CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST
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June 5, 2015

TO: Budget and Finance Sub-Committee

FROM: Budget and Legislative Analyst

SUBJECT: June 10, 2015 Budget and Finance Sub-Committee Meeting

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Item 1 File 15-0463	Department: Office of Economic Workforce Development (OEWD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would extend the film rebate program from July 1, 2015 through June 30, 2019, or an additional four years, and establish a funding limit of $4,000,000 over this four year period, subject to appropriation approval by the Board of Supervisors.

Key Points

- In April of 2006, the Board of Supervisors approved the Film Rebate Program (File 06-0065), which allows film production companies, who produce qualified film productions or qualified low-budget film productions, to receive a rebate of up to 100 percent of qualifying costs previously paid to the City.
- The Film Rebate Program currently expires on June 30, 2015.

Fiscal Impact

- The annual cost of the rebate program has ranged from $0.00 to $831,501. The proposed ordinance would provide an average of $1,000,000 per year of rebates, or a total of $4,000,000 over four years.
- The Mayor's proposed budgets for FY 2015-16 and 2016-17 currently pending before the Board of Supervisors include $800,000 per year for the film rebate program, or a total of $1,600,000 over the two-year period.

Policy Consideration

- The requested extension and $1,000,000 annual increase in the funding limit is consistent with previous Board of Supervisors' policy decisions.
- Based on data on the film rebate program provided by the Film Commission, every dollar the City expended on film rebates between FY 2012-13 and FY 2014-15 generated between $4.71 and $8.34 in direct spending in San Francisco.

Recommendations

- Amend the proposed ordinance to strike the contents of Section 57.8(c)(2) and replace with:

  "Amount of Rebate. Effective July 1, 2015, the City shall pay one dollar for each dollar the qualified low budget film production or qualified film production paid in qualified production costs not to exceed $4,000,000 by July 1, 2019, provided that such rebate payment shall not exceed $600,000 for each such production. The rebates shall be paid from the project account that the Controller has set aside for Film Rebate Program funds (the "Film Rebate Project Account"). The rebates shall not be paid from funds dedicated under bond or other legal financing covenants. Rebates paid under this Section 57.8 shall be paid only to those qualified low budget film productions or qualified film productions whose filming commenced on or after May 20, 2006."
- Approve the proposed ordinance as amended.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Section 2.105 of the City Charter allows the Board of Supervisors to amend the Administrative Code by ordinance.

Background

In April of 2006, the Board of Supervisors approved the Film Rebate Program (File 06-0065), which allows film production companies, who produce qualified film productions or qualified low-budget film productions, to receive a rebate of up to 100 percent of qualifying costs previously paid to the City. Qualifying costs include:

- Taxes paid to the City, not including hotel or sales tax;
- City departments' costs for the use of the departments' equipment, property or employees' time;
- Film Commission's daily use permit fees;
- Police officers' time, up to four police officers per day for a maximum of 12 hours per day per police officer; and
- Property lease costs, when alternative City property is not available.

Administrative Code Section 57.8 states that the purpose of the Film Rebate Program is to increase the (a) number of film productions in San Francisco, (b) number of City residents employed in the filmmaking industry, and (c) resulting economic benefits to San Francisco. The Film Rebate Program currently expires on June 30, 2015. Administrative Code Section 57.8(c)(2) specifies that the total amount of rebates paid by the City to the film production companies shall not exceed $3,000,000 from July 1, 2012 through the expiration of the Film Rebate Program on June 30, 2015, with no individual rebate exceeding $600,000. In addition, the Administrative Code provides that film production companies must demonstrate good faith efforts to hire San Francisco residents through the City's First Source hiring program.

Qualified film productions include any feature length film, documentary, docudrama, television film, television pilot, reality program or each episode of a television series or web series where 65 percent of the days are filmed in the City. Qualified low-budget film productions include any feature length film, documentary, docudrama, television film, television pilot, reality program or each episode of a television series or web series where at least 55 percent of the days are filmed in the City and the total budget is $3,000,000 or less.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would extend the film rebate program from July 1, 2015 through June 30, 2019, or for an additional four years, and establish a funding limit of $4,000,000 over the four year period for the total amount of rebates to be paid by the City to qualified film production companies, subject to appropriation approval by the Board of Supervisors.

Based on discussions with the office of the sponsor of the proposed ordinance, the City Attorney's Office and the Executive Director of the Film Commission, the proposed ordinance should be amended to clarify the intent of the proposed legislation.

FISCAL IMPACT

Table 1 below shows the actual rebates paid by the City to qualified film production companies for specified expenditures under the film rebate program since its inception in FY 2006-07.

