

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

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October 18, 2019


TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: October 23, 2019 Budget and Finance Committee Meeting

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Item 1 File 19-0808	Department: Department of Public Works (DPW), Human Services Agency (HSA)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve an emergency declaration of the Department of Public Works (Public Works) to repair the heating, ventilation, and air conditioning (HVAC) system at 1235 Mission Street, a property operated by the Human Services Agency (HSA), at an estimated cost of approximately \$775,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • HSA leases 1235 Mission Street from the San Francisco Unified School District (SFUSD) under an agreement approved by the Board of Supervisors in 2014. Under the lease between HSA and SFUSD, the City is responsible for all repairs and maintenance of the building. • On June 10, 2019, HSA staff was evacuated from 1235 Mission Street due to an HVAC system failure. The chillers on the rooftop of the building failed, preventing fresh air movement and creating a safety hazard during heat waves. The chillers remain out of service, but the building remains in use with smaller, temporary HVAC units. Due to the age of the existing units and lack of availability of replacement parts, the units cannot be serviced and must be fully replaced. On June 14, 2019, Public Works Director Mohammed Nuru declared an emergency, which was approved by Mayor London Breed. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Total estimated project costs are \$1,061,522, which includes replacement parts, Public Works staff overtime, and other materials and supplies. According to Public Works, sufficient funding is available in the Public Works FY 2019-20 operating budget. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • Under the terms of the 2014 lease between HSA and SFUSD for 1235 Mission Street, tenant improvements of \$6.0 million (of which \$2.5 million was the City's share and \$3.5 million was SFUSD's share), including upgrades to the HVAC system, were to be made within the first three years of the lease or by 2017. According to HSA, the upgrades to the HVAC system were not made because the priority for funding went to correcting the more immediate health and safety deficiencies in the building at that time. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Because the City is responsible for repair of building systems, the Board of Supervisors should amend the proposed resolution to request a report from HSA no later than November 30, 2019 on (a) upgrades to building systems performed at 1235 Mission Street under the terms of the 2014 lease, including City and SFUSD costs for these upgrades, and (b) other potentially necessary upgrades and associated costs for the electrical, plumbing, and other systems during the term of the lease. • Approve the proposed resolution as amended. 	

MANDATE STATEMENT

Administrative Code Section 21.15 provides for the Board of Supervisors to declare an emergency when it becomes immediately necessary to procure commodities or services to make repairs, safeguard lives or property, or respond to the breakdown of any plant equipment, structure, street, or public work.

BACKGROUND

City's Lease for 1235 Mission Street

The Human Services Agency (HSA) operates a service center at 1235 Mission Street, which serves as the City's primary service location for adult services, such as County Adult Assistance Programs (CAAP), CalFresh, and Medi-Cal.

1235 Mission Street is owned by the San Francisco Unified School District (SFUSD). In 2014, the Board of Supervisors approved a new 11-year and 10-month lease between HSA and SFUSD for 1235 Mission Street from July 2014 through April 2026. The lease provided for \$6.0 million in tenant improvement work, of which SFUSD was to pay \$3.5 million and the City was to pay \$2.5 million. According to the lease, the City and SFUSD were to "use good faith efforts to create a mutually-agreeable list of...leasehold improvement work", of which upgrading the heating, ventilation, and air conditioning (HVAC) system was a priority, after upgrading the electrical system. According to Mr. Robert Walsh, HSA Director of Operations, HVAC improvements were not completed because the priority for funding went to correcting the more immediate health and safety deficiencies in the building at that time. These included stairwell hand rails, roof repairs, sidewalk repairs, fire and life safety system, and elevator repairs, along with associated soft costs.¹

Under the lease between HSA and SFUSD, the City is responsible for all repairs and maintenance of the building.

Failure of HVAC

On June 10, 2019, HSA staff was evacuated from 1235 Mission Street due to an HVAC system failure, as temperatures reached 100° Fahrenheit. The chillers on the rooftop of the building failed, preventing fresh air movement and creating a safety hazard during heat waves. The chillers remain out of service, but the building remains in use with smaller, temporary HVAC units. Due to the age of the existing units and lack of availability of replacement parts, the units cannot be serviced and must be fully replaced. On June 14, 2019, Public Works Director Mohammed Nuru declared an emergency, which was approved by Mayor London Breed.

