

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

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October 26, 2018

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: November 1, 2018 Budget and Finance Committee Meeting

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Item 1 File 18-0888	Department: Controller's Office (Controller)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the Controller's Office to enter into the eleventh amendment to an agreement with JobAps, Inc. (JobAps) to provide online job application services for the City. The amendment would extend the agreement term for three years through November 26, 2021, for a total term of fifteen years, and increase the total not-to-exceed amount by \$937,425, from \$2,237,020 to \$3,174,445. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The City entered into the original agreement with JobAps on November 27, 2006 after a competitive solicitation for a total amount not to exceed \$250,000. The agreement has been amended and extended ten times to provide maintenance, customization, and system expansion, and the current total not-to-exceed amount under the tenth amendment is \$2,237,020. The agreement will expire on November 26, 2018. • The eleventh amendment would increase the term of the agreement by three years, for a total term of fifteen years, through November 26, 2021 and increase the not-to-exceed amount by \$937,425 to \$3,174,445. • The Department of Human Resources intends to issue a Request for Proposals for software for job applications, recruitment, testing, certification, referral services, and support services between December 2018 and January 2019. If a vendor is selected through the RFP process, a new contract will be issued to provide the described services. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Under the proposed amendment the total not-to-exceed amount of this agreement will increase by \$937,425, from \$2,237,020 to \$3,174,445 <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution 	

MANDATE STATEMENT

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

City Administrative Code Section 21.30(d) states that where a vendor has proprietary rights to software, software support agreements entered into with that vendor shall be treated as a sole source.

BACKGROUND

In November 2006, the City through the Controller's Office entered into an agreement with JobAps, Inc. (JobAps) following a competitive solicitation to obtain a hosted application for online job application, recruitment, testing, certification, and referral services. The JobAps agreement is managed by the Systems Division of the Controller's Office and supports the City's Department of Human Resources (DHR).

The original agreement was for three years from November 2006 through November 2009, with two 2-year options to extend through November 2013 for a total of seven years. The original agreement amount was \$250,000. Since 2006 the agreement has been amended ten times, extending the term through November 26, 2018 for a total term of twelve years and increasing the total not-to-exceed amount to \$2,237,020, to provide additional maintenance support services and to customize the system for greater functionality at the request of DHR. Table 1 below details the amendment dates, purposes, and amounts of the original agreement and each amendment.

Table 1: JobAps Agreement History and Amendments

Contract	Purpose	End Date	Amendment	
			Amount	Grand Total
Original	Original agreement	November 2009		\$250,000
First	Maintenance/customization	No change	\$38,050	288,050
Second	Maintenance and system expansion	December 2011	196,950	485,000
Third	System expansion and customization	No change	28,000	513,000
Fourth	System expansion	No change	30,000	543,000
Fifth	Maintenance/customization	December 2012	100,000	643,000
Sixth	Maintenance/customization	No change	50,000	693,000
Seventh	Maintenance/customization	December 2013	197,103	890,103
Eighth	Maintenance/customization	December 2014	237,722	1,127,825
Ninth	Maintenance/customization	November 2016	\$496,845	\$1,624,670
Tenth	Maintenance/Customization	November 2018	\$612,350	\$2,237,020

The original agreement and first nine amendments were not subject to Board of Supervisors approval because the total expenditures were less than \$10 million and the agreement term was less than ten years. The tenth amendment extending the contract through November of

2018 and increasing the not-to-exceed amount to \$2,237,020 was approved by the Board on November 10, 2016, in accordance with Charter Section 9.118(b).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the eleventh amendment to the JobAps agreement, which provides for the City's online job application program and related services, increasing the agreement term by three years from November 26, 2018 through November 26, 2021. This results in a total agreement term of fifteen years and increases the total not-to-exceed amount of \$2,237,020 by \$937,425 to an amount not-to-exceed \$3,174,445. The proposed amendment would cover a base-fee for the job application program and provide for continued maintenance support services including quarterly upgrades, cyber security updates, disaster recovery and backup.

Selection of New Vendor

Department of Human Resources intends to rebid the contract between December 2018 and January 2019 in order to meet the needs of the DHR Hiring Modernization Project, an initiative that began in July 2017. The Controller's office previously issued a Request for Information (RFI) for vendors providing online job application and related services programs in July 2016 and DHR issued an RFI for similar services March 2018. In July 2016 three vendors submitted proposals to provide job application software for the City's hiring process, however at that time the City determined that they needed more time to evaluate the City's needs before replacing JobAps. In March 2018, the DHR issued an RFI that was developed using feedback offered by major departments throughout the City. The RFI was closed in May 2018. DHR and the Controller's Office received 21 responses which they are currently reviewing in preparation for issuing a more formal request for proposals.

According to Ms. Anne Marie Monroe, DHR Project Manager for the Hiring Modernization Project, the Department intends to issue an RFP for software for job application, recruitment, testing, certification, referral services, and support services between December 2018 and January 2019. DHR will then view proto-types and select a finalist between March and April of 2019. The Department anticipates negotiating with the contractor and finalizing the new vendor before the start of the new fiscal year in July 2019. This leaves seventeen months of overlap between the selection of the new vendor and end of the JobAps agreement during which time data-migration and testing can occur. According to the original contract the City has the option to terminate the agreement with JobAps at any time by giving written notice of termination. The City could exercise this option in the event that they select a contractor that is able to perform all needed services prior to the expiration of the JobAps agreement.

FISCAL IMPACT

The costs associated with the eleventh amendment can be split into an annual base maintenance fee and an annual maintenance for customizations fee. According to Mr. Keith Miller, Senior Administrative Analyst with the Controller's Office, the extension of the

agreement with JobAps was negotiated to exclude any year to year cost increases. Table 2 summarizes the additional \$937,425 in costs under the proposed eleventh amendment to the agreement.

Table 2: Eleventh Amendment Estimated Cost Breakdown

	11/18-11/19	11/19-11/20	11/20-11/21	Total
Annual Base Fee	\$ 264,600	\$ 264,600	\$ 264,600	\$ 793,800
Annual Maintenance Fee	\$ 47,875	\$ 47,875	\$ 47,875	\$ 143,625
Total cost	\$ 312,475	\$ 312,475	\$ 312,475	\$ 937,425

Source: Contract amendment with JobAps

The annual maintenance fee pays for quarterly upgrades, cyber security updates, disaster recovery and backup, and any necessary customization to ensure the JobAps System works properly.

RECOMMENDATION

Approve the proposed resolution.

Item 2 File 18-0973	Department: San Francisco International Airport (Airport)
EXECUTIVE SUMMARY	
Legislative Objectives	
<p>The requested hearing would release \$2,732,455,418 from Board of Supervisors' reserve for Airport Capital Plan projects.</p>	
Key Points	
<ul style="list-style-type: none"> • Between 2012 and 2017 the Board of Supervisors appropriated \$7,345,486,191 in Airport revenue bonds to fund capital projects at the Airport (not including the Airport hotel project). Of this amount, the Board of Supervisors appropriated \$4,832,455,418 in May 2017, and placed \$2,732,455,418 on Board of Supervisors reserve. Between May 2017 and June 2018, the Airport sold a total of \$1,448,480,000 in revenue bonds, and plans to sell the next series of bonds in January 2019. The Airport is requesting the release of the \$2,732,455,418 on Board of Supervisors reserve in anticipation of the next bond sale in January 2019. The funds would remain on Controller's Reserve pending confirmation of the receipt of debt proceeds. • The Airport's Capital Improvement Plan provides for \$7.392 billion in projects. In September 2017, the Airport Commission approved increasing the Capital Improvement Plan from \$6.67 billion to \$7.392 billion to add new projects of \$122 million and a program reserve of \$600 million. According to the Airport, the appropriations of \$7.345 billion will cover most but not all of the Airport's current \$7.392 billion CIP, and the Airport expects to return to the Board of Supervisors at a later date for additional appropriation. 	
Fiscal Impact	
<ul style="list-style-type: none"> • As noted above, between 2012 and 2017, the Board of Supervisors appropriated \$7,345,486,191 in Airport revenue bonds, which includes \$5,769,775,750 for direct project costs. Financing costs, such as cost of issuance, debt service reserve, capitalized interest, and underwriters discount make up the remaining \$1,575,710,441 of the appropriation. As of October 2018, the Airport has funded \$2,620,789,877 of the direct project costs. • Debt service on the Airport's capital project bonds is paid from Airport revenues. The outstanding and planned future revenue bonds are expected to be fully repaid in 2052 from Airport revenues. Under the Lease and Use Agreement between the Airport and the airlines, the Airport has the authority to increase the landing and terminal fees charged to the airlines to meet its operating expenses, including annual debt service on outstanding Airport revenue bonds. 	
Recommendation	
<ul style="list-style-type: none"> • Approve the release of \$2,732,455,418 on Board of Supervisors reserve. 	

MANDATE STATEMENT

City Administrative Code Section 3.3(e) states that funds for proposed expenditures may be placed in reserve until released by the Board of Supervisors.