Table 1: Actual Expenditures on Film Rebate Program

Fiscal year	Actual Expenditures
FY 06-07	$42,151
FY 07-08	0
FY 08-09	171,049
FY 09-10	535,212
FY 10-11	164,277
FY 11-12	627,131
FY 12-13	231,025
FY 13-14	831,501
FY 14-15[1]	723,995
Total	**$3,326,341**

Source: Office of Economic and Workforce Development

[1] Fiscal Year 2014-15 represents expenditure data through June 1, 2015.

As shown in Table 1 above, annual expenditures have ranged from $0 to $831,501 per year. Currently, between July 1, 2012 and June 30, 2015, a three-year period, film rebates are limited to a total of $3,000,000 or an average of $1,000,000 per year. If the proposed ordinance is approved, the film rebate program would be extended for four years and an additional $4,000,000 would be available for funding rebates during the extended four-year period from July 1, 2015 through June 30, 2019, or an average of $1,000,000 per year. The Mayor's proposed budgets for FY 2015-16 and 2016-17 currently pending before the Board of Supervisors include $800,000 per year for the film rebate program or a total additional appropriation of $1,600,000, for the film rebate program over the next two years.

POLICY CONSIDERATION

The Film Commission Estimates that the Program has generated $9,270,221 spending in San Francisco since June 2012

Based on data pertaining to the film rebate program provided by the Film Commission,[1] Table 2 below shows the estimated direct spending in the San Francisco economy generated by film productions for which rebates were paid. As shown below, every dollar the City expended on film rebates between FY 2012-13 and FY 2014-15 generated between $4.71 and $8.34 in direct spending in San Francisco. This assumes that these productions would not film in San Francisco were it not for the film rebate program.

Table 2: Direct spending generated by film rebate program

Fiscal Year	Direct Spending	Rebate	Economic Multiplier
FY 12-13	$1,927,745	$231,025	$8.34
FY 13-14	3,933,868	831,501	4.73
FY 14-15[1]	3,408,608	723,995	4.71
Total	**$9,270,221**	**$1,786,521**	**$5.19**

Source: Office of Economic and Workforce Development

[1] Fiscal Year 2014-15 represents expenditure data through March 1, 2015. According to Mr. Pascual, there have been no film rebate expenditures since that time.

The legislation previously approved by the Board of Supervisors authorizing the film rebate program requires that the Director of the Film Commission provide the Board of Supervisors with an annual report on the implementation of the film rebate program. The Budget and Legislative Analyst has confirmed that these reports were submitted to the Board of Supervisors for fiscal years 2012-13 and 2013-14. Ms. Susannah Robbins, Executive Director of the Film Commission, states that she will report to the Board of Supervisors on fiscal year 2014-15 no later than December 1, 2015.

The Requested Funding Limit is Consistent with previous Board of Supervisors Policy

The two most recent extensions of the film rebate program were each approved with an average $1,000,000 per year funding limit. File 12-0406 extended the film rebate program two years, from July 1, 2012 through June 30, 2014 with funding of up to $2,000,000 ($1,000,000 per year). Similarly File 13-0937 extended the film rebate program by one year, from July 1, 2014 through June 30, 2015 and increased the funding limit by $1,000,000. Based on these previous Board of Supervisors' policy decisions to extend the film rebate program and increase the funding limit by $1,000,000 per year, approve the proposed ordinance.

[1] Data is based on the expense forms and wages paid to local hires that film production companies must complete to receive the rebates. Dividing the annual amount of direct spending by the annual amount of the rebate provides the Economic Multiplier, or the number of dollars generated in direct spending for every dollar of rebate.

RECOMMENDATIONS

1. Amend the proposed ordinance to strike the contents of Section 57.8(c)(2) and replace with:
   "Amount of Rebate. Effective July 1, 2015, the City shall pay one dollar for each dollar the qualified low budget film production or qualified film production paid in qualified production costs not to exceed $4,000,000 by July 1, 2019, provided that such rebate payment shall not exceed $600,000 for each such production. The rebates shall be paid from the project account that the Controller has set aside for Film Rebate Program funds (the "Film Rebate Project Account"). The rebates shall not be paid from funds dedicated under bond or other legal financing covenants. Rebates paid under this Section 57.8 shall be paid only to those qualified low budget film productions or qualified film productions whose filming commenced on or after May 20, 2006."
2. Approve the proposed ordinance as amended.

Item 11 File 15-0531	Department: Controller's Office (Controller)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve two contracts: (1) a software license and maintenance agreement with Oracle America, Inc. in an amount not to exceed $27,792,116 and (2) a professional services contract with Accenture LLP in an amount not to exceed $23,068,777, for a combined not to exceed amount of $50,860,893 in order to replace the City's financial system.