A preliminary purchase order for replacement chillers was submitted June 20, 2019. According to Mr. Scott Barlow, Public Works Maintenance Manager, the units have to be custom built, and Public Works staff has finalized the order with the vendor.

¹ According to Mr. Walsh, the total cost for these projects is approximately \$3.1 million, leaving approximately \$400,000 as a contingency. SFUSD and HSA have agreed to reserve the funds until the projects are complete, when they could then be used for other repairs.

Public Works submitted the resolution approving the emergency declaration to the Board of Supervisors on July 22, 2019, or 42 days after the HVAC failure.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Public Works Director’s emergency declaration for the HVAC system failure of the rooftop chillers at 1235 Mission Street, at an estimated cost of \$775,000.

Public Works has ordered replacement units from Fluid Gauge Company. According to Mr. Barlow, Public Works did not solicit quotes from other vendors because it is not required under the emergency declaration and because Fluid Gauge Company is the only supplier of this equipment.

According to Mr. Barlow, Public Works anticipates receiving and installing the chiller units in late October or early November 2019, and receiving and installing the air handling units in late November or early December 2019. All work would be completed by Public Works staff.

FISCAL IMPACT

The total cost of the equipment purchase authorized by the proposed resolution is not expected to exceed \$775,000. The Controller has certified that sufficient funding is available in the Public Works FY 2019-20 budget. The breakdown of the purchase order costs, including sales tax, is shown in Table 1 below.

Table 1: 1235 Mission HVAC Purchase Order Budget

Item	Cost
Air Handling Units	\$176,785
Chillers	557,263
In-Line Pumps	38,973
Motors	1,507
Total	\$774,528

In addition to the equipment budget, the project requires overtime to be performed by Public Works staff. According to Mr. Barlow, the estimated staffing budget is approximately \$208,204, as shown in Table 2 below.

Table 2: Estimated Staffing Budget

Task	Position	Overtime Rate	Hours	Labor Cost
General	7263 Maintenance Manager	\$250.37	80	\$20,029
	7514 General Laborer	133.79	80	10,703
Electrical	7238 Electrician Supervisor	230.64	32	7,380
	7345 Electrician	203.99	240	48,956
	7514 General Laborer	133.79	26.67	3,568
Roofing	9343 Roofer	169.47	64	10,846
Sheet Metal	9345 Sheet Metal Supervisor I	237.48	26.67	6,333
	7376 Sheet Metal Worker	212.31	186.67	39,631
Steam Fitting	7348 Steamfitter	211.16	240	50,677
	7514 General Laborer	133.79	26.67	3,568
	7349 Steamfitter Supervisor I	237.48	26.67	6,333
Total			1029.33	\$208,024

According to Mr. Barlow, Public Works anticipates approximately \$79,000 in costs for materials. Between the equipment, staffing, and materials, the total project budget is approximately \$1,061,552. According to Mr. Jeremy Spitz, Public Works Policy and Government Affairs, sufficient funding is available in the Public Works FY 2019-20 operating budget.

POLICY CONSIDERATION

Under the terms of the 2014 lease between HSA and SFUSD for 1235 Mission Street, tenant improvements of \$6.0 million (of which \$2.5 million was the City's share and \$3.5 million was SFUSD's share), including upgrades to the HVAC system, were to be made within the first three years of the lease or by 2017. As noted above, according to Mr. Walsh, the upgrades to the HVAC system were not made because the priority for funding went to correcting the more immediate health and safety deficiencies in the building at that time. These included stairwell hand rails, roof repairs, sidewalk repairs, fire and life safety system, and elevator repairs, along with associated soft costs.

In addition to upgrades to the HVAC system, the 2014 lease provide for upgrades to the electrical system and plumbing system, none of which have been performed. Because the City is responsible for repair of these systems, which could potentially require upgrades or replacement during the term of the lease, the Board of Supervisors should amend the proposed resolution to request a report from HSA no later than November 30, 2019 on (a) upgrades to building systems performed at 1235 Mission Street under the terms of the 2014 lease, including City and SFUSD costs for these upgrades, and (b) other potentially necessary upgrades and associated costs for the electrical, plumbing, and other systems during the term of the lease.

RECOMMENDATIONS

1. Amend the proposed resolution to request a report from HSA no later than November 30, 2019 on (a) upgrades to building systems performed at 1235 Mission Street under the terms of the 2014 lease, including City and SFUSD costs for these upgrades, and (b) other

potentially necessary upgrades and associated costs for the electrical, plumbing, and other systems during the term of the lease.