BACKGROUND

In May 2017, the Board of Supervisors appropriated \$4,832,455,418 in revenue bond proceeds, placing (a) \$2,100,000,000 on Controller's Reserve pending receipt of bond proceeds, and (b) the remaining \$2,732,455,418 on Board of Supervisors' reserve (File No. 17-0200; Ordinance No. 106-17).

Total Airport revenue bonds previously appropriated by the Board of Supervisors since 2012 are \$7,345,486,191, in support of the Airport's Capital Improvement Plan, as shown below.¹

Board Approval	Appropriation Amount, Including Financing Costs	Bond Appropriation
September 2012	\$543,200,000	File 12-0751
April 2014	1,969,830,773	File 14-0232
May 2017	4,832,455,418	File 17-0200
Total	\$7,345,486,191	

DETAILS OF PROPOSED LEGISLATION

The requested hearing would release \$2,732,455,418 from Board of Supervisors' reserve for Airport Capital Plan projects.

The Airport's Capital Plan

The Airport's Capital Improvement Plan (CIP) from FY 2016-17 had a project total of \$6.67 billion, including spending from prior years through FY 2025-26. The Airport Commission approved an update to the FY 2016-17 Capital Improvement Plan (CIP) in September 2017 to include (a) a CIP reserve of \$600 million to be used to address unforeseen conditions for projects in the FY 2016-17 CIP; and (b) \$122 million for new infrastructure projects added to the CIP. With the addition of the \$600 million reserve and \$122 million for new infrastructure projects, the total CIP budget increased from \$6.67 billion to \$7.392 billion.

Since 2012, the Board of Supervisors has appropriated \$7.345 billion, including (a) costs of issuance, and (b) direct project costs for projects in the current Airport CIP as well as projects that have been completed and are no longer in the CIP. Further, the \$7.345 billion appropriation excludes the Airport Hotel, which received separate appropriation from the Board of Supervisors. According to Mr. Ian Hart, Capital Planning Manager at the Airport, the appropriations of \$7.345 billion will cover most but not all of the Airport's current \$7.392 billion

¹ Note: These totals exclude the Airport Hotel Project, which received separate appropriations from the Board of Supervisors in December 2015 (File No. 15-1076) and July 2017 (File No. 17-0675).

CIP, and the Airport expects to return to the Board of Supervisors at a later date for additional appropriation.

FISCAL IMPACT

As noted above, between 2012 and 2017, the Board of Supervisors appropriated \$7,345,486,191 in Airport revenue bonds, which includes \$5,769,775,750 for direct project costs. Financing costs, such as cost of issuance, debt service reserve, capitalized interest, and underwriters discount make up the remaining \$1,575,710,441 of the appropriation. As of October 2018, the Airport has funded \$2,620,789,877 of the direct project costs. Table 1 below shows the direct project and financing costs for the \$7.345 billion capital program, including project completion dates.

Table 1: Airport Capital Improvement Plan Budget and Schedule Status

	Appropriation				Funded to Date	Prior Completion Date	Current Completion Date
	2012	2014	2017	Total			
<i>Capital Projects</i>							
Airfield Improvements	83,675,667	132,949,836	8,293,664	224,919,167	99,584,414	FY 2018-19	FY 2019-20
Airport Support Improvements	122,622,671	262,481,628	489,265,228	874,369,527	371,436,707	FY 2019-20	FY 2022-23
Groundside Improvements	58,548,500	196,185,000	382,773,947	637,507,447	363,822,929	AirTrain Extension (FY 2019-20); Second Parking Garage (FY 2018-19)	AirTrain Extension (Spring 2020); Second Parking Garage (early 2019); all others by FY 2019/20
Terminal Improvements	181,753,029	767,810,966	2,829,105,383	3,778,669,378	1,706,573,854	FY 2022-23	Terminal 1 - Boarding Area B (Summer 2019); 18-gate opening (early 2020); 25-gate opening (Spring 2021); Terminal 1 complete (late 2022); Terminal 3 West Modernization (late 2022); all others by FY 2020-21
Utility Improvements	54,595,733	97,007,270	102,707,228	254,310,231	79,371,972	Power and Lighting (FY 2019-20); Wastewater (FY 2020-21)	Wastewater Treatment Plant (late 2019), Power and Lighting (FY 2019-20); all others by FY 2020-21
Subtotal	501,195,600	1,456,434,700	3,812,145,450	5,769,775,750	2,620,789,877		
<i>Financing</i>							
CSA Auditor	1,004,400	2,912,869	7,624,291	11,541,560			
Issuance/ Other	41,000,000	510,483,204	35,751,801	587,235,005			
Reserves			976,933,876				
Total Financing	42,004,400	513,396,073	1,020,309,968	1,575,710,441			
Total Project and Financing Costs			Total	7,345,486,191			

According to Mr. Hart, the Airport funds capital projects on a just-in-time basis to minimize interest costs and avoid penalties imposed by the Internal Revenue Service on delayed spending in tax-exempt bonds², which results in projects receiving funding allocations in 3 to 6 month increments. As shown above, the Airport has funded approximately \$2.6 billion of its current CIP projects, including partial funding of its largest projects currently in development, such as the Terminal 1 projects, the Second Long Term Parking Garage, and the AirTrain Extension.

Between May 2017 and June 2018, the Airport sold a total of \$1,448,480,000 in revenue bonds. According to Mr. Hart, the Airport is requesting the release of the remaining \$2,732,455,418 appropriated in May 2017 in anticipation of the next bond issuance in January 2019. The funds would remain on Controller's Reserve pending confirmation of the receipt of debt proceeds.

Some projects that are anticipated to commence in the next few years that have not yet received funding include: (1) the \$7.6 million Computer Aided Dispatch (CAD) replacement; (2) the \$5.0 million Multi-Use Flight Information Display upgrade; (3) the \$5.0 million International Terminal Boarding Area G improvements; and (4) the \$4.7 million fire alarm system upgrade.

Airport Revenue Bonds Debt Service

Debt service on the Airport's capital project bonds is paid from Airport revenues. The outstanding and planned future revenue bonds are expected to be fully repaid in 2052 from Airport revenues. Revenue bonds for the Airport Hotel, which has appropriation authority outside of the subject appropriation, are expected to be fully repaid in 2058. Under the Lease and Use Agreement between the Airport and the airlines, the Airport has the authority to increase the landing and terminal fees charged to the airlines to meet its operating expenses, including annual debt service on outstanding Airport revenue bonds.

The debt service costs have been factored in the Airport's financial plans, including the Airport's FY 2018-19 and FY 2019-20 operating budgets previously approved by the Board of Supervisors, the Airport's FY 2017-18 CIP, the Airport's Bond Series 2018DEFG financial forecast for the Airport (May 2018), and the Airport's FY 2018-19 rates and charges (July 2018).

RECOMMENDATION

Approve the release of \$2,732,455,418 on Board of Supervisors reserve.

² The IRS prohibits interest earnings on bond proceeds that exceed the interest payments on the bonds.

Item 4 File 18-1007	Department: Mayor's Office
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution approves several actions to enable development of affordable housing at 1950 Mission Street, which is under the jurisdiction of the Mayor's Office of Housing and Community Development: (1) authorize a long term Ground Lease between the City and 1950 Mission Housing Associates, LP for 1950 Mission Housing Associates, LP to lease 1950 Mission Street for 75 years with a 24-year extension option, for lease term of up to 99 years; (2) adopt findings that the Ground Lease is consistent with the California Environmental Quality Act, the City's General Plan, and the priority policies of Planning Code Section 101.1; and (3) authorize the Director of Property and Director of MOHCD to execute documents, make certain modifications, and take certain actions in furtherance of this Resolution. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The property is presently the site of a Navigation Center managed by the Department of Homelessness and Supportive Housing (DHS). DHS is scheduled to vacate the site on November 2, 2018. Construction of the affordable housing project is scheduled to begin December 2018. • Nonprofit housing Developers Bridge Housing Corporation and Mission Housing Development Corporation jointly responded to a Request for Proposals issued by MOHCD in 2015 and were selected to develop the site. The two nonprofits established 1950 Mission Housing Associates, LP, a separate entity under which they will develop and lease the affordable housing. • 1950 Mission Housing Associates, LP will construct 155 units of affordable rental housing for low income households whose adjusted income does not exceed 60 percent of median income for the area. Forty units will be set aside for formerly homeless families, and will be subsidized by the City's General Fund through the Local Operating Subsidies Program (LOSP). An additional two units will be constructed for unrestricted onsite staff units for a building with a total of 157 units <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Rent paid by Mission Housing Associates, LP includes base rent of \$15,000 per year (not adjusted for inflation) and residual rent of \$1,325,000 per year. Combined base rent and residual rent equal 10 percent of the appraised value of 1950 Mission Street of \$13.4 million. Mission Housing Associates, LP only pays residual rent is surplus cash is available after all operating expenses are met. • Over the 75 year term of the lease, the City would receive \$1,125,000 in total base rent. Should the tenant agree to extend the lease for an additional 24 years, the City would receive an additional \$360,000. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten or more years including options to extend, or that has anticipated revenues of \$1 million or more is subject to Board of Supervisors approval.