Key Points

- The City's current financial system, FAMIS, is 25 years old and needs to be replaced.
- On April 21, 2015, the Board of Supervisors approved the City's Five Year Information and Communication Technology Plan for FY 2016 – 2020 (File 15-0223), which recommends funding the proposed replacement of FAMIS.
- The Controller's Office received three bids and is now recommending awarding two contracts to Oracle and Accenture.
- The contract with Oracle would extend for one year, beginning July 1, 2015, and include nine optional one-year extensions, for a total of ten years. The software licenses in the proposed Oracle contract continue in perpetuity. The professional services contract with Accenture would extend for 27 months, from July 1, 2015 through September 30, 2017, and include one optional one-year extension.

Fiscal Impact

- The total City budget for the FY 2015-16 and FY 2016-17 for the FAMIS replacement is $58,578,196. This includes the cost of City employees, office lease and other real estate costs, and the cost of the proposed contracts over that period.
- The Controller's Office allocated 200 points or 10 percent of the total 2,000 possible points for the cost portion of the bidders' proposals. The Accenture/Oracle bid at $26,987,556 was $10,289,328 or 61.6% more than the $16,698,228 for the second place bidder, CGI. The significant difference in cost is attributable to the higher hourly rates in the Oracle/Accenture bid and the additional 40,718 work hours in the proposed Accenture/Oracle bid relative to the CGI bid.

Recommendation

- Approve the proposed resolution. While the Accenture/Oracle bid cost was $10,289,328 or 61.6% more than the second place bidder, and the total cost for both contracts was subsequently negotiated to include additional software and technical support for a total not to exceed $50,860,893, the Controller's Office went through a competitive process and, in their professional judgment, the proposed contracts represent the best option to replace the City's financial system.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118(b) states that contracts entered into by a department, board or commission that (1) have a term of ten years or more, (2) require expenditures of $10 million or more, or (3) require a modification with a $500,000 impact or more is subject to Board of Supervisors approval.

Background

For 25 years, the City's financing and accounting information system (FAMIS) has been the City's official system for accounting, budgeting, purchasing, and financial reporting. The Controller's Office assessed the City's need for a modern financial management system and issued a request for proposals to replace FAMIS in October 2014. The Controller's Office received three bids and is now recommending awarding a contract based on the joint bid from Oracle and Accenture. See Fiscal Impact Section for details of the bid.

The Accenture/Oracle bid proposes to replace FAMIS with an Enterprise Resource Planning System (ERP System) by (1) licensing and maintaining Oracle's PeopleSoft and Business Intelligence software and (2) entering into a professional consulting services contract with Accenture LLP to help manage the ERP System's implementation, including data migration from FAMIS, customizing the system to the City's needs, and training staff to use the new system.

PeopleSoft and Business Intelligence Software

Oracle's PeopleSoft is a suite of software designed to manage an enterprise's human resources and financial data. Currently, the City uses PeopleSoft to manage human resource data. The proposed contract with Oracle would purchase licenses for PeopleSoft's financial suite of software programs, including Purchasing/Supply Chain Management. According to bid materials provided by the Controller's Office, PeopleSoft met 98 percent of the City's request for proposal requirements for replacing FAMIS. In addition, the proposed contract would license business intelligence software from Oracle designed to provide integrated reporting capabilities to the new financial system.

Accenture Implementation

According to materials provided by the Controller's Office, Accenture is a technology and management consulting firm that has implemented 200 similar ERP Systems for US public sector organizations, including the State of California, Caltrans, Alameda County, and Riverside County.

ERP System

According to Mr. Mike Dearman, Project Director at the Controller's Office, an ERP System is a fully integrated suite of programs designed to manage business processes. The proposed ERP System will include financial, purchasing and supply chain management and business intelligence, and integrated reporting functions.

Mr. Dearman notes that the Controller is seeking to replace FAMIS because it is a legacy system that can no longer be upgraded or supported. Further, many City departments have supplemented FAMIS with other financial and management applications, which have resulted in non-standardized and duplicative financial data systems across City departments. The proposed new ERP System will integrate these various financial applications into one streamlined financial and administrative system for the City.

On April 21, 2015, the Board of Supervisors approved the City's Five Year Information and Communication Technology Plan (ICT Plan) for FY 2016 – 2020 (File 15-0223), which recommends funding the proposed replacement of FAMIS.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve two contracts: (1) a software license and maintenance agreement with Oracle America, Inc. in an amount not to exceed $27,792,116 and (2) a professional services contract with Accenture LLP in an amount not to exceed $23,068,777, for a combined not to exceed amount of $50,860,893 in order to replace the FAMIS system.

