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October 16, 2018

Angela Calvillo, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Dear Ms. Calvillo:

Attached please find two proposed resolutions for the Board of Supervisors approval of the Office of the Assessor-Recorder's contracts with Sapient Corporation and Carahsoft Technology Corp and for the Treasurer & Tax Collector's contract with Grant Street Group.

These contracts will allow the Office of the Assessor-Recorder, Treasurer & Tax Collector, and Office of the Controller to implement and configure two comprehensive, fully-integrated property assessment and tax systems.

The following is a list of accompanying documents:
- o  Resolution for the contracts with Sapient Corporation and Carahsoft Technology Corp
- o  Copy of the agreement with Sapient Corporation
- o  Copy of the agreement with Carahsoft Technology Corp
- o  Resolution for the contract with Grant Street Group
- o  Copy of the agreement with Grant Street Group
- o  Forms SFEC-126 for the Board of Supervisors and Mayor

The remainder of this document provides an overview of the Property Assessment and Tax System Replacement Program and the corresponding contracts.

For questions any, please contact:

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Sincerely,

Carmen Chu
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Office of the Assessor-Recorder

José Cisneros
Treasurer
Treasurer & Tax Collector

Ben Rosenfield
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Office of the Controller

# OVERVIEW OF THE PROPERTY ASSESSMENT AND TAX SYSTEM REPLACEMENT PROGRAM

## Summary

These legislative items allow the City to execute contracts required to replace antiquated systems used to manage, collect, and distribute property taxes, the City's largest single revenue source. These contractors have been selected through competitive selection processes. This project has been approved as part of the City's technology plan, which has been adopted by the Mayor and Board of Supervisors. Funds required to support the project – including the cost of these contracts – have been appropriated as part of the adopted budget for fiscal year (FY) 2018-19 and FY 2019-20.

## Program Overview and Objectives

The City's Office of the Assessor-Recorder (ASR), Controller (CON), and Treasurer & Tax Collector (TTX) are responsible for administering property assessment and taxation. At a high level, the area of responsibilities for each Office are:

1. ASR is responsible for carrying out property assessment related functions mandated by the State, including identifying property and ownership, assessing the value of property, approving and applying exemptions, and preparing the assessment roll.

2. CON calculates tax rates and applies them to assessed values, levies parcel taxes and other direct charges, maintains the property tax rolls, and allocates revenues to taxing entities.

3. TTX is responsible for printing and mailing out the property tax bills, collecting property tax payments and delinquent taxes, and conducting the sale of tax defaulted properties.

The Property Assessment and Tax System Replacement Program (Program) is a multi-year, multi-department effort to replace the two legacy systems that support property tax revenue operations for these three offices and to provide more effective and efficient services to City departments and the public. The objectives of the Program are to:

1. Modernize and secure the property assessment and tax systems that enable assessment and collection of approximately $3.2 billion in annual revenues that fund our local neighborhood services and public schools;

2. Improve efficiency, accuracy, and effectiveness of City operations;

3. Support and deliver high quality and consistent customer service seamlessly across all three departments; and

4. Sunset the existing systems, since they have exceeded their useful life.

The Program is a major IT project highlighted in the City's 5-year Information and Communication Technology Plan and funded by the Committee on Information Technology.

## Current Systems

Property tax revenue operations are currently supported by two legacy systems that reside in ASR and TTX. Both systems face limitations that can result in foregone property tax revenue and cause uncertainty and confusion for property owners and taxpayers. Due to aging technology, integration between the two systems requires manual processes and workarounds that can lead to error. The systems are reaching their end of life and it has become a challenge to find and retain employees who can continue to support the systems.

**ASR System:** The primary property assessment system used by ASR is EZ Access, which has been in place for approximately 20 years. EZ Access is a COBOL, AS400 system that functions as the system of record for ASR's property and assessment information.

ASR is facing issues with EZ Access which has led to the need for a new system. Data within the system is difficult to manipulate and lacks transparency. Limitations in the current technology have required ASR to build ancillary systems outside of EZ Access in order to access and report on ASR data. Supporting multiple systems is complex and inefficient and requires maintenance and reconciliation between systems. Furthermore, EZ Access lacks audit trails and data validation, making it dififcult for ASR to identify and correct errors within the system.

