-to-exceed amount of \$107,000,000 for the three-year term from October 1, 2014 through September 30, 2017, as shown in Table 1 above. During the first 18 months of the contracts, from October 2014 through March 2016, City departments expended or encumbered approximately 77 percent or \$82,845,735 of the total combined contracts' not-to-exceed amount of \$107,000,000, as shown in Table 2 below. OCA projects the same level of spending over the remaining 18 months of the contract, resulting in total contract expenditures of approximately \$165,000,000, as shown in Table 2 below.

Table 2. Technology Marketplace Contract Actual Expenditures and Encumbrances
(October 2014 through March 2016)

| Contract | Actual Contract Expenditures (October 2014 through March 2016) | Projected Expenditures^a (April 2016 through September 2017) | Total Actual and Projected Expenditures (October 2014 through September 2016) | Proposed Contract Not-to-Exceed Amount |
|-----------------------------|--|--|---|---|
| Xtech (File 16-0412) | \$28,113,694 | \$28,113,694 | \$56,227,388 | \$56,000,000 |
| ComputerLand (File 16-0413) | 22,225,100 | 22,225,100 | 44,450,200 | 44,000,000 |
| InterVision (File 16-0414) | 7,504,855 | 7,504,855 | 15,009,710 | 15,000,000 |
| En Pointe (File 16-0415) | 25,002,086 | 25,002,086 | 50,004,171 | 50,000,000 |
| Total | \$82,845,735 | \$82,845,735 | \$165,691,469 | \$165,000,000 |

Source: Office of Contracts and Administration (OCA) staff based on City's EIS Reporting system.

^a Projected expenditures of \$82,845,735 for the final 18 months of the contracts from April 2016 through September 2017 are based on actual expenditures of \$82,845,735 for the initial 18 months of the contracts from October 2014 through March 2016.

According to OCA, the requested increase in the not-to-exceed amount of each of the four contracts is projected to be sufficient for estimated contract expenditures through the end of the contract term in September 2017. All expenditures under these contracts are subject to appropriation approval by the Board of Supervisors in the City's annual budgets.

RECOMMENDATION

Approve the proposed resolutions.

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| Items 16 and 17 Files 16-0626 and 16-0627 | Department: Controller |
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MANDATE STATEMENT/ DETAILS OF PROPOSED LEGISLATION

The proposed legislation would approve for FY 2016-17: (a) the Interim Annual Appropriation Ordinance (File 16-0626), and (b) the Interim Annual Salary Ordinance (File 16-0627)

Under Administrative Code Section 3.3, the Board of Supervisors must approve an Interim Annual Appropriation Ordinance (AAO) and Annual Salary Ordinance (ASO) for FY 2016-17 by June 30, 2016. The purpose of these interim ordinances is to provide position and expenditure authorization for the various City departments prior to approval by the Board of Supervisors by July 31, 2016.

New positions, programs, capital improvements and equipment during the interim budget period are subject to Board of Supervisors approval. The Mayor's Office has submitted a request to the Board of Supervisors to fill various new positions as of July 1, 2016, which the Budget and Legislative Analyst's Office will review and make recommendations to the Budget and Finance Committee during the Board of Supervisors annual budget process.

Administrative Provisions of the Annual Appropriation Ordinance

Major revisions recommended by the Controller to the Administrative Provisions of the Annual Appropriation Ordinance are as follows:

- Section 11.23: This provision currently states that loan repayments and interest earnings in special revenue funds designated for affordable housing are appropriated for affordable housing program expenditures. The provision is amended to add to funds that are appropriated for affordable housing program expenditures (1) proceeds of property sales in cases of defaulted loans, and (2) payments from loans made by the former San Francisco Redevelopment Agency.
- Section 11.24: This is a new provision authorizing the Controller to appropriate reimbursements of City costs incurred to implement development agreements approved by the Board of Supervisors, including but not limited to City staff time, consultant services and associated overhead costs to conduct plan review, inspection, and contract monitoring, and to draft, negotiate, and administer such agreements. This provision does not apply to development impact fees or developer exactions, which shall be appropriated by the Board of Supervisors.
- Section 12.14: This is a new provision appropriating CleanPowerSF payments and other deposits to the CleanPowerSF special revenue fund in FY 2016-17 and FY 2017-18. The provision would authorize the Controller to disburse these revenues to pay for power purchase obligations and other operating costs provided in the program plans and annual budgets approved by the Board of Supervisors.

- Section 14: This provision is amended to provide for the new Department of Homelessness and Supportive Housing as an office of the City. The provision is in effect until the Board of Supervisors adopts the ordinance establishing the new Department of Homelessness and Supportive Housing (File 16-0594 pending before the Board of Supervisor).
- Section 31: This is a new provision authorizing the Controller, when the Board of Supervisors has previously pledged 100 percent of the property tax increment generated by an Infrastructure Financing District (IFD) to the IFD, to (1) transfer funds and appropriation authority between and within accounts related to the IFD to meet accounting and State requirements, infrastructure financing plans, and bond covenants; and (2) increase or decrease appropriations to match the actual property tax increment revenues received for the IFD. The Budget and Legislative Analyst recommends amending Section 31 to clarify that any increase to the appropriation to the IFD would be consistent with the Infrastructure Financing Plan previously approved by the Board of Supervisors.
- Section 32: This is a new provision assigning \$60,000,000 of unassigned General Fund FY 2015-16 fund balance to a budget contingency for FY 2017-18. The March 22, 2016 Update to the City's Deficit Projection ("Joint Report Update") assumed the use of unassigned General Fund FY 2015-16 fund balance in FY 2017-18.
- Section 33: This is a new provision appropriating property tax increment generated by the Transbay Joint Powers Authority in the amount necessary to pay interest and fees on the bridge loan approved by the Board of Supervisors in May 2016 (Files 16-0357 and 16-0357)

Administrative Provisions of the Annual Salary Ordinance

The ASO administrative provisions have the following revisions:

- Section 1.1B.H increases the minimum hourly rate for Class 1229 Special Examiner from \$51.63 to \$55.0375 and the maximum hourly rate from \$76.71 to \$81.775.
- Section 2.1 decreases the stipend paid to Public Utilities Commission and Recreation and Park Department employees who live outside of the areas served by Health Service System health plan from \$926.83 to \$191.14 per month for family coverage and from \$661.07 to \$66.79 per month for employee plus one dependent. According to the Controller's Office, this decrease is due to the Health Service System Board's decision to subsidize the City Health Plan rates in FY 2016-17, using claims reserve funds.
- Section 2.2 increases the reimbursement amount for relocation costs for newly-hired department heads, deputy department heads, police commanders and fire chief aides from \$15,000 to \$20,000. The provision adds new language indexing the reimbursement amount to the Consumer Price Index.

Recommendations

- Amend Section 31 of the Administrative Provisions of the Annual Appropriation Ordinance to clarify that any increase to the appropriation to the IFD would be consistent with the Infrastructure Financing Plan previously approved by the Board of Supervisors.
- Approve (a) the FY 2016-17 and FY 2017-18 Interim Annual Appropriation Ordinance (File 16-0626) as amended, and (b) the FY 2016-17 and FY 2017-18 Interim Annual Salary Ordinance (File 16-0627).