The contract with Oracle would extend for one year, beginning July 1, 2015, and include nine optional one-year extensions, for a total of ten years, after which the City would need to renegotiate with Oracle regarding the terms of continuing to provide technical support for the software. The software licenses in the proposed Oracle contract continue in perpetuity. The professional services contract with Accenture would extend for 27 months, from July 1, 2015 through September 30, 2017, and include one optional one-year extension. If the proposed resolution is approved by the Board of Supervisors, for both the Oracle and Accenture contracts, the options to extend would not be subject to Board of Supervisors' approval.

The implementation of the ERP System is scheduled to take place over the next two fiscal years, in FY 2015-16 and FY 2016-17, with the ERP System scheduled to be fully implemented on July 1, 2017. As stated above, the City has the option to renew the Accenture contract for one additional year and the Oracle contract for up to nine additional years. The timeline for the implementation of the ERP System is shown below in Table 1.

Table 1: Timeline for ERP System Implementation

Project Phase	Schedule
Project Team Training	July, 2015
Business Process Analysis	August, 2015 – October, 2015
Plan/Analyze/Design Phase	October, 2015 – May, 2016
Build Phase	June, 2016 – October, 2016
Test Phase	November, 2016 – March, 2017
Change Management	June, 2016 – March, 2017
End User Training	July, 2016 – June, 2017
Deployment Phase	April, 2017 – June, 2017
Release	**July 1, 2017**
Post Release Support	July, 2017 – September 2017

The City and Accenture will jointly implement the ERP System with City staff in the Controller's Office completing approximately 50% of the work. Accenture will provide up to 44.6 FTEs and will, according to the draft contract, "staff with additional resources to complete the responsibilities as outlined in the statement of work." Accenture's staff will work in the Controller's Office and be co-located at 1155 Market on the 6th Floor with the City's Project Team.[1]

The City will provide 39 FTEs to work on the implementation, which includes no new FTE positions as all 39 authorized positions were approved in FY 2014-15; these positions are annualized in the Controller's proposed budget for FY 2015-16. According to Mr. Dearman, of the 39 authorized City staff expected to work on the system's implementation, at this time, 28 FTEs are assumed to be filled using permanent exempt recruitments to meet the two-year project implementation timing and 11 FTEs are assumed to be permanent ongoing positions. The Accenture/Oracle, CGI and Phoenix/SAP proposals were all based on an assumption of 39 FTE City staff positions.

FISCAL IMPACT

Table 2 below shows the City's budget of $58,578,196 for the ERP System and its implementation for fiscal years 2015-16 and 2016-17, including City staff as well as the proposed contracts with Oracle and Accenture. The Oracle contract budgeted amount of $12,614,814 is less than the proposed not to exceed amount of $27,792,116 because the proposed Oracle contract cost has nine options to extend, whereas the amounts shown in Table 2, are for the next two fiscal years only.

Table 2: City Budget for the ERP System, FY 2015-16 & 2016-17

Item	Amount in FY 15-16 & 16-17
Salaries and Fringe Benefits	$12,556,029
Overhead	1,118,439
Accenture contract	23,068,777
Oracle contract	12,614,814
Other professional services[1]	2,347,697
Materials, supplies, and hardware purchases[2]	2,191,510
Real estate expenses[3]	3,827,802
Other City expenses[4]	853,128
Total	**$58,578,196**

Source: Controller's Office

[1] This includes training for City employees and professional services to document existing system interfaces, project scoping, RFP consulting services, and independently verifying the success of the ERP System.

[1] The lease for 1155 Market Street was approved by the Board of Supervisors in November 2012 (File 12-1048).

[2] This includes $2 million of data serves, related operating software, and installation to support the new ERP System.
[3] This includes $2,028,003 for office rent and $1,564,118 for renovation and furniture costs to house the implementation team at 1155 Market Street.
[4] This includes of $833,849 pass-through and allocation charges to the Department of Technology and other work order charges.

Source of Funding

Of the total $58,578,196 in City funding for the ERP System in FY 2015-16 and FY 2016-17, $20,602,729 (35%) would be funded through work orders to Enterprise Departments and self-supporting departments, $4,223,258 (7%) would come from work orders from General Fund supported Departments, and $33,752,209 (58%) would come directly from the General Fund.

Tables 3 and 4 below show the breakdown of the each of the proposed contract's budgets.