City Administrative Code Section 23.30 states that leases of City-owned property can be for less than market rent if the lease is for a proper public purpose.

BACKGROUND

The Mayor's Office of Housing and Community Development (MOHCD) owns property at 1950 Mission Street. The Board of Supervisors approved a resolution (File Number 14-0810) in September 2014 to transfer the jurisdiction of 1950 Mission Street from the San Francisco Unified School District to the Mayor's Office of Housing and Community Development as a part of a property exchange. The Mayor's Office of Housing and Community Development paid a fee of \$2,675,000 for the property. An appraisal dated February 21, 2013 valued the property at \$13.4 million.¹

In 2015, MOHCD issued a Request for Proposals (RFP) to develop affordable housing on the vacant property. Nonprofit housing developer Bridge Housing Corporation, in collaboration with nonprofit housing developer Mission Housing Development Corporation, jointly responded and was selected to be the developer. The two nonprofits established 1950 Mission Housing Associates, LP, a separate entity under which they will develop and lease the affordable housing.

The property was originally home to a continuation school and surface parking lot. It is presently the site of a Navigation Center managed by the Department of Homelessness and Supportive Housing (DHS). The tenant, the Department of Homelessness and Supportive Housing, is scheduled to vacate the site on November 2, 2018. The site will then remain vacant until the start of construction, which is scheduled to begin December 2018 and last 24 months.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would

1. authorize a long term Ground Lease between the City and 1950 Mission Housing Associates, LP for 1950 Mission Housing, LP to lease 1950 Mission Street for 75 years with a 24-year extension option, for lease term of up to 99 years. Annual base rent will be \$15,000, in order to construct 155 affordable, multifamily rental housing units for low income households and two staff units;

¹ The City contracted with Clifford Advisory in February 2013, who appraised 1950 Mission Street at \$9.45 million. SFUSD contracted with Cushman & Wakefield in March 2013, who appraised 1950 Mission Street at \$13.4 million. The City and SFUSD agreed to an exchange value for 1950 Mission Street of \$9.78 million.

2. adopt findings that the Ground Lease is consistent with the California Environmental Quality Act, the City's General Plan, and the priority policies of Planning Code Section 101.1; and
3. authorize the Director of Property and Director of MOHCD to execute documents, make certain modifications, and take certain actions in furtherance of this Resolution.

Low Income Housing Project

1950 Mission Housing Associates, LP will construct 155 units of affordable rental housing for low income households whose adjusted income does not exceed 60 percent of median income for the area, less utility allowance². It will include 32 studios, 36 one-bedrooms, 73 two-bedrooms, and 14 three-bedrooms. Forty units will be set aside for formerly homeless families, and will be subsidized by the City's General Fund through the Local Operating Subsidies Program (LOSP). The project will also include two staff units, six units of commercial space and public benefit use totaling 9,380 square feet, and one community serving commercial unit totaling 740 square feet.

Total development costs for 1950 Mission are estimated to be \$105,890,283. Development is funded by federal Low Income Housing Tax Credits, loans and grants from the State of California, developer equity, MOHCD financing, and other sources.

Ground Lease

The key provisions of the Ground Lease are shown in Table 1 below.

² The MOHCD uses Unadjusted income because the United States Department of Housing and Urban Development (HUD) makes cost adjustments to account for areas with high housing costs, such as San Francisco. Households whose Unadjusted income is 70 percent of AMI may still fall slightly below within the HUD unadjusted 60 percent AMI category. Households whose Unadjusted income is 60 percent of AMI may fall slightly below the HUD adjusted 50 percent AMI category. HUD defined 2018 Area Median Income in San Francisco for one person as \$82,900: therefore, 40 percent of AMI is \$33,150; 50 percent of AMI is \$41,450; 60 percent of AMI is \$49,750; and 70 percent of AMI is \$58,050.

Table 1: Key Provisions of Ground Lease

Size of Property	36,400 square feet
Lease Period	75 years (approximately November 2018 through November 2093)
Options to extend lease	Tenant has one 24-year option to extend the lease through 2117 for a total lease term of 99 years
Base rent	\$15,000 per year
Adjustments to base rent	None
Residual rent	Up to \$1,325,000 per year ³
Adjustments to residual rent	10 percent of fair market value on the 15 th anniversary of the first rent payment and every 15 years thereafter
Taxes, insurance, maintenance, utilities	Paid by tenant
Appraised Value	\$13,400,000- appraised February 21, 2014
Number of Units	157 (including staff units)

Source: Proposed Ground Lease

Planning Department Determination

In October 2018, the Department of City Planning found the ground lease to be consistent with the City's General Plan and with the Eight Priority Policies under Planning Code Section 101.1. In December 2017, the Project was determined to be consistent with the Eastern Neighborhoods Area Plan EIR and exempt from environmental review per CEQA Guidelines Section 15183 (Planning Case No. 2016.001514EVN). It was found to be categorically exempt from a Historic Preservation Commission review.

FISCAL IMPACT

Mission Housing Associates, LP would pay base rent of \$15,000 annually, not adjusted for inflation⁴. Over the 75 year term of the lease, the City would receive \$1,125,000 in total base rent. Should the tenant agree to extend the lease for an additional 24 years, the City would receive an additional \$360,000.

Should surplus cash be available from the tenant after payment of all operating expenses, including operating expenses for the commercial units, Mission Housing Associates, LP would pay residual rent to the City. Annual residual rent is up to 10 percent of the appraised fair market value of the property, minus the base rent. At the current appraised value of \$13,400,000 and a base rent of \$15,000, the residual rent is up to \$1,325,000 per year. According to Cindy Heavens, MOHCD Project Manager, the investor and construction lender

³ 1950 Mission Housing Associates, L.P. could pay total annual rent (base rent and residual rent) up to 10 percent of the appraised value of the property. As of February 2013, the appraised value is \$13.4 million; therefore, total annual rent is up to \$1,340,000 and residual rent is up to \$1,325,000 (the difference between total annual rent and base rent of \$15,000).

⁴ Per MOHCD Underwriting Policy, base rent is always set to \$15,000 for affordable housing ground leases.

will allow the City to use their appraisal of 1950 Mission Street, with the appraisal to be completed after November 2018. The Ground Lease is based on the existing appraisal and residual rents will not be impacted by the pending appraisal. The residual rent would be amended every 15 years to reflect the updated fair market value of the property.

Should the tenant not have surplus cash to pay residual rent in a given year, it would need to provide written documentation to the City to verify the insufficiency. According to Ms. Cindy Heavens, MOHCD Project Manager, MOHCD does not anticipate receiving residual revenues at any point during the term of the ground lease due to the high operating costs, including debt repayment obligations, associated with the housing and low revenues.

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 18-0971	Department: Department of Public Health (DPH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would retroactively approve the first amendment to the uncompensated care reimbursement recovery services contract between the Department of Public Health (DPH) and Health Advocates, LLC, extending the contract by four years from January 2018 through December 2021 and increasing the not-to-exceed amount by \$11,714,146, from \$6,300,390 to \$18,014,546. Under the contract, Health Advocates screens patients for MediCal eligibility, and DPH pays Health Advocates a fixed fee for each screening and appeal. The fixed fee increases by 3 percent per year. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • DPH entered into a contract with Health Advocates in 2014, following a competitive solicitation, for Health Advocates to screen DPH clients for MediCal eligibility. Under the contract, Health Advocates screens patients for Medi-Cal eligibility and assists with applications, bills Medi-Cal for DPH services, and represents patients during Medi-Cal appeals. • The original contract expired in December 2017. DPH is seeking retroactive approval because of the time needed to negotiate the contract with Health Advocates, as well as the City Attorney’s review of the contract. Health Advocates has continued to provide uncompensated reimbursement recovery services in 2018, with the understanding that there would be a new contract effective January 1, 2018. During this time, Health Advocates has not billed for services. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • From 2018 through 2021, DPH estimates receiving \$40,000,000 in MediCal reimbursements and paying fees to Health Advocates of \$10,459,068 for net revenues of \$29,540,932. • Estimated feed payments of \$10.5 million under the proposed first amendment are more than actual fee payments of approximately \$6.3 million under the original contract due to the 3 percent per year increase in fees and the addition of MediCal screening for emergency department (ED) outpatient services. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution 	

MANDATE STATEMENT

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (i) have anticipated revenues of \$1 million or more, or (ii) have anticipated revenues of \$1 million or more and require modifications, are subject to Board of Supervisors approval.

BACKGROUND

The Department of Public Health (DPH) uses contract services to assist with Medi-Cal reimbursement for uninsured patients. Services include screening patients for Medi-Cal eligibility and assisting with applications, billing Medi-Cal for DPH services, and representing patients during Medi-Cal appeals. Services are performed both onsite and offsite.