2. Approve the proposed resolution.

Item 3 File 19-0981	Department: Department of Emergency Management (DEM)
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the First Amendment to the contract between the Department of Emergency Management (DEM) and Tiburon, Inc., extending the term by five years for a total contract term from June 29, 2012 through November 30, 2024, and increasing the not-to-exceed amount of the contract by \$1,905,904, for a total not to exceed \$7,153,056. <p>Key Points</p> <ul style="list-style-type: none"> • In June 2012, DEM, acting through the Office of Contract Administration (OCA), entered into a 9-1-1 dispatching services agreement with Tiburon, Inc. for a term of approximately seven years and five months and an amount not to exceed \$5,247,152. The contract did not require Board of Supervisors approval because it did not exceed 10 years or \$10,000,000. The contract includes two components, the Computer Aided Dispatch System (CAD), and the Fire Station Alerting System (FAS). • The contract with Tiburon expires on November 30, 2019. DEM and Tiburon have agreed to extend the contract for an additional five years, through November 30, 2024. A sole source procurement request was approved because the Tiburon system is already in use and it cannot be maintained by other vendors. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed resolution would increase the not-to-exceed amount of the contract by \$1,905,904. This amount would be used for system maintenance over the five-year extension of the contract term. • DEM has expended \$4,526,678 of the initial \$5,247,152 not-to-exceed amount. The remaining contract capacity is \$720,474, which is available for software enhancements and/or additional services, if needed. <p>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.

Administrative Code Section 21.30(d) allows sole source contracts for software and maintenance of equipment if the contractor has proprietary rights to the software and equipment.

BACKGROUND

In June 2012, the Department of Emergency Management (DEM), acting through the Office of Contract Administration (OCA), entered into a 9-1-1 dispatching services agreement with Tiburon, Inc. for a term of approximately seven years and five months and an amount not to exceed \$5,247,152. The original contract did not require Board of Supervisors approval because it did not exceed 10 years or \$10,000,000.

The contract includes two components, the Computer Aided Dispatch System (CAD), and the Fire Station Alerting System (FAS). According to Mr. Mitch Sutton, DEM Chief Information Officer, the contract was awarded through a sole source procurement at the recommendation of the Committee on Information Technology (COIT) because Tiburon had already been the vendor for the previous system and therefore could upgrade, rather than replace, the CAD and FAS systems to enhance their functionality. According to Mr. Sutton, DEM had estimated a total cost of approximately \$3,250,000 to upgrade the existing Tiburon CAD system versus approximately \$15,000,000 for a new CAD system procured through an RFP process, due to additional software, services, consulting, project management, and hardware costs.

The original contract expires on November 30, 2019. DEM and Tiburon have agreed to extend the contract for an additional five years, through November 30, 2024. According to Ms. Rachel Emanuel, DEM Project Management Office Lead, a sole source procurement request was approved by the Office of Contract Administration for this proposed contract amendment because the Tiburon system is already in use and it cannot be maintained by other vendors.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the First Amendment to the contract between DEM and Tiburon, extending the contract by five years, for a total term of approximately 12 years and five months, from June 29, 2012 through November 30, 2024, and increasing the not-to-exceed amount by \$1,905,904, for a total not to exceed \$7,153,056. The additional contract amount would only fund continued annual maintenance for the CAD system¹ on the contract.

¹ Maintenance includes software upgrades to maintain and to upgrade system performance, 24/7 support for DEM to report and correct system malfunctions, hotline support to assist CAD system users with operation of CAD software.

The overall scope of the contract would not change; however, the proposed First Amendment adds requirements for Tiburon to secure the City's confidential data.

FISCAL IMPACT

The contract budget of \$5,247,152 included funds for (a) CAD system and fire station implementation; (b) optional enhancements for Police Department licenses, iPad licenses, DataWarehouse, and other options; (c) ongoing maintenance; and (d) additional enhancements at the City's request, as shown in Table 1 below.

Table 1: Original Contract Budget

CAD System and Fire Station Implementation	\$2,168,270
Optional Enhancements ^a	<u>839,233</u>
Subtotal Implementation and Interfaces	3,007,503
Maintenance	<u>1,539,649</u>
Subtotal Implementation, Interface, and Maintenance	4,547,152
Additional Enhancements	<u>700,000</u>
Total Contract Budget	<u>\$5,247,152</u>

Source: Tiburon Contract

^a Optional enhancements included 350 Police Department licenses, 300 iPad licenses, data warehouse and records capacity, and other support.