Table 3: Oracle Contract Budget

Item	Not to Exceed Amount
Total License Fees	$8,228,842
Total Support Fees Year 1	1,645,769
Total Support Fees Years 2-10	15,319,011
Subtotal License and Support Fees	**$25,193,622**
10% Contingency for License Fees	822,885
10.5% Contingency for Support Fees, Years 1-10	1,775,609
Subtotal Contingency	**$2,598,494**
Total License and Support Fees	**$27,792,116**

Source: Controller's Office

As stated above, the license fees for Oracle's PeopleSoft and Business Intelligence software suites are in perpetuity and have a one-time cost of $8,228,842, with a ten percent contingency of $822,885.[2] The balance of the Oracle contract budget is for software support services,[3] which are $1,645,769 for the first year of the contract and $1,702,112 on average per year thereafter ($15,319,011 divided by nine years), to the extent that the City exercises its option to renew the proposed Oracle contract. There is an approximate 10.5% contingency totaling $1,775,609 to cover any additional costs of support fees over the ten year period. As shown in Table 3 above, if the City exercises all nine year options to renew, and uses all the contingencies, the maximum ten-year cost for the proposed Oracle contract would be $27,792,116.

[2] License fees have a contingency budget in case the City needs to purchase additional licenses. The City has negotiated a two year price hold on the cost of additional licenses.
[3] Software support service fees are calculated as 20% of the net license fees for initial purchase and 22% for additional purchases. The services include upgrades, maintenance and technical support. According to Mr. Dearman, the project technical team would be the most likely group to request support services.

Table 4: Accenture Contract Budget

Item	FY15-16	FY16-17	FY17-18	Total Not to Exceed Amount
System Implementation Services	$8,139,183	$9,640,739	$1,027,392	$18,807,314
20% Contingency	1,627,837	1,928,148	205,478	3,761,463
Subtotal System Implementation	**$9,767,020**	**$11,568,887**	**$1,232,871**	**$22,568,777**
Software License	500,000			500,000
Total	**$10,267,019**	**$11,568,887**	**$1,232,871**	**$23,068,777**

Source: Controller's Office

Table 4 above shows the breakdown of the budget for the proposed contract with Accenture to implement the ERP System. The Accenture contract includes a one-time cost of $500,000 in fiscal year 2015-16 to license implementation software from Accenture in perpetuity. In addition, the City expects to expend $9,767,020 and $11,568,887 in fiscal years 2015-16 and 2016-17, respectively, on Accenture's consulting services to assist in implementing the ERP System, including a 20 percent contingency for additional unexpected costs.[4] Costs in fiscal year 2017-18 are estimated at $1,232,871 because the Accenture contract only extends for three months for post release support, from July through September 2017. However, as stated above, the City has the option to renew for one additional year after the contract's expiration on September 30, 2017. The optional one-year extension under the Accenture contract would not increase the total not-to-exceed $23,068,777 contract amount.

Bid Responses

As shown below in Table 5, the Controller's Office received three responses and the Accenture/Oracle bid scored 1,724 points, the highest based on a total 2,000 possible points.

Table 5: Results of FAMIS Replacement Bid[1]

	Accenture/Oracle	CGI	Phoenix/SAP
Stage 1	900	904	862
Stage 2	824	792	682
Total points	**1724**	**1696**	**1544**

Source: Controller's Office

[1] Scores are out of a total possible 2,000 points

The Controller's Office allocated 200 points or 10 percent of the total 2,000 possible points for the cost portion of the bidders' proposals. Table 6 below shows the proposed cost submitted by each of the three bidders. As shown in Table 6, the Accenture/Oracle bid at $26,987,556 was $10,289,328 or 61.6% more than the $16,698,228 for the second place bidder, CGI. The

[4] Charges to the contingency would require a change order per the terms of the proposed contract and would be based on hourly rates which range from $40 per hour for offshore developers to $365 per hour for the Project Director. Hourly rates in the Accenture contract average $170 per hour, weighted by FTE.

significant difference in cost is attributable to the higher hourly rates in the Oracle/Accenture bid and the additional 40,718 work hours in the proposed Accenture/Oracle bid relative to the CGI bid.

Table 6: Proposed Project Costs and Hours

	Accenture/Oracle	CGI	Phoenix/SAP
Cost	$26,987,556	$16,698,228	$15,901,934
Hours	110,558	69,840	63,000

Source: Controller's Office

As shown in Table 6 above, costs in the proposed bid by Accenture/Oracle represents $2,366,085 of software costs, $22,568,777 of implementation costs, and $2,052,694 of software maintenance costs for five years, totaling $26,987,556. After the bid was awarded to Accenture/Oracle, the City negotiated an additional five years of software maintenance and additional software, raising the cost of the contracts to a not to exceed amount of $50,860,893 in the two proposed contracts, which includes optional contract extensions of up to one year for Accenture and up to nine additional years for Oracle.