In February 2013, DPH conducted a Request for Proposals (RFP) for uncompensated care reimbursement recovery services. The RFP provided for an original term of one year and nine one-year options to extend the contract, for a total term of up to 10 years. Three proposals were received and scored by a four-member panel as shown in Table 1.

Table 1: Proposers and Scores from RFP

Proposal	Score
Health Advocates, LLC	103.75
CompSpec	76.75
Firstsource	51.25

Health Advocates, which had contracted with DPH for uncompensated care reimbursement recovery services since 2001, was deemed the highest scoring responsive and responsible proposer. In March 2014, the Board of Supervisors approved a contract with Health Advocates, for a four-year term from January 2014 through December 2017 and an amount not to exceed \$6,300,390 (File 13-1240, Resolution 075-14). The contract expired December 31, 2017. According to Ms. Jacquie Hale, DPH Office of Contracts Management and Compliance Manager, DPH has been satisfied with Health Advocates' performance. On December 17, 2017, the Health Commission approved extending the Health Advocates contract by an additional four years through 2021, for a total contract term of eight years.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would retroactively approve the First Amendment to the contract between DPH and Health Advocates, extending the contract from January 1, 2014 through December 31, 2021 and increasing the not-to-exceed amount by \$11,714,146, from \$6,300,390 to \$18,014,546.

According to Ms. Hale, DPH is seeking retroactive approval because of the time needed to negotiate the contract with Health Advocates, as well as the City Attorney's review of the contract.

According to Mr. Mario Moreno, DPH Office of Contract Management and Compliance Director, Health Advocates has continued to provide uncompensated reimbursement recovery services in 2018, with the understanding that there would be a new contract effective January 1, 2018. During this time, Health Advocates has not billed for services. According to Mr. Moreno, approving the contract retroactively would allow DPH to recover approximately \$3.7 million in reimbursements from January through June 2018.

FISCAL IMPACT

The proposed resolution increases the contract's not-to-exceed amount by \$11,714,156 from \$6,300,390 to \$18,014,546. The contract budget by year is shown in Table 2 below.

Table 2: Contract Not-to-Exceed Amounts by Year

Contract Budget by Calendar Year	Amount
<i>Initial Term</i>	
2014 to 2017	\$6,300,390
<i>Proposed First Amendment</i>	
2018	2,500,000
2019	2,575,000
2020	2,652,250
2021	<u>2,731,818</u>
First Amendment Subtotal	\$10,459,068
Contingency (12%)	<u>1,255,088</u>
Total First Amendment	\$11,714,156
Total Contract	<u>\$18,014,546</u>

Under the contract, Health Advocates is paid a fixed fee for each type of service. The fixed fee for each service in 2018 is approximately 3 percent more than the fixed fee for these services in 2017, and increases by approximately 3 percent per year in 2019, 2020, and 2021. Total estimated fee payments by DPH to Health Advocates are shown in Table 3 below. Estimated fee payments of \$10.5 million under the proposed first amendment are more than actual fee payments of approximately \$6.3 million under the original contract due to the 3 percent per year increase in fees and the addition of MediCal screening for emergency department (ED) outpatient services.

Table 3: Estimated Fee Payments to Health Advocates under the First Amendment

Acute Care	CY 2018	CY 2019	CY 2020	CY 2021	Total
Acute Care Screening Rate	\$1,914	\$1,971	\$2,030	\$2,091	
Acute Care Appeal Rate	\$2,472	\$2,546	\$2,623	\$2,701	
Acute ED Outpatient	\$1,350	\$1,391	\$1,433	\$1,476	
Number of Screenings	359	359	359	359	
Number of Appeals	100	100	100	100	
Number of ED Outpatient	854	854	854	854	
Acute Care Subtotal*	\$2,087,452	\$2,150,106	\$2,214,518	\$2,281,042	\$8,733,118
Psychiatric Care					
Psychiatric Care Screening Rate	\$2,472	\$2,546	\$2,623	\$2,701	
Psychiatric Care Appeal Rate	\$2,812	\$2,896	\$2,983	\$3,073	
Number of Screenings	143	143	143	143	
Number of Appeals	21	21	21	21	
Psychiatric Care Subtotal	\$412,548	\$424,894	\$437,732	\$450,776	\$1,725,950
Total *	\$2,500,000	\$2,575,000	\$2,652,250	\$2,731,818	\$10,459,068

Source: DPH

*Rounded

Over the four-year term of the contract extension from 2018 through 2021, DPH anticipates receiving \$40,000,000 in MediCal reimbursements and paying fees to Health Advocates of \$10,459,068 for net revenues of \$29,540,932, as shown in Table 4 below.

Table 4: Net Revenue Projections for DPH through Health Advocates Contract

	FY 2017-18*	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22*	Total
Acute Care Services	\$4,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$4,000,000	\$32,000,000
Psychological Care Services	1,000,000	2,000,000	2,000,000	2,000,000	1,000,000	8,000,000
Total Reimbursements	5,000,000	10,000,000	10,000,000	10,000,000	5,000,000	40,000,000
Estimated Payments to Health Advocates	1,250,000	2,537,500	2,613,625	2,692,034	1,365,909	10,459,068
Total Net Revenues to DPH	\$3,750,000	\$7,462,500	\$7,386,375	\$7,307,966	\$3,634,091	\$29,540,932

*FY 2017-18 comprises a six-month period from January through June 2018. FY 2021-22 comprises a six-month period from July through December 2021.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 6 File 18-0886 <i>Continued from October 25, 2018</i></p>	<p>Department: Emergency Management Recreation and Park</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed legislation (1) amends Ordinance Number 171-00 to transfer Margaret S. Hayward playground property, directly adjacent to the existing Combined Emergency Communications Center at 1011 Turk Street, from the Recreation and Park Department to the Department of Emergency Management; (2) restores to the Recreation and Park Department select subsurface real property to the east of the Combined Emergency Communications Center that was previously allocated to Emergency Management; (3) affirms the Planning Department’s determination under the California Environmental Quality Act (CEQA); and (4) finds that the amendment is consistent with the General Plan and the eight priority policies of Planning Code, Section 101.1. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The City’s 911 Call Center and Department of Emergency Management offices are located at 1011 Turk Street, which occupies part of the six-acre Margaret S. Hayward Park. Two projects are proposed on the Hayward park site: (1) renovation of Hayward playground and other recreational facilities, beginning in 2018; and (2) future construction of new Emergency Management facilities as a Combined Emergency Communication Center. • The proposed ordinance transfers 9,813 square feet of park space currently used for tennis courts to Emergency Management to construct the new Combined Emergency Communications Center. Construction of the new Combined Emergency Communications Center is part of the City’s Ten-Year Capital Plan, but requires future voter approval of Earthquake Safety and Emergency Response General Obligation Bonds in 2020. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • No appraisal has been conducted to calculate the value of the 9,813 square feet to be transferred from Recreation and Park to Emergency Management. Under the proposed ordinance, Emergency Management would be required to compensate Recreation and Park by either providing (1) a site in the Western Addition to be used by Recreation and Park as tennis courts for 50 years, including sufficient funds to develop the tennis courts, or (2) \$3 million (compounded by 5 percent per year) for Recreation and Park to acquire a site in the Western Addition neighborhood for use as tennis courts. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Because the Board of Supervisors has not yet approved submitting a proposition to voters to authorize the issuance of general obligation bonds to fund development of the new Combined Emergency Call Center, the Budget and Legislative Analyst considers approval of the proposed ordinance to be a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

Administrative Code Section 23.3 requires Board of Supervisors approval for the sale or conveyance of City-owned property.

BACKGROUND

Margaret S. Hayward Playground is an approximately six-acre park bordered by Golden Gate Avenue, Gough Street, Turk Street, and Laguna Street. The park currently includes a children's playground, two recreation clubhouse buildings leased to the YMCA, a temporary building previously occupied by the Western Addition Computer Technology Center, two sport courts, a multi-use field, two tennis courts, the James P Lang's two softball diamonds, and a field house/bleacher structure. The City's 911 Call Center and Emergency Operations Center (also called the "Combined Emergency Communications Center") operated by the Department of Emergency Management (Emergency Management) at 1011 Turk Street are located within the six-acre park.

The City Charter restricts transfer of Recreation and Park property for other uses without voter approval. However, real property in the Hayward Playground has been set aside by ordinance for the construction and operation of a central fire alarm station since 1914. In July 2000 the Board of supervisors set aside additional real property in the Hayward Playground for Emergency Management to construct and operate a Combined Emergency Communications Center (CECC), which currently acts as the agency's headquarters (Ordinance 171-00). The 2000 ordinance also states that an approximately 14,650 square foot area would eventually transfer to the Recreation and Park Department but that Emergency Management would retain the right to use approximately 11,740 square feet of subsurface space below it.

