

Response to Mayor's Questions

On January 16, 2004, the Mayor issued a memorandum that directed the City Manager report on whether or not to abolish DPC and merge its responsibilities with the City's Information Technology & Communications (IT&C) Department. In addition, four specific questions were to be addressed:

1. What organizational structure will save the taxpayers the most money?
2. What organizational structure will provide the best information technology services?
3. What organizational structure will best prevent future abuses?
4. What are the existing legal obligations and rights of both the City and DPC?

To answer the Mayor's questions regarding the IT organizational structure, staff reviewed "Best-Practice" research, examined the history of DPC, and took into consideration the current City IT environment. The analysis revealed key organizational attributes of successful IT organizations. Staff then evaluated our current IT environment in light of these attributes.

In the following sections, answers to the individual questions are provided as a standalone response. The Manager's final recommendations reflect a balance between saving the taxpayers money and delivering the best IT services.

1. *What organizational structure will save the taxpayers the most money?*

Based on the attributes in the table below, the organizational structure that will save the most money is one that is highly centralized. A sourcing strategy assessment would be made to determine which DPC functions should be transferred to the City and the remainder would be competitively bid to qualified IT service providers to achieve best value. DPC would then be dissolved, which would address oversight and accountability issues while eliminating overhead or duplicative functions (e.g., senior management, R&D, entrepreneurial activities).

Organizational Attributes	Implications
Provides economies of scale	The most cost efficient structure is highly centralized; this provides a consistent, managed environment that can be focused on cost containment.
Promotes integrated & enterprise-wide technology architecture	Strategic planning, technical architecture, and shared infrastructure are centralized to achieve consistency across the organization.
Facilitates market competition	The organization must have the capability to competitively procure products and services, and have the will to competitively bid selected functions to qualified IT service providers.

Organizational Attributes	Implications
Mitigates risks on technology projects	Best practices in project management are institutionalized throughout the IT organization; experienced implementation partners are brought in on high risk projects.

However, dissolving DPC and sourcing its functions as described poses challenges that need to be carefully considered.

- Transition planning and implementation would be complex. For instance, DPC has its own financial and personnel systems that would have to be accounted for. For those functions that are transferred to the City, classification studies would have to be conducted to determine how DPC employees would come into the Civil Service system.
- There is a degree of risk in dissolving DPC. During the transition, there will be a number of personnel who will decide to leave, which may have an impact on operational support of existing systems.
- In order to obtain best value of IT services, it is appropriate to competitively bid selected functions to qualified IT service providers. This may prove difficult to achieve once DPC resources become City employees, therefore it is important to properly conduct a sourcing strategy assessment and only transfer those functions that should be within the City as determined by the assessment.

Also, a highly centralized IT organization may not be as responsive to departmental requirements. It may be appropriate to decentralize support for department-specific application development and support.

2. *What organizational structure will provide the best information technology services?*

Based on the attributes in the table on the next page, the organization to deliver the best IT services would strike a balance between centralization of certain functions to achieve economies of scale and standardization, and decentralization of IT resources to support department-specific applications. The CIO is responsible for strategic direction, alignment, oversight and accountability of IT in the City; therefore, external IT service providers need to be under the purview of the CIO. For example, if DPC was providing IT services as a true private sector company, the contract would be negotiated and managed by the CIO.

DPC should be dissolved in order to streamline operations and introduce competition, which would also improve customer service. An assessment should be conducted to determine which functions should be transferred to the City, such as project management, procurement and contract management. Remaining functions would then be competitively bid to qualified IT service providers to achieve best value.

Organizational Attributes	Implications
Aligns with and supports the business interests of the City	<p>Close collaboration exists between central and departmental IT organizations to meet business needs. City would assess IT skill levels and resource distribution, and make changes as appropriate.</p> <p>The CIO serves as the single point of accountability for all IT services.</p> <p>DPC is dissolved to address issues of oversight and accountability, and to introduce competition; an assessment is conducted to transfer selected functions to the City and competitively bid remaining functions to qualified IT service providers.</p>
Able to procure technology services quickly at best prices	The City would augment its capabilities in the areas of IT procurement and contract management.
Best able to manage performance of services	Meaningful performance metrics are put in place; the City would assign resources to monitor and enforce service levels.

3. *What organizational structure will best prevent future abuses?*

Based on the attributes in the table below, the best structure to prevent future abuses would be one that was made up entirely of City employees and that includes external providers with meaningful contracts in place. In the current environment, the City Manager does not have oversight nor the ability to put a meaningful contract in place with DPC. Therefore, a determination should be made as to functions that should be transferred to the City and the remainder competitively bid to qualified IT service providers where a meaningful contractual agreement can be established. DPC would then be dissolved.

Organizational Attributes	Implications
Embraces and is accountable for the legal and ethical standards of the City	Accountability is achieved through (1) direct control or (2) via a contract.

4. *What are the existing legal obligations and rights of both the City and DPC?*

Response to be provided by City Attorney's office under separate correspondence.