In summary, the proposed Accenture/Oracle bid cost was 61.6% more than the second place bidder. However, the Controller's Office weighted the cost criteria to be only ten percent of the total bid package, such that the higher resource allocation of the Accenture/Oracle bid was preferred. Mr. Todd Rydstrom, Deputy Controller advises that based on the proposals evaluated, including specific demonstrations by each of the proposing firms for the City's evaluation panel, the Accenture/Oracle approach and staffing hours was commensurate with the expected workloads, outreach, training and change management anticipated for 50+ City & County departments, including all financial accounting, purchasing, contracts, projects, grants, inventory management, payables, receivables, reporting and analytics.

RECOMMENDATION

Approve the proposed resolution. While the Accenture/Oracle bid cost was $10,289,328 or 61.6% more than the second place bidder, and the total cost for both contracts was subsequently negotiated to include additional software and technical support for a total not to exceed $50,860,893, the Controller's Office went through a competitive process and, in their professional judgment, the proposed contracts represent the best option to replace the City's financial system.

Item 12 File 14-0950	Department: General Services Agency - City Administrator's Office (CAO)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would (1) transfer the fleet management and vehicle selection elements of the Healthy Air and Clean Transportation Program from the Department of the Environment to the City Administrator; (2) replace the mandatory fleet reduction requirements with new policies to optimize the size and use of the City's vehicle fleet; and (3) authorize master contracts for City use of car-sharing services.

Key Points

- In 2010, the Board of Supervisors adopted the Healthy Air and Clean Transportation Program (HACTO). The legislation required each department to remove from service five percent of the department's existing total number of non-safety, passenger and light duty vehicles annually over a five-year period. It also required the removal of vehicles older than 12 years of age, beginning no later than July 1, 2015, and continuing each year thereafter.
- As of December, 2014, vehicle telematics (also known as black boxes or global positioning systems) are installed in 2,700 vehicles in the City's fleet, with a plan to install telematics in an additional 776 vehicles, or 40 percent of the City's fleet. With the data generated from the vehicle telematics, the City Administrator, Fleet Services and the departments can make better informed decisions about which vehicles to remove from the fleet when implementing reductions.
- Once vehicles are removed from the fleet, there may also be a need to develop a shared vehicle pool, with cars either owned or operated by government agencies, which government workers can access to make trips during the work day. Some departments, including the Airport and the Department of Public Health, already allow their employees to utilize City CarShare accounts to access privately-owned cars.

Fiscal Impact

- Both the Budget and Legislative Analyst and the City Administrator estimated cost savings to be achieved by reductions to the non-safety vehicle fleet. Savings vary depending on the number of cars reduced and the speed with which they are eliminated from the fleet.

Recommendations

- Amend the proposed ordinance to require that the master car sharing contracts be competitively bid consistent with Administrative Code Section 21.1.
- Approval of the ordinance provision that waives the other contracting requirements of the Administrative or Environment Code, such as Local Business Enterprise and First Source Hiring, is a policy decision for the Board of Supervisors.
- Approve the other provisions of the ordinance, including (1) transfer of fleet management and vehicle selection from the Department of the Environment to the City Administrator; (2) replace the mandatory fleet reduction requirements with policies to optimize the size and use of the City's vehicle fleet, and use technology to promote the safe and environmentally-friendly use of vehicles; and (3) authorize master contracts for City use of car-sharing services.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

According to Charter Section 2.105, all legislative acts shall be by ordinance and require the affirmative vote of at least a majority of the members of the Board of Supervisors.

Background

In 2010, the Board of Supervisors adopted the Healthy Air and Clean Transportation Program (HACTO). The legislation required each department to remove from service up to five percent of the department's City-owned total number of non-safety, cars and light duty trucks each year over a five-year period. It also required the removal of City-owned vehicles older than 12 years of age, beginning no later than July 1, 2015, and continuing each year thereafter. If the Director of the Department of the Environment found that such vehicles are necessary for departmental operations, then the Director of Environment could issue a waiver for the vehicle reduction requirements.

To-date, 23 out of 38 departments are considered to be HACTO compliant, meaning that they have either met their vehicle reduction requirements or have received waivers for vehicle reductions from the Department of the Environment, while 15 departments have not complied with the requirements of HACTO. Non-compliant departments had 2,143 vehicles eligible for reduction in 2010. The 15 departments which have not complied with HACTO have collectively requested 828 vehicle reduction waivers. To date, the non-compliant departments have only reduced 177 vehicles, or 8 percent of the 2,143 vehicles.

As under the HACTO legislation, past efforts to reduce the number of non-safety City-owned vehicles focused on reducing vehicles that reached a certain age or mileage threshold. These factors alone may not be sufficient to determine whether a vehicle is underutilized. Other factors that should be considered are total mileage compared to vehicle age, a vehicle's relative annual mileage compared to the mileage of other vehicles in the department, average daily usage of a vehicle, and vehicle condition.