DETAILS OF PROPOSED LEGISLATION

The proposed legislation (1) amends Ordinance Number 171-00 to transfer Margaret S. Hayward playground property, directly adjacent to the existing Combined Emergency Communications Center at 1011 Turk Street, from the Recreation and Park Department to the Department of Emergency Management; (2) restores to the Recreation and Park Department select subsurface real property to the east of the Combined Emergency Communications Center that was previously allocated to Emergency Management; (3) affirms the Planning Department's determination under the California Environmental Quality Act (CEQA); and (4) finds that the amendment is consistent with the General Plan and the eight priority policies of Planning Code, Section 101.1.

The proposed legislation addresses a property transfer in support of two proposed projects:

Department of Emergency Management Headquarters Expansion

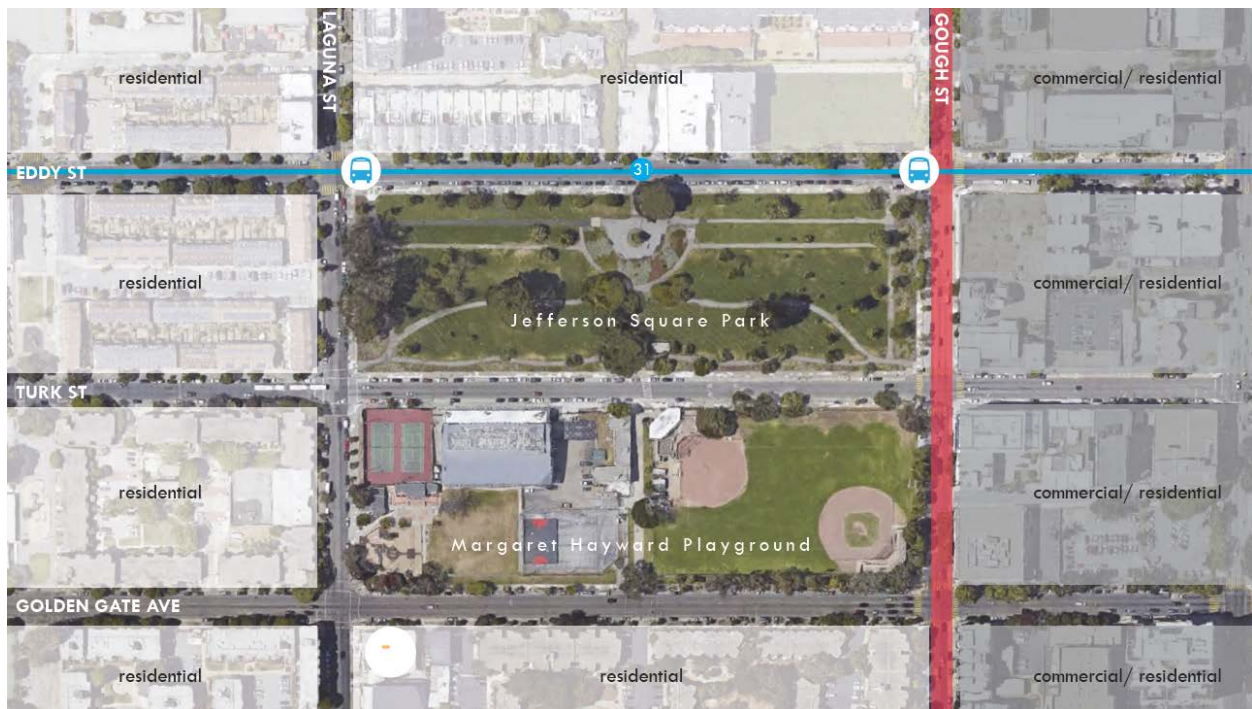
Preliminary planning is underway for a proposed addition to Emergency Management headquarters. Emergency Management considers the current space to be inadequate for the City's monitoring systems, increasing dispatcher staffing levels, and the need for a modified parking solution. The proposed project would construct a two-floor below-grade parking

structure and 12,000 square feet of office space at an estimated cost of \$29 million. The planned source of funds for the expansion is the 2020 Earthquake Safety and Emergency Response General Obligation Bond, subject to future voter approval. This project was included as an enhancement project in the Public Safety service area of the City's Ten Year Capital Plan.

Recreation and Park Department Playground Renovation

The Margaret Hayward Playground is slated for renovation scheduled to begin in the fall of 2018. The playground is a named bond project in the 2012 Clean and Safe Neighborhood Parks Bond. The Margaret Hayward Playground Renovation was designed in coordination with Emergency Management's plans for their site. The project received Categorical Exemption from CEQA in August of 2017. In February of 2018 the Commission approved proposed design improvements to the Hayward Playground. The contract to renovate the Hayward Playground was competitively bid in June of 2018 and the recommendation for award of construction contract was made to the Commission on September 20, 2018. The contract assumes the property in question is transferred.

Figure 1. Site Map



The proposed modification to the property will:

- a) restore to the Recreation and Park Department portions of the subsurface area that Emergency Management no longer needs while allowing the Combined Emergency Communications Center to maintain a security perimeter, and

- b) transfer property currently occupied by two tennis courts adjacent to and west of the Combined Emergency Communications Center from the Recreation and Park Department to Emergency Management.

In July of 2017 the Recreation and Park Commission recommended that the Board of Supervisors adopt an ordinance setting aside real property in Hayward Playground for an expansion of the Department of Emergency Management's Combined Emergency Communications Center. The proposed ordinance accounts for two phases of modifications:

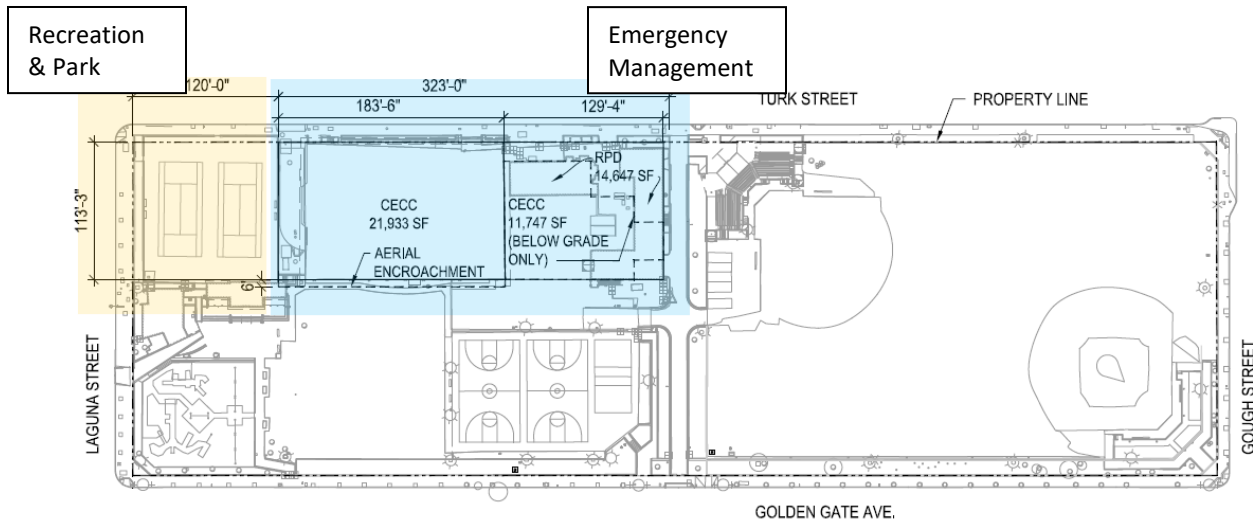
Phase I modifies the lot line for the renovation of Margaret S. Hayward Playground and accommodates Emergency Management's need for a security buffer not originally required when their building was constructed. With phase I, all necessary lot line modifications for both the playground renovation and the planned Emergency Management expansion are in place.

Phase II anticipates the conditional allocation of the site occupied by the tennis courts to Emergency Management in order to accommodate Emergency Management's proposed expansion. As noted above, the Emergency Management expansion project is considered an "enhancement project" in the City's Ten Year Capital Plan, but is dependent on financing to be secured through the Earthquake Safety and Emergency Response General Obligation Bond, which must be placed on the ballot and approved by voters.