^b Additional enhancements could be added at the City's request through an authorized change order.

The increase of \$1,905,904 under the proposed First Amendment would pay for maintenance services over the extended five-year contract term, as shown in Table 2 below. In the first year of the extension, the annual maintenance cost would increase by 10 percent. In subsequent years, the annual cost would increase by three percent. The annual payments are shown in Table 2 below.

Table 2: Annual Tiburon Maintenance Costs

Year	Amount
Year 1 (November 2014 –October 2015) ²	\$290,000
Year 2 (November 2015 –October 2016)	298,700
Year 3 (November 2016 –October 2017)	307,661
Year 4 (November 2017 –October 2018)	316,891
Year 5 (November 2018 –October 2019)	326,398
<i>Initial Term Subtotal</i>	<i>\$1,539,650</i>
Year 6 (November 2019 –October 2020)	\$359,118
Year 7 (November 2020 –October 2021)	369,723
Year 8 (November 2021 –October 2022)	380,815
Year 9 (November 2022 –October 2023)	392,241
Year 10 (November 2023 –October 2024)	404,007
<i>Extension Subtotal (File 19-0981)</i>	<i>\$1,905,904</i>
Total	\$3,445,553

According to Mr. Sutton, DEM has spent \$4,526,678 of the initial \$5,247,152 not-to-exceed amount. The remaining contract capacity is \$720,474, which would be available for software enhancements and/or additional services, subject to Board of Supervisors appropriation approval.

RECOMMENDATION

Approve the proposed resolution.

² According to Mr. Sutton, the initial two years and four months of the contract were needed to build the Tiburon system. The maintenance cycle, which ends October 31, is one month off from the contract cycle, which ends November 30. According to Mr. Sutton, DEM wanted to keep the First Amendment simple by extending the term five years, so the contract will terminate November 30, 2024, while the maintenance cycle ends October 31, 2024.

Item 6 File 19-1022	Department: Department of Technology
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the Department of Technology on behalf of the City to enter into a reseller agreement with ConvergeOne, Inc. for a three-year term from November 1, 2019 through November 1, 2022, with two optional two-year extensions, for a maximum of seven years through November 1, 2026. The maximum not-to-exceed agreement amount is \$70,000,000. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Currently, City departments may purchase Cisco Systems, Inc. (Cisco) products and services through multiple vendors in the City’s Tech Marketplace. In order to reduce the time to purchase Cisco products and services and to better access discounts from Cisco, the Department of Technology decided to consolidate all City spending on Cisco products and services into a single citywide (enterprise) agreement with one vendor. • The Department of Technology selected ConvergeOne, Inc., an authorized reseller of Cisco products and services, through a competitive solicitation. According to the Department, this will reduce the time it takes to complete a Cisco procurement from 54 days to 14 days, allow better tracking of purchases, and allow for deeper discounts on Cisco products. • The proposed agreement would allow the City to purchase Cisco equipment, software, hardware and software maintenance, and technology consulting services, including pre-sale support. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Average annual spending on Cisco products and services from Tech Marketplace vendors by City departments in the five-year period between FY 2014-15 and FY 2018-19 was \$12.14 million. The agreement not-to-exceed amount of \$70 million, equivalent to \$10 million per year over the seven-year term, is an estimate based on an approximately 20 percent additional discount that is applied to average spending of \$12.14 million. • Actual spending on the proposed agreement is as-needed, based on City departments’ technology needs and Board of Supervisors appropriation approval. <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.

BACKGROUND

Current Procurement Process for Cisco Products

City departments may purchase Cisco Systems, Inc. (Cisco) products and services through vendors in the City's Tech Marketplace. According to Mr. Hao Xie, the Strategic Sourcing Manager for the Department of Technology, each purchase through the Tech Marketplace requires a request for bids and takes an average of 54 days to complete. In addition, because products and services are purchased through multiple vendors, the City cannot easily track spending on Cisco products or types of products purchased from Cisco, or obtain bulk discounts that take into account the Citywide spending on Cisco products. To address these issues, the Department of Technology is requesting approval of a Citywide agreement (commonly known as an enterprise agreement) to consolidate all City spending on Cisco products onto a single agreement. According to Mr. Xie, this will reduce the time it takes to complete a Cisco procurement from 54 days to 14 days, allow better tracking of purchases, and allow for deeper discounts on Cisco products.