To capture the additional data points about vehicle usage that are needed to more accurately assess whether a vehicle is underutilized, vehicle telematics, which are also known as black boxes or global positioning devices, can be used to track vehicle usage frequency, location, mileage, speed reached, mechanical problems, and other related information. As of December 2014, vehicle telematics were installed in 2,700 City vehicles, including 1,350 non-safety vehicles. There is a plan to install telematics in an additional 776 vehicles.

With the data generated from the vehicle telematics, the City Administrator, Fleet Services and the respective City departments should be able to make better informed decisions about which vehicles to remove from the fleet when implementing reductions.

Based on the Budget and Legislative Analyst's survey of other cities, once vehicles are removed from the fleet, there may be a need to develop a shared vehicle pool which government workers can access to make trips during the work day. The shared vehicle pool may include establishing accounts with private car sharing businesses such as City CarShare[1]. Some departments, including the Airport and the Department of Public Health, already allow their employees to utilize City CarShare accounts to access privately-owned cars. City CarShare has a plan specifically for use by government workers.

Another option being pursued by the City is the installation of vehicle on-demand technology in City-owned vehicles that can track vehicle usage, and enable departments to manage vehicle reservations through a shared vehicle pool. In January 2015, the Office of Contract Administration issued a Request for Proposals for a vehicle on-demand system (VODS) to be installed in various City-owned vehicles. According to the City Administrator's Office, approximately 165 vehicles will be enrolled in the VODS system, with the potential to expand to 300 vehicles, once the contract for a vehicle on-demand system is awarded.

The Budget and Legislative Analyst interviewed fleet management representatives from other cities that have reduced their non-safety vehicle fleet and implemented car-sharing systems. Three possible car-sharing models were identified by these other city fleet management representatives, including (1) privately-owned vehicles, where the city pays per hour to utilize vehicles owned and managed by the privately-owned car-sharing company; (2) city-owned vehicles, where the city pays for car-sharing technology to be installed in city-owned vehicles that are managed by the city; and (3) a hybrid model of private and city-owned vehicles, where the city owns vehicles managed by a private company, with access to private shared vehicles to be used in overflow situations. The hybrid model was most frequently recommended by the other cities interviewed.

DETAILS OF PROPOSED LEGISLATION

The proposed Ordinance (14-0950) revises Environment Code Sections 400, 401, 403,404, 405, and 412, and Administrative Code Sections 4.10-1,2 and 4.15, as follows:

1) Transfer the fleet management and vehicle selection elements of the Healthy Air and Clean Transportation Program from the Department of the Environment to the City Administrator;
2) Replace the mandatory vehicle reduction requirements with policies to optimize the size and use of the City's vehicle fleet, use technology to promote the safe and environmentally-friendly use of vehicles, and reduce average per-mile greenhouse gas emissions from City fleet vehicles;
3) Authorize master contracts for City use of car-sharing services; and
4) Make other technical and conforming changes and affirm the Planning Department's determination under the California Environmental Quality Act (CEQA).

[1] City CarShare is a non-profit car sharing organization in which members pay a monthly fee and hourly rates to rent cars owned by City CarShare. Other car share businesses include Zipcar and the traditional car rental businesses that have implemented car share programs.

Transfer of Fleet Management

The proposed ordinance transfers the management and selection of the vehicle pool under HACTO from the Department of the Environment to the City Administrator. It also transfers all non-safety vehicles owned, leased or rented by the City and previously assigned to, or placed under the jurisdiction of, any officer or department, to the City Administrator. It specifically requires that the City Administrator (1) implement the policies outlined in the legislation to optimize the fleet and (2) report on progress of the implementation.

Under the proposed ordinance, the City Administrator will have primary authority over vehicles now placed under his or her jurisdiction, but may assign these vehicles for use by City officers and departments. The City Administrator may adopt rules and regulations necessary to implement a vehicle fleet management program, including rules covering: terms, conditions, and fees for assignment of vehicles by the City Administrator to individual City officers and departments; vehicle maintenance programs; and vehicle replacement plans.

The proposed ordinance also authorizes the City Administrator to establish, maintain and operate a vehicle pool at a location or locations to be determined by the City Administrator, from which the City Administrator will make vehicles available to authorized officers and employees of the City as needed. The City Administrator may adopt regulations governing the requisition and operation of vehicles assigned to the automobile pool and any matters related to the maintenance and operation of the pool.

Vehicle Reduction Policies

The proposed ordinance requires the City Administrator to use technology, including telematics and vehicle assignment systems, to right-size the existing fleet, reduce idling, reduce underutilization of vehicles, and promote the safe use of vehicles.