The proposed transfer of real property is subject to the City making a finding by resolution adopted no later than June 30, 2028 that the following conditions of transfer were satisfied by December 31, 2027:

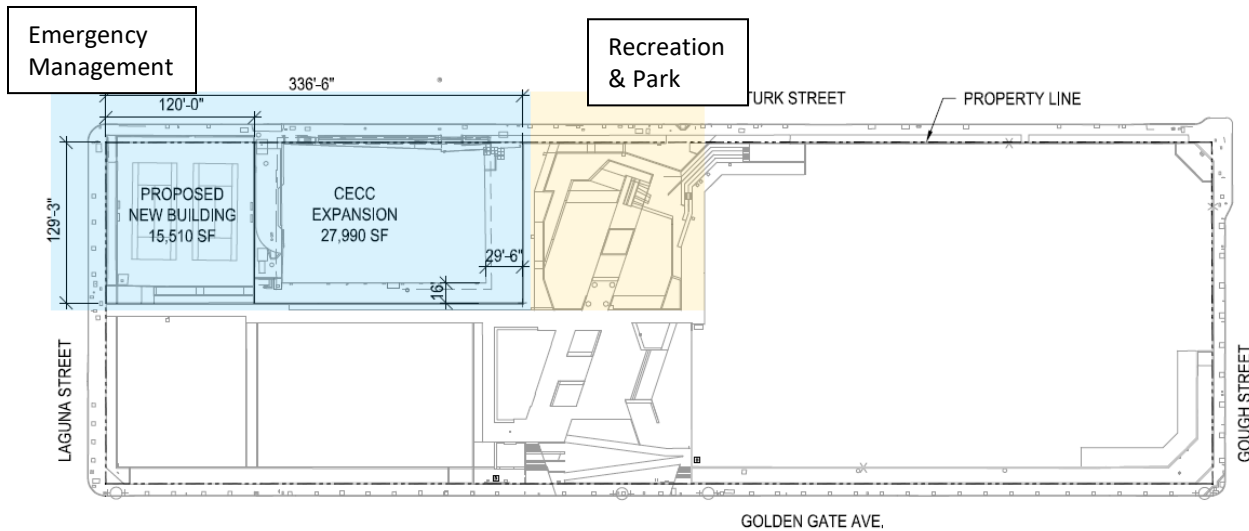
1. Emergency Management has secured sufficient funding to pay for the planning, design, and construction of the proposed new building; and
2. Emergency Management will provide the Recreation and Park Department with either of the following as replacement for the two tennis courts: a) a department-approved site serving the Western Addition or b) in-lieu contribution of \$3 million.

Figure 2. Current Allocation of Hayward Park Property to Emergency Management and Recreation and Park



Existing Ordinance No.171-00 Adopted July 7,2000

Figure 3. Proposed Transfer of Hayward Park Property between Emergency Management and Recreation and Park



Proposed September 10,2018

Figure 4. Proposed Property Transfer in Square Feet

	Total change to Emergency Management (sq. ft.)	Total change to Recreation and Park (sq. ft.)
Difference from existing (phase 1)	(5,697)	5,697
Conditional transfer (phase 2)	15,510	(15,510)
Net total	9,813	(9,813)

FISCAL IMPACT

Under the proposed transfer of property, the Recreation and Park Department would give up 9,813 square feet and Emergency Management would gain 9,813 square feet. According to Ms. Sarah Madland, Director of Policy and Public Affairs for the Recreation and Park Department, no appraisal has been conducted so the value of the 9,813 to be transferred from Recreation and Park to Emergency Management has not been calculated.

Under the proposed ordinance, Emergency Management would be required to compensate Recreation and Park for transferring the property currently used by two Recreation and Park Department tennis courts by either providing (1) a site in the Western Addition to be used by Recreation and Park as tennis courts for 50 years, including sufficient funds to develop the tennis courts, or (2) \$3 million (compounded by 5 percent per year) for Recreation and Park to acquire a site in the Western Addition neighborhood for use as tennis courts.

POLICY CONSIDERATION

The proposed ordinance states that:

“It is the policy of the Board of Supervisors that no property substantially beyond the footprints described above be set aside within the Hayward Playground for emergency center uses and urges the City Administrator not to consider additional land within the Hayward Playground for such uses, except for boundary adjustments or other reservations of subsurface or below-grade space that may be necessary for the design, construction, or operation of the Combined Emergency Call Center and/or proposed new building, and that do not significantly interfere with the recreational purposes of the surrounding lands.”

As noted above, the proposed ordinance would transfer 9,813 square feet of Recreation and Park Department property to Emergency Management for construction of a new Combined Emergency Communications Center. Construction of the new Combined Emergency Communications Center is in the City’s Ten Year Capital Plan to be funded by the issuance of Earthquake Safety and Emergency Response General Obligation Bonds in 2020, subject to future Board of Supervisors and voter approval. Because the Board of Supervisors has not yet approved submitting a proposition to voters to authorize the issuance of general obligation bonds to fund development of the new Combined Emergency Call Center, the Budget and Legislative Analyst considers approval of the proposed ordinance to be a policy matter for the Board of Supervisors.

RECOMMENDATION

Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Items 7 and 8 Files 18-1036 and 18-1037	Department: Controller, Assessor, and Treasurer/Tax Collector
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • File 18-1036 is a resolution authorizing the Treasurer and Tax Collector and the Controller to enter into a contract with Grant Street Group as part of the implementation of the Property Tax System Replacement Project. File 18-1037 is a resolution authorizing the Assessor-Recorder to enter into two contracts: (1) with Sapient Corporation for implementation services and ongoing support for the Property Tax System Replacement Project, and (2) with Carahsoft Technology Corporation for Salesforce software. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Assessor-Recorder and the Treasurer-Tax Collector currently have two systems to support property tax revenue. Both systems are old and lack audit trails and data validation. In FY 2014-15, the Committee on Information and Technology allocated \$2.72 million funding over three years to plan for replacement of these systems. • As the result of a competitive Request for Proposals, the City determined that Sapient Corporation (File 18-1037) and Grant Street Group (File 18-1036) were the highest responsive proposers for the Property Tax System Replacement Project. In addition, the Assessor-Recorder received a sole source waiver from the Office of Contract Administration in order to enter into an agreement directly with Carahsoft (File 18-1037). The contract with Sapient is for 12 years in a not-to-exceed amount of \$21,414,700, and the contract with Carahsoft is for 12 years for a not-to-exceed amount of \$14,432,762. The contract with Grant Street Group is for 10 years and not-to-exceed \$37,492,252. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The three proposed contracts' not-to-exceed amounts total \$73,339,713 over the next 12 years from November 2018 to October 2030. • The total Property Tax System Replacement Project budget over the 5-year period from FY 2018-19 through FY 2021-22, including City staff costs and contract costs, is \$72.4 million. This budget exceeds the budget of \$56 million recommended in the City's Information and Communications (ICT) plan, which was approved by the Board of Supervisors in 2017. According to the Assessor's Office, the \$56 million budget was estimated in FY 2015-16, prior to the hiring of the Gartner Group, an outside consultant, to evaluate the market for potential vendors, the issuance of the request for proposals, and the selection of vendors. During the planning and procurement phase, the estimates of the replacement systems increased to \$72.4 million. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Because of the increase in estimated project costs from \$56 million to \$72.4 million, the Board of Supervisors should request the Assessor, Treasurer-Tax Collector, and Controller to report to the Board of Supervisors on total estimated costs for Property Tax System Replacement Project and actions taken to contain these costs, as part of the Board of Supervisors approval of the new five-year ICT plan in Spring 2019. • Approve the proposed resolutions. 	

MANDATE STATEMENT

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

BACKGROUND

The City's Office of the Assessor-Recorder (Assessor-Recorder), the Office of the Controller (Controller), and the Treasurer and Tax Collector are responsible for administering property assessment and taxation. The Assessor-Recorder is responsible for carrying out property assessment related functions, such as identifying property ownership and assessing the value of property. The Controller calculates tax rates and applies them to assessed values and the Treasurer and Tax Collector is responsible for printing and mailing out the property bills, and collecting property taxes.

Current Systems

The Assessor-Recorder and the Treasurer and Tax Collector, along with the Controller, currently have two systems to support property tax revenue. The Assessor-Recorder uses a primary property assessment system EZ Access, which has been in place for approximately 20 years. According to the Assessor-Recorder, data within the system is difficult to manipulate and lacks transparency. Limitations in the old technology have forced the office to build multiple systems outside EZ Access, creating a complex and inefficient system.

The Treasurer and Tax Collector, along with the Controller, currently use Customer Information Control System (CICSP) for official property taxation and billing that has been custom developed over 50 years. However, the system runs on a computer programming language that is no longer supported. The office is unable to make changes to the system to adapt to new state and local laws or in evolving ownership structures. Additionally, like the Assessor-Recorder's system, CICSP lacks audit trails and data validation.

Planning and Procurement Phase

In FY 2014-15, the three departments decided to replace the two legacy systems. The Assessor-Recorder, Controller, and Treasurer and Tax Collector submitted a project proposal to the Committee on Information Technology for approval and funding, which was approved in FY 2014-15. The Committee on Information and Technology allocated \$2.72 million funding over three years for a planning and procurement phase. The departments hired Gartner Group, a consulting firm, to (1) assess the California property assessment and tax system vendor market, (2) document future state business requirements, business process flows, and use cases, and (3) work with departments to identify areas of improvement in order to prepare for a large system implementation. Gartner Group completed the majority of their work in October 2017.¹

¹ Gartner Group has one outstanding deliverable with the Assessor-Recorder, which is the creation of a data dictionary that will be used during design and data conversion activities.

In 2015, the departments set up ongoing executive and steering committees to oversee cross-departmental business process activities, including those related to the system implementation. The committees made joint decisions during the planning phase, and will continue to meet during the system implementation as the two systems go through integration activities.

