

DATE ISSUED: April 18, 2003 REPORT NO. 03-080

ATTENTION: Rules, Finance, and Intergovernmental Relations Committee
Agenda of April 23, 2003

SUBJECT: Proposed Budget Savings for FY04 and City IT Organizational Structure
Recommendations

REFERENCE: Councilmember Jim Madaffer's Memorandum M-03-03-06
dated March 17, 2003

SUMMARY

Issue – Shall the City Council adopt Councilmember Madaffer's proposal for a new City Information Technology (IT) organization as outlined in the Councilmember's March 17, 2003 memorandum?

Manager's Recommendation – Direct the City Manager to implement the alternative recommendation developed in concert with Councilmember Madaffer as described in this report for inclusion in the Proposed FY04 Budget.

Fiscal Impact – Adoption of the proposed alternative will reduce General Fund costs by approximately \$1,750,000 in FY04. An additional \$500,000 could be realized once IT seat management is approved and anticipated progress on the implementation plan is accomplished.

BACKGROUND

On March 17, 2003, Councilmember Jim Madaffer issued a memorandum to the Mayor and City Council seeking ways to help the City improve the way it delivers IT services. At the Council's March 17, 2003 meeting (Item 200), the City Manager was requested to analyze Councilmember Madaffer's proposal for review at the April 2, 2003 meeting of the Rules Committee.

The proposal suggests implementation of a new IT organization structure for the City, which could substantially reduce costs and further align the City and San Diego Data Processing Corporation (SDDPC) with their appropriate roles as outlined in the Council-approved Information Technology Strategic Plan. City staff worked closely with Councilmember Madaffer in conducting the analysis and recommending an alternative proposal.

DISCUSSION

Description of the Information Technology & Communications Department

IT&C has two divisions, 75 FTEs and a total FY03 budget of \$7,758,000 comprised of:

- Communications Division: 53 FTEs, \$5,048,000, a General Fund activity.

The Communications Division provides all City wireless technologies to the City and business partners. Principal functions include engineering, installation, maintenance and repairs for the wireless voice and data communications systems, and contracting for commercially provided cellular voice and data services. This Division has exclusively provided highly cost effective and extremely reliable wireless service to City departments, educational institutions and local government business partners since the 1940s.

- Information Technology (IT) Division: 22 FTEs, \$2,710,000, a Special Revenue Fund.

The IT Division supports the CIO in providing policy direction and enterprise-wide focus. The Division focuses on Citywide initiatives and programs, strategic planning, and enterprise architecture and standards. Specific business function responsibilities include:

- IT Program Management
- Geographic Information Systems (GIS) program management
- E-Government program management (including content management of the City's award-winning website)
- Telecommunications Policy
- Cable TV Franchise Negotiation & Regulation; Video Production Services (CityTV 24)
- Management of Telework Program

Accomplishments Under the IT Strategic Plan

The IT Strategic Plan was approved by the City Council on January 28, 2002. It defines the City's vision of the future for IT and key strategies for achieving this vision, as well as providing Citywide guidance and direction for the management of IT within the City over the next three to five years.

Since its approval, the City has accomplished a number of significant initiatives, which are presented below:

- Established the IT Program Management Office (PMO). The PMO will enable the City to appropriately staff IT projects and take bottom-line accountability for the overall success of both the program and technical aspects of IT projects. The Project

Management Framework, which was developed in collaboration with SDDPC, is based on industry standard project management techniques that clearly delineate roles and responsibilities, and reporting deliverables during the conduct of an IT project that significantly enhance the probability of delivering projects on time and on budget. Examples of early successes include:

- Enterprise Daily Operations Report System Project (Metropolitan Wastewater Department). The project management techniques of the above mentioned framework were implemented in mid-project. As a result of the formal processes around status reporting and handling of changes to scope and resources, an estimated \$1.1M and 1.5 years in cost avoidance were realized.
- Injury Tracking Safety System (Risk Management Department). This project was completed on-time, on-budget using the project management framework.
- Customer Information System Monthly Billing Project (Water Department). This project is underway using the project management framework; it is currently on schedule to complete in September 2003.
- IT Seat Management pilot. *Seat management* refers to the concept of providing desktop information technology (IT) infrastructure support while charging a fee on a “per seat” basis. It represents a major step toward shifting IT operations to SDDPC as contemplated in the IT Strategic Plan. City Manager’s Report 03-050 dated March 15, 2003 gives a detailed status of the pilot. It is anticipated that sufficient data will be accumulated by June 2003 to complete the pilot period. Final analysis of the cost model and revisions to service levels and metrics will then be presented to the City’s IT Governance Committee in the first quarter of FY04 for formal approval and commencement of Citywide implementation in the remainder of FY04. SDDPC estimates a savings to the City of \$500,000.
- IT Enterprise Architecture Plan. An enterprise architecture plan describes the current standards as well as future direction for technologies to be used in delivering services. A formal project to develop the architecture plan is underway with SDDPC. The initial phase of identifying Citywide business requirements and developing a high level IT architecture in 21 discrete technology areas is complete. The project team is currently developing the next level of detail that will result in the identification of projects that will bring about increased capacity, enhanced reliability and potential savings to the City.
- Ricochet Agreement. Negotiated right of way and street light pole attachment agreement with Ricochet. Compensation to City includes 5% of gross revenues for use of right of way in addition to 3,000 no charge unlimited use wireless internet subscriptions. The annual wholesale value of these subscriptions is \$1.1M.
- PC Procurement/Maintenance. This IT&C/SDDPC-sponsored procurement standardized desktop PCs to a single manufacture and standardized models that helped lower PC purchase costs and enabled reduced maintenance costs. Estimated annual savings from changes to the City’s PC maintenance agreement are \$800,000.
- E-Government/GIS. There are a number of initiatives in this area that result in offering

services online to the citizens of San Diego. A recent redesign to the City's website received national recognition for the improved interface, grouping of features and user friendliness. In addition to the convenience of accessing these services at any time, some have the added benefit of making internal City processes more efficient. A representative listing includes:

- My Residential Services
- Special Events Permitting System
- Megan's Law Webpage
- Trash/Litter/Recycling Service Requests
- Street Service Requests

Functional and Fiscal Analysis

On March 20, 2003, the City's Chief Information Officer (CIO) and the IT&C Director met with SDDPC's CEO Roger Talamantez, Chief Operating Officer Donald Lovell and Chief Technology Officer Charles LaPack. The purpose of this meeting was to obtain SDDPC feedback on the proposal with particular emphasis on identifying functions currently performed by the Information Technology & Communications (IT&C) Department that are either duplicative of those performed by SDDPC or that could be considered "operational" in nature.

Analysis of respective roles & responsibilities between IT&C and SDDPC identified no significant duplication of efforts. SDDPC management suggested and City staff agreed that only commercial wireless data responsibilities be transferred from IT&C to SDDPC. All other wireless functions (e.g., maintenance of existing City-owned 800 MHz mobile data and voice system infrastructure, management of commercial cellular voice & data service contracts, and installation/maintenance of all vehicle devices) would remain with IT&C. This discussion did not identify any other functional IT&C responsibilities that SDDPC management considered to be "IT operations" or duplicative of SDDPC responsibilities, including Web Site Coordination, GIS Coordination and IT Training.

Based on the above, potential savings were estimated at \$215,000 with staff transferred as suggested under the proposal. This is a high level estimate due to the short time period to analyze the projected costs; actual savings projection will require additional discussion and transition planning with affected agencies.

ALTERNATIVE PROPOSAL

Working with Councilmember Madaffer, staff has developed an alternative that addresses the concerns, incorporates key elements of the original proposal, reduces budgeted staff and

significantly reduces General Fund costs:

Item	Timeline
<p>A mechanism for fully allocating Communications Division costs has been identified as part of this review with Councilmember Madaffer that will save the General Fund approximately \$1.5M annually. In collaboration with the Auditor and Financial Management, staff recognized that the Communications Division (as a General Fund entity) was not equitably allocating its costs across the Citywide enterprise that receives significant benefits from the wireless services provided. Converting the Communications Division into a Special Revenue Fund in FY04 will accomplish this objective.</p>	<p>Completed</p>
<p>Responsibility for commercially provided wireless data will be shifted to SDDPC. An MOU specifying roles and responsibilities will be established.</p> <p>Along with other adjustments, this transfer will allow IT&C to reduce its proposed FY04 budget by 2.00 FTEs costing \$149,000.</p>	<p>5/2/03</p> <p>Completed</p>
<p>Existing staff resources will be shifted to supplement the high-priority Program Management Office (PMO). This shift in emphasis will move staffing to higher priority responsibilities that will result in improved IT Project Management training and oversight.</p> <ul style="list-style-type: none"> • Transfer 3.0 FTE to the PMO • Conduct meeting to review, update and execute PMO plans • Review impacts of responsibilities no longer being done and develop appropriate mitigation plans 	<p>5/2/03</p> <p>5/2/03</p> <p>5/30/03</p>
<p>IT Seat Management Initiative. A pilot is underway to validate financial cost model assumptions, and to determine appropriate service levels and metrics. An estimated \$500,000 in cost savings is projected for FY04 when seat management is approved and anticipated progress is accomplished.</p> <ul style="list-style-type: none"> • Complete seat management pilot in June/July; develop final financial information, revisions to service levels and metrics, develop transition plan • Present findings to IT Governance Committee for review and approval at August meeting • Continue roll out according to transition plan 	<p>8/1/03</p> <p>8/14/03</p> <p>TBD</p>

Item	Timeline
<p>The CIO will work with SDDPC to develop a timeframe for implementing the transfer of selected Citywide IT operational functions from the City to SDDPC as specified by the IT Strategic Plan.</p> <ul style="list-style-type: none"> • Conduct preliminary meetings with SDDPC to identify candidate operations (e.g., Police Help Desk, COMNET, etc.) and likely order of transition • Update the IT Governance Committee on initiative at the May meeting • Conduct preliminary discovery to determine feasibility/scope of initiative; estimate 2-4 weeks per candidate operation • Take results through governance process 	<p>5/2/03</p> <p>5/8/03</p> <p>8/29/03</p> <p>TBD</p>
<p>The CIO will look at alternatives for implementing the “IT Business Analyst” concept within available budgets.</p> <ul style="list-style-type: none"> • Identify roles, responsibilities and reporting relationships • Determine operational impacts from using existing resources • Based on the above, determine appropriate level of staffing and determine transition plan • Complete transition plan 	<p>5/2/03</p> <p>5/16/03</p> <p>6/13/03</p> <p>8/1/03</p>
<p>The Library Department requires assistance in managing technology initiatives. During the formulation of the FY04 budget, a deputy director for information systems was eliminated, generating \$128,000 in savings. IT&C will meet with Library staff to provide assistance.</p> <ul style="list-style-type: none"> • Determine required roles and responsibilities and appropriate resource requirements • Determine and implement transition plan 	<p>5/16/03</p> <p>5/30/03</p>

CONCLUSION

The alternative proposal is in alignment with the respective roles identified in the IT Strategic Plan that will provide a more coordinated and cohesive management of technology Citywide. The conversion of the Communications Division to a special revenue fund will result in General Fund savings estimated at \$1.5M annually. \$277,000 in savings is expected from personnel

savings and other reductions. In addition, it is estimated that as much as \$500,000 in savings will result when IT seat management is approved and anticipated progress on the implementation plan is accomplished.

City staff has worked closely with Councilmember Madaffer and SDDPC throughout the past year on a number of initiatives in support of the IT Strategic Plan. Progress has been made toward achieving many of the IT Strategic Plan goals, especially in IT Governance, the Program Management Office, Seat Management, and in E-Government. The City and SDDPC continue to work together to ensure that their respective IT organizations are complementary and that overlapping functions are minimized.

The IT&C Department plays a significant role within the City and is an integral part of the IT Strategic Plan. It provides critical support for public safety wireless infrastructure, staff support for the IT Governance Process, and conducts Citywide strategic planning. Importantly, IT&C provides the CIO with the central IT staff support necessary to properly analyze SDDPC technical recommendations and (through the Governance Framework) enforce IT policy.

We acknowledge the policy focus that Councilmember Madaffer's proposal brings to the City Manager and staff: the need to more quickly implement the key initiatives identified in the IT Strategic Plan. The proposal provides the City Manager and staff with an opportunity to fine tune the consensus-based governance decision-making model and determine how it can be adjusted to better manage difficult, but necessary organizational change. Staff will continue to work with Councilmember Madaffer as the conduit to keeping the Mayor and City Council apprised of our progress and to seek innovative ways to implement technology under the IT Strategic Plan that will result in a more efficient organization.

Respectfully submitted,

Rey Arellano
Deputy City Manager &
Chief Information Officer

ARELLANO/BP