The City Administrator will also align green-house gas reduction goals with Federal Executive Order – Planning for Federal Sustainability in the Next Decade, to a baseline of emissions in fiscal year 2014, to achieve the following percentage reductions of greenhouse gases:

A) Not less than 4 percent by the end of fiscal year 2017; and

B) Not less than 15 percent by the end of fiscal year 2021.

The City Administrator is also required to conduct a review one year after the initial implementation of the fleet reduction policies and every year thereafter, to:

1) Assess telematics data;
2) Review developments in low carbon fuels;
3) Evaluate possible coverage of additional vehicle classes; and
4) Evaluate green-house gas reduction goals, and other topics the City Administrator deems are relevant.

The review will also serve as a basis for the City Administrator, in consultation with the Director of the Department of the Environment, to adopt and implement further policy changes regarding fleet management as appropriate.

Master Car-Sharing Contract

Under the proposed ordinance, the City Administrator, or the Purchaser or Director of the City Fleet,[2] is authorized to enter into master agreements with vendors for the procurement of car-sharing services to be used by authorized officers and employees of the City. Agreements for the use of shared vehicles will contain a provision authorizing priority and potentially exclusive use of all available vehicles within the City and County of San Francisco by authorized officers and employees of the City.

Master car sharing contracts entered into under the proposed ordinance would not be subject to the contracting requirements of the Administrative or Environment Codes, such as competitive solicitation of contracts, or Local Business Enterprise and First Source Hiring[3]. City policy is to make every effort to comply where practicable with the contracting requirements of the Administrative and Environment Codes when entering into such contracts.

FISCAL IMPACT

The City Administrator estimated the cost savings to be achieved from a reduction in underutilized vehicles. An internal analysis conducted by the City Administrator found that a 5 percent reduction to the non-safety fleet would generate a $2.9 million savings over a 4-year period. Other efficiencies would be achieved through reduced idling and greater oversight of vehicle use. A 5 percent reduction in fuel usage would result in $363,000 in estimated annual savings; a 10 percent reduction in fuel usage would result in $725,000 in estimated annual savings. The proposed ordinance requires the City Administrator to report to the Board of Supervisors annually on changes made to fleet composition, at which point specific cost savings estimates will be made available.

The City Administrator also estimated that it is less expensive for the City to own and operate shared vehicles than it is to use private car-sharing services. On a mile-by-mile basis, the City can operate the program for $.81/mile, whereas historical City CarShare billings to the City average $2.05/mile for light-duty cars.

The City Administrator is currently in the process of extending the contract with City Car Share, a process which only requires administrative approval. The contract can be renewed for a maximum of 2.5 years.

The City Administrator's proposed fiscal year 2015-16 budget includes one 1823 Senior Administrative Analyst position with total first-year costs including salary and benefits of $111,500 to administer the vehicle program established by this ordinance.[4]

[2] The Purchaser and the Director of the City Fleet report to the City Administrator.

[3] The ordinance does not exclude these master agreements from the City's sunshine requirements under Administrative Code Section 67.

[4] Annualized salary and fringe benefit costs for the 1823 Senior Administrative Analyst position are $143,000.

POLICY CONSIDERATION

The proposed ordinance should be amended to require that the master car sharing contracts be competitively solicited, consistent with Administrative Code Section 21.1. The provision under the proposed ordinance that waives the other contracting requirements of the Administrative or Environment Code is a policy decision for the Board of Supervisors.

The Budget and Legislative Analyst recommends approval of the other provisions of the proposed ordinance to (1) transfer the fleet management and vehicle selection elements of the Healthy Air and Clean Transportation Program from the Department of the Environment to the City Administrator; (2) replace the mandatory fleet reduction requirements with policies to optimize the size and use of the City's vehicle fleet, and use technology to promote the safe and environmentally-friendly use of vehicles; and (3) authorize master contracts for City use of car-sharing services.

RECOMMENDATIONS

1) Amend the proposed ordinance to require that the master car sharing contracts be competitively solicited, consistent with Administrative Code Section 21.1.

2) Approval of the provision under the proposed ordinance that waives the other contracting requirements of the Administrative or Environment Code, such as Local Business Enterprise and First Source Hiring, is a policy decision for the Board of Supervisors.

3) Approve the other provisions of the proposed ordinance, including (1) transfer the fleet management and vehicle selection elements of the Healthy Air and Clean Transportation Program from the Department of the Environment to the City Administrator; (2) replace the mandatory fleet reduction requirements with policies to optimize the size and use of the City's vehicle fleet, and use technology to promote the safe and environmentally-friendly use of vehicles; and (3) authorize master contracts for City use of car-sharing services.