The departments decided to issue two parallel solicitations, one from Assessor-Recorder, and one from Treasurer and Tax Collector and the Controller. According to Ms. Rachel Cukierman, Deputy Director of Administration and Finance at the Office of the Assessor-Recorder, issuing two solicitations allowed the departments to evaluate systems that met their individual business requirements, including the ability of the systems to fully integrate. This strategy was chosen given the findings from the marketplace review by the Gartner Group. The departments worked together to draft the request for proposals that described the Property Tax System Replacement Project, including a joint system integration plan, and timelines that matched one another.

In 2017, the three departments issued two requests for proposals, developed in conjunction with the consultant the Gartner Group. The proposals that were deemed responsive were scored based on written proposals and demonstrations and interviews. The written proposal was evaluated by (1) vendor experience and qualifications, (2) business functionality, (3) technical functionality, (4) implementation, (5) maintenance and operations, and (6) cost. The Assessor-Recorder received three proposals: Sapient Corporation, Infosys, and Thomson Reuters Corporation. A panel composed of 19 subject-matter experts from the Assessor-Recorder, the City Chief Information Officer, the Airport's Chief Information Officer, and the Treasurer and Tax Collector's Director of Solutions Management evaluated the proposals. The proposals and scores are shown in Table 1 below.

Table 1: Proposals and Scores for the Assessor-Recorder Property Assessment and Tax System

Criteria (and potential points)	Infosys	Sapient	Thomson Reuters
Vendor Experience & Qualifications (100)	42	73	55
Business Functionality (300)	122	157	194
Technical Functionality (150)	76	117	92
Implementation (250)	100	171	122
Maintenance & Operations (50)	31	26	35
Cost (150)	<u>108</u>	<u>98</u>	<u>150</u>
Subtotal, Proposal Phase (500)	479	642	648
Execution (210)	142	162	113
Usability (90)	65	74	23
Interview (200)	<u>152</u>	<u>175</u>	<u>89</u>
Subtotal, Interview Phase (500)	358	411	225
Total (1500)	837	1052	873

The Treasurer and Tax Collector and the Controller received three proposals: Grant Street Group, Thomson Reuters Corporation and Ensono. Ensono's bid was deemed non-responsive and did not advance to scoring. A panel composed of 19 experts from the Assessor-Recorder,

Controller, and Treasurer and Tax Collector evaluated the proposals. The proposals and scores are shown in Table 2 below.

Table 2: Proposals and Scores for the Treasurer and Tax Collector and Controller Tax System*

Criteria (and potential points)	Thomson Reuters	Grant Street Group
Vendor Experience & Qualifications (10)	8.5	8.3
Business Functionality (45)	36.5	34.9
Technical Functionality (20)	14.6	17.3
Implementation (35)	27.0	28.7
Maintenance & Operations (10)	7.8	8.2
<u>Cost (15)</u>	<u>15.0</u>	<u>8.0</u>
Subtotal, Proposal Phase (135)	109.5	105.5
Demonstration (100)	77.1	85.4
General Interview (32)	25.2	27.0
Technical Interview (18)	<u>14.7</u>	<u>16.5</u>
Subtotal, Interview Phase (150)	117.0	128.9
Total (285)	226.6	234.4

*Reviewed numbers are rounded to the first decimal

The City determined that Sapient Corporation and Grant Street Group were the highest responsive bidders and began to negotiate the contracts.

Sole-Source Contract with Carahsoft

In their proposal, the Sapient Corporation stated that the Assessor-Recorder should use the Department of Technology's current Enterprise License Agreement (ELA) with Carahsoft to purchase the Salesforce licenses. After the Sapient Corporation was competitively selected, Assessor-Recorder determined not to use the current ELA. According to Ms. Cuckierman, the Assessor-Recorder wanted stronger insurance provisions for the system. In addition, and the ELA expires in 2021 and the Assessor-Recorder wanted a long-term contract with set pricing. The Assessor-Recorder received a sole source waiver from the Office of Contract Administration in order to enter into an agreement directly with Carahsoft.

DETAILS OF PROPOSED LEGISLATION

File 18-1036 is a resolution authorizing the Treasurer and Tax Collector and the Controller to enter into a contract with Grant Street Group to implement and configure a comprehensive fully-integrated property tax system for a not-to-exceed amount of \$37,492,252 for a term of ten years, from November 15, 2018 through November 14, 2028.

File 18-1037 is a resolution authorizing the Office of the Assessor-Recorder to enter into two contracts:

1. A competitively bid contract with Sapient Corporation for the implementation services and ongoing support agreement for a not to-to-exceed amount of \$21,414,700 for a term of twelve years, from November 1, 2018 through November 1, 2030.

2. A sole-source contract with Carahsoft Technology Corporation for Salesforce software as a service for a non-to-exceed amount of \$14,432,762 for a term of twelve years, from November 1, 2018 through October 31, 2030.

FISCAL IMPACT

Contract Expenditures by Year

The three proposed contracts obligate the City to \$73,339,713 over the next twelve years. The approximate amount per year is shown in table 3 below.

Table 3: Estimated Contract Expenditures per Year

	Carahsoft (File 18-1037)	Sapient (FIE 18-1037)	Grant Street (File 18-1036, Pending)	Total
Year 1*	\$1,319,069	\$3,474,096	\$6,315,714	\$11,108,879
Year 2	1,341,292	5,037,315	13,203,332	19,581,938
Year 3	1,363,514	3,822,174	1,900,000	7,085,687
Year 4	825,023	815,999	1,966,500	3,607,522
Year 5	866,254	587,000	2,035,328	3,488,582
Year 6	909,521	587,000	2,106,564	3,603,085
Year 7	955,022	587,000	2,180,294	3,722,316
Year 8	1,002,757	587,000	2,256,604	3,846,361
Year 9	1,052,936	587,000	2,335,585	3,975,521
Year 10	1,105,567	587,000	2,417,331	4,109,898
Year 11	1,160,871	587,000	-	1,747,871
Year 12	1,218,869	587,000	-	1,805,869
<i>Subtotal</i>	<i>13,120,692</i>	<i>17,845,583</i>	<i>36,717,252</i>	<i>67,683,527</i>
Contingency	(10%)	(20%)**	(2%***)	
	1,312,069	3,569,117	775,000	5,656,186
Total	\$14,432,761	\$21,414,700	\$37,492,252	\$73,339,713

*The Sapient and Carahsoft contract years start from November 1, 2018 through October 31, 2019. The contract years for the Grant Street Group start from November 15, 2018 through November 14, 2019.

** The contingency was determined by looking at other large IT implementations across the City. EPIC had a 12 percent contingency, FSP had a 20 percent contingency. Given the complexity of the implementation and the need for the system to continue to meet changing state and local mandates, the Assessor-Recorder determined that a 20 percent contingency was appropriate.

*** The contract with the Grant Street Group includes funds for title research, auction and additional professional services. Title research and auction costs may be cost recovery based on if the property is purchased through an auction process.

Sixty percent of contract expenditures (or \$41.4 million out of \$67.7 million) will be during the implementation of the program, which is expected to occur between FY 2018-19 and FY 2021-22, and the balance of contract expenditures are for ongoing support and maintenance of the systems.

FY 2018-22 Information & Communication Technology (ICT) Plan

The Property Tax System Replacement Project was recommended for funding under the FY 2018-22 ICT Plan, which was approved by the Board of Supervisors on April 25, 2017. According to the plan, the Property Tax System Replacement Project budget was \$56 million over five years for implementation.

The current budget for the project is \$72.4 million over five years for implementation. This includes the planning and procurement phase, data cleanup and conversion, city staff, professional services, licenses and maintenance, and other operating expenses. According to Ms. Cukierman, the \$56 million budget was estimated in FY 2015-16, prior to the hiring of the Gartner Group for the market scan, the issuance of the request for proposals, and the selection of vendors. During the planning and procurement phase funded by the Committee on Information and Technology, the estimates of the replacement systems increased to \$72.4 million.

The current estimated budget of \$72.4 million for the project over the next five years is shown in Table 4 below.

Table 4: Projected Budget for Property and Tax System from FY 2018-19 to FY 2021-22

	TOTAL
Cross Department	
Professional Services	<u>\$2,708,244</u>
Cross Department Subtotal	\$2,708,244
Assessor Project	
Sapient Contract	\$15,075,103
Carahsoft Contract	\$4,848,899
Labor	\$11,598,066
Project Management	\$1,575,000
Data Conversion	\$5,150,000
Integration Vendors	\$1,500,000
Training	\$650,000
Hardware	\$600,000
Equipment & Office Supplies	\$112,000
<u>Work Orders (CAT and DT)</u>	<u>\$1,000,464</u>
Assessor Subtotal	\$42,109,532
TTX/CON Project	
Labor	\$2,529,330
Project Management	\$2,500,000
Grant St Contract	\$21,460,867
Integration Vendors	\$850,000
Training	\$100,000
Equipment & Office Supplies	\$40,000
<u>Work Orders (CAT and DT)</u>	<u>\$100,000</u>
TTX Subtotal	\$27,580,197
Total	\$72,397,973

In addition, the Assessor-Recorder and the Treasurer and Tax Collector, along with the Controller, have issued a request for proposals for project management services for the implementation of the project. The contract value is not to exceed \$1.575 million and \$2.5 million, respectively, over two years. These costs are reflected in Table 4 above.