**TTX / CON System:** The City's current central Property Tax System is CICSP and is the basis for all official property taxation and billing. CICSP is a COBOL, file-based mainframe system that has been custom developed over 50 years to meet the City's legal needs for property tax. The existing mainframe system runs on COBOL, which is no longer supported or used. It has been a challenge to find and retain employees who can continue to support this system. The City is not able to make changes to the system to adapt to changes in state and local law or in evolving ownership structures. Additionally, like the ASR System, CICSP lacks audit trails and data validation. The limited ability to update system functionality results in manual processes and slower responses to taxpayer needs.

Planning and Procurement Phase

Over the last few years, ASR, TTX and CON have been working closely together to strategize on how to replace their two systems and to ensure the departments are ready for two large system implementations. The departments kicked off a Planning Phase in FY15-16 that included the following milestones:

1. Joint Governance: The three departments established a Steering Committee to oversee cross-department business processes, including data sharing between the current legacy systems.

2. Data Clean Up: To prepare for the upcoming system replacements, the departments have been focusing on identifying and cleaning data that will be migrated to the new systems.

3. Market Scan: The departments hired Gartner Inc. to conduct a California property assessment and tax system market scan to better understand the vendor market and estimated costs.

4. Business Requirements Documentation: Part of Gartner's scope of work was to document the departments' business requirements and future business processes. This work resulted in approximately 2,500 business requirements that were attached to a subsequent Request for Proposals. Requirements included full integration of the two systems.

5. Request for Proposals (RFPs): The departments worked alongside each other to draft two, parallel RFPs. Both RFPs included a joint system integration plan that looked closely at the ability of the systems to integrate with one another as well as meet each department's unique business requirements. The two RFPs were issued in October 2017, and the subsequent proposals were evaluated by subject-matter-experts from across the City. As a result of the procurement process, ASR selected Sapient using a Salesforce platform and TTX/CON selected Grant Street Group.

ASR Contracts

ASR is proposing to enter into a contract with Sapient Corporation to provide system integration and maintenance services and with Carahsoft (reseller of Salesforce) to license Salesforce Software as a Service. This new Property Assessment Solution will improve the department's operations by providing a highly configurable system that can adjust to changing needs as well as allow for transparent data that will improve ASR operations.

The contract with Sapient Corporation is $21,414,700 over 12 years and includes implementation services and ongoing support. The implementation services are deliverable based over a three year project schedule. The implementation will go-live in phases, with the final phase projected to go-live in FY21-22. Sapient will continue to provide ongoing support through the life of the contract.

The contract with Carahsoft is $14,432,762 over 12 years and includes licenses to Salesforce Software as a Service. ASR used the City's existing Carahsoft Enterprise License Agreement terms and conditions as a boilerplate, with a few notable exceptions – the ASR contract includes an increase to the insurance requirements and an extension of the contact termination date. The contract with Carahsoft is a sole source contract approved by the Office of Contract Administration.

TTX/CON Contract

TTX and CON are proposing to enter into a contract with Grant Street Group, Inc. for approximately $37M over 10 years, of which $17.2M is dedicated for implementation, and $19.5M is dedicated for ongoing license and maintenance costs. The system is a Software as a Service (SaaS)-based solution configured for the California market and compliant with state Revenue & Taxation Code (R&T) requirements. Grant Street Group is committed to an 18-month implementation plan, which is accelerated from the normal 24-month plan, in order to go live at the end of FY 19-20. Implementation will include a team of approximately 20 Grant Street Group staff working full time on the project, including data conversion and testing.

System Integration

One of the main objectives of the Property Assessment and Tax System Replacement Program is to ensure that the two systems are fully integrated once complete. In order to ensure successful integration, the Controller's Office will engage an external vendor to provide quality assurance and project management oversight on the system integration. Also, the three departments will continue to staff a cross-department Steering Committee throughout the system implementation and after deployment.