Request for Proposals

The Department of Technology issued a request for proposals (RFP) for authorized Cisco products resellers in August 2019. As shown in Table 1 below, three vendors submitted qualifying proposals, with ConvergeOne, Inc. receiving the highest score (90.78 out of a possible 100).¹

Table 1: RFP Scores for Cisco Reseller Bidders

Vendor	Total Score	Rank
ConvergeOne	90.78	1
En Pointe	81.24	2
World Wide Tech	71.96	3

Source: Department of Technology

¹ The proposals were evaluated by three staff from the Department of Technology, San Francisco Municipal Transportation Agency, and Office of Contract Administration.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Department of Technology on behalf of the City to enter into a reseller agreement with ConvergeOne, Inc. for a three-year term from November 1, 2019 through November 1, 2022, with two optional two-year extensions, for a maximum of seven years through November 1, 2026. The maximum not-to-exceed agreement amount is \$70,000,000.

Services Included in Proposed Agreement

The proposed agreement would allow the City to purchase Cisco equipment, software, hardware and software maintenance, and technology consulting services, including pre-sale support. The services in the proposed agreement are consistent with those requested in the RFP.

FISCAL IMPACT

As noted above, because City departments currently purchase Cisco products and services through several Tech Marketplace vendors, the Office of Contract Administration does not have data on the actual amount spent each year by City departments on Cisco products and services. According to the Department of Technology, based on spending data provided by Cisco, average annual spending by City departments on Cisco products and services in the five-year period from FY 2014-15 through FY 2018-19 was \$12.14 million. Actual spending by City departments on Cisco products and services is shown in Table 2 below.

Table 2: Actual City Spending on Cisco Products and Services (\$ millions)

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20 (est.)
Cisco Products						
Equipment	\$7.6	\$11.5	\$7.1	\$8.4	\$7.9	\$13.3
Maintenance & Support	2.6	3.3	3.7	4.5	4.1	4.4
Services	n/a	n/a	n/a	n/a	1.7	1.2
Total	\$10.2	\$14.8	\$10.8	\$12.9	\$13.7	\$18.9

Source: Cisco

According to Mr. Xie, the Department of Technology estimates spending of \$18.9 million in FY 2019-20 (which is \$5.2 million more than actual spending in FY 2018-19) due to purchases for the new Permit Center under construction at 49 South Van Ness.

According to Mr. Xie, the agreement not-to-exceed amount of \$70 million, equivalent to \$10 million per year over the seven-year term, is an estimate based on an approximately 20 percent average additional discount (available from the proposed agreement and shown in Table 3 below) that is applied to average spending of \$12.14 million. An increase to the agreement not-to-exceed amount of more than \$500,000 would require Board of Supervisors' approval under Charter Section 9.118.

Actual spending on the proposed agreement is as-needed, based on City departments' technology needs and Board of Supervisors appropriation approval.

The proposed agreement provides discounts on Cisco products and services purchased by City departments as shown in Table 3 below, which according to Mr. Xie, should result in savings compared to current purchases of Cisco products and services from multiple Tech Marketplace vendors.

Table 3: Minimum Discounts for Cisco Products

Product	Minimum Discount
Routers, switches, and most other hardware	48%
Servers and related equipment	61%
Software and security tools	25%
Third-party products and software	48%
Maintenance and support for hardware	25%
Support for third-party products and software	25%
Support for software applications and features	25%
Optimization, testing, migration planning	10%
Predictive analytics, automated fault management	32%
Cisco managed networks, data centers, security	32%

Source: Appendix B of Proposed Agreement

According to Ms. Linda Gerull, Chief Information Officer, Cisco products will be used for the following information technology projects that have been approved by the Committee on Information Technology:

- Installation of the phones and information networks for the Permit Center under construction at 49 South Van Ness
- Upgrading the City's existing phone systems
- Upgrading the City's data centers

Per the Administrative Code Section 22A, departments must inform the Chief Information Officer regarding their technology procurements, which will help ensure all City spending on Cisco products takes place on the proposed agreement rather than through existing contracts. In addition, according to Mr. Xie, the Department of Technology holds quarterly forums to provide updates to all City departments regarding technology purchases.

Because the proposed agreement is expected to result in cost savings to the City, we recommend approval of the proposed resolution.

RECOMMENDATION

Approve the proposed resolution.