The Assessor-Recorder, Treasurer and Tax Collector and the Controller are charging project overhead costs, such as management time, facilities, human resource and IT activities to their respective operating budgets. The total project budget currently sits within the Assessor Recorder’s budget, to which the Treasurer and Tax Collector and the Controller are charging their project expense. The Board of Supervisors has appropriated \$36,607,718 for the project through FY 2019-20, as shown in Table 5 below.

Table 5: Yearly Allocation for the Property Tax Assessment System

<u>Year</u>	<u>Amount</u>
Prior Years	\$2,720,000
FY 2017-18	10,274,600
FY 2018-19	11,867,218
<u>FY 2019-20</u>	<u>11,745,900</u>
Total	\$36,607,718

\$1,825,814 of the \$2.72 million allocated by the Committee on Information and Technology for FY 2014-15 through FY 2016-16 has been spent and encumbered. The departments plan to encumber the remaining funds for cross-departmental activities, such as program quality assurance and project management.

POLICY CONSIDERATION

Operational Savings

Section 26.1 of the Administrative Provisions of the Annual Appropriation Ordinance for FY 2017-18 and FY 2018-19 directs the Controller to apply operational savings from the offices of the Assessor, Controller, and Tax Collector to the property tax system replacement project, in order to minimize future General Fund appropriations required for the project. Section 26.1 requires a report on these savings be provided to the Board of Supervisor's Budget & Finance Committee and its Budget & Legislative Analyst's Office. As of June 1, 2018, a total of \$5,011,795 in net operating savings was applied to the project at FY 2016-17.

Additional staff

The Assessor-Recorder plans to add 14 staff in FY 2018-19, of whom seven have been hired, and an additional 3 staff in FY 2019-20 for a total of 17 new staff. In addition to the 17 new staff, the Assessor-Recorder has work order with the Department of Bureau Inspection to fund four positions with subject-matter-expertise in new construction for a total 21 positions in the Assessor-Recorder’s Office to support the property assessment and tax system.

The Treasurer and Tax Collector and Controller have five positions funded in their budgets to support implementation of the property assessment and tax system.

RECOMMENDATIONS

1. Request the Assessor, Treasurer-Tax Collector, and Controller to report to the Board of Supervisors on total estimated costs for the new property tax and assessment system and actions taken to contain these costs as part of the Board of Supervisors approval of the new five-year ICT plan in Spring 2019.
2. Approve the proposed resolution.

Item 11 File 18-0646	Department: Department of Environment (DOE)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance amends the Environment Code to (1) require audits every three years of large refuse generators for compliance with refuse separation requirements; and (2) establish enforcement measures applicable to large refuse generators found noncompliant. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In June 2009, the Board of Supervisors added the “Mandatory Recycling and Composting Ordinance” to the Environment Code, requiring all persons in San Francisco to separate recyclables, compostables, and landfilled trash in recycling and composting programs. • In 2002, the Board of Supervisors approved a resolution adopting a goal of zero waste and authorized the Commission on the Environment to adopt a timeline for achieving zero waste. The Commission directed the Department of Environment to develop policies and programs to achieve zero waste, including increasing producer and consumer responsibility in order to achieve the zero waste goal. • The Department of Environment has found that approximately 80 percent of recyclable or compostable material is currently being recovered from San Francisco properties. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance could result in a fiscal impact to City departments if any of the City facilities that meet the definition of large refuse generator fail their compliance audit and are required to engage a zero waste facilitator for two years at the expense of the affected department(s). According to the Department of Environment, each large refuse generator that is required to engage a zero waste facilitator may need one to two full time staff, at a rate of approximately \$20 per hour in direct salary plus an additional \$20 for benefits and overhead, or approximately \$40 per hour per staff person. The Department of Environment expects that five City-operated large refuse generators may fail their compliance audit, resulting in a total cost to the City of approximately \$416,000 to \$832,000 per year. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

Charter Section 2.105 requires all legislative acts to be by ordinance subject to an affirmative vote by the Board of Supervisors.

BACKGROUND

In June 2009, the Board of Supervisors approved an amendment to the Environment Code that added Chapter 19, Sections 1901 through 1912, entitled “Mandatory Recycling and Composting Ordinance” that requires all persons in San Francisco to separate recyclables, compostables, and landfilled trash in recycling and composting programs (File No. 08-1404; Ord. No. 100-09).

In 2002, the Board of Supervisors approved a resolution adopting a goal of zero waste and authorized the Commission on the Environment to adopt a timeline for achieving zero waste. The Commission adopted a timeline in 2003 and directed the Department of Environment to develop policies and programs to achieve zero waste, including increasing producer and consumer responsibility in order to achieve the zero waste goal (Resolution No. 002-03). According to Mr. Charles Sheehan, Chief Policy and Public Affairs Officer for the Department of Environment, the Department of Environment has found that approximately 80 percent of recyclable or compostable material is currently being recovered from San Francisco properties.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance amends the Environment Code to (1) require audits every three years of large refuse generators for compliance with refuse separation requirements; and (2) establish enforcement measures applicable to large refuse generators found noncompliant.

A compliance audit entails a thorough visual inspection of the contents of refuse collection containers that results in a finding of the approximate percentage of contaminants or materials not appropriate for that type of container (i.e., recyclables, compostables, or trash).

Large refuse generators are defined as commercial property refuse account holders or City-owned and operated facilities, that have roll-off compactor service or generate 30 cubic yards or more of uncompacted refuse per week. There are 15 City-owned and operated facilities that meet the definition of “large refuse generator,” listed below.

City-Operated Large Refuse Generators

Primary Department	Departments Occupying Building	Name of Facility	Address
Public Health		Laguna Honda Hospital	375 Laguna Honda Blvd
Public Health		SF General Hospital	1001 Potrero Ave
Port		Fisherman's Wharf	Foot of Leavenworth
Port		South Beach Harbor	Pier 40 - 44
Real Estate	Sheriff, Police, District Attorney, Superior Court, Adult Probation	Hall of Justice	850 Bryant
Real Estate	Controller, Public Works, Board of Supervisors, Mayor, Assessor Recorder, Treasurer/Tax Collector, etc.	City Hall	1 Dr. Carlton B. Goodlett
Real Estate	SFMTA, Human Resources, 311, Technology, MOHCD, MOEWD	1 South Van Ness	1 South Van Ness Ave
Library		Main Library	100 Larkin St
SFMTA		Woods Maintenance Yard	1095 Indiana
SFMTA		Green Maintenance Yard	2200 San Jose
SFMTA		Flynn Maintenance Yard	1940 Harrison St
SFMTA		Potrero Maintenance Yard	2500 Mariposa
SFMTA		MME Maintenance Yard	601 25th Street
SFPUC		Northshore Pumping Station	140 Bay
SFPUC		SFPUC Headquarters	525 Golden Gate Ave

Source: Department of Environment

If any of the City-owned and operated facilities fail their compliance audit, City departments would be required to engage for two years a "zero waste facilitator", which is a person or entity that manages refuse materials within a given property, including material sorting and transfer. Large refuse generators that remain noncompliant nine months after the compliance audit and do not engage a zero waste facilitator would face administrative penalties of up to \$1,000 per day.

FISCAL IMPACT

The proposed ordinance could result in a fiscal impact to City departments if any of the City facilities that meet the definition of large refuse generator fail their compliance audit and are required to engage a zero waste facilitator for two years at the expense of the affected department(s).

According to the Department of Environment, each large refuse generator that is required to engage a zero waste facilitator may need one to two full time staff, at a rate of approximately \$20 per hour in direct salary plus 100 percent for benefits and overhead, or approximately \$40 per hour per staff person. The Department of Environment expects that five City-operated large refuse generators may fail their compliance audit, resulting in a total cost to the City of approximately \$416,000 to \$832,000 per year, as shown in the table below.

Estimated Annual Cost to the City of Zero Waste Facilitators

Cost per Zero Waste Facilitator Staff			
Hourly wage	\$20		
Benefits and overhead	<u>20</u>		
Hourly total	40		
Annual Hours	<u>x 2080</u>		
Annual total (2,080 hours)	\$83,200		
Estimated Cost per Facility		Cost for Five Facilities	
1 staff	\$83,200	\$416,000	
2 staff	\$166,400	\$832,000	

At this time, it is not known which facilities and which departments would need to engage zero waste facilitators. Affected departments would need to include funding for zero waste facilitators in their future annual budgets, subject to Board of Supervisors appropriation approval.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.