



# City-County Summit



INFORMATION TECHNOLOGY WORKING GROUP

## DRAFT

### REPORT OF WORKING GROUP CONSIDERING COOPERATION BETWEEN CITY AND COUNTY INFORMATION TECHNOLOGY DEPARTMENTS

COUNTY COUNCILMAN DAVE FAWCETT, CHAIR

**MEMBERS OF COMMITTEE:**

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City Councilman Alan Hertzberg  
City Councilman Doug Shields  
Senator Jay Costa  
Dave Stephens, Mayor's Representative  
Donna Dubois, Mayor's Representative  
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**Vision Statement:** *One IT Department for both City and the County*

The Information Technology ("IT") services for the City and the County can be combined over a period of time to provide significant long-term savings for both the City and the County.

**Background:** The issue of IT consolidation has been discussed between the City and the County on and off since 1992, with no action being taken. Internal County consolidation has been discussed and studied since 1996, with very little progress being made. Studies since September 2003 for various committees looking at City-County combination scenarios have shown that there are some small immediate savings that can occur, but that significant savings can only be attained in the long run, and that these savings in many cases depend on consolidation of equipment, staff and services.

**First Step:** The road to achieve a more efficient organization across the County and the City is first to make a determination that a merger will occur, and to do this before any further major IT investments are made in the County (including its many various departments and independent offices) or in the City, and start the parties down the road towards a combination, as occurs within IT services when any business completes a merger with another business. *This is a major political decision that is the necessary prerequisite to substantial savings in this area.*

**Contracts:** When a business does a merger, the primary functions are generally combined within a year, with production-type functions being combined over two or three years. A business generally incurs a charge for accounting purposes, invests money to combine software and data, and get contracts with vendors resolved by terminating those not needed. In our case, because of the financial distress of the City and the minimal amount of funding apparently available to the County, allowing contracts to expire may well be the best course of action.

The procedure for combining the various organizations should be to 1) determine what the eventual structure will be; and 2) then start moving toward a single set of vendors that can support a combined IT operation at the best possible price. In this manner, savings will be possible as contracts expire, and waiting for any particular contract to expire will not be a continual excuse for inaction and/or a lack of progress.

**Distribution of Costs:** Although the IT environment for the two organizations (City and County) is quite different, both rely on common architectures. The city runs a unified IT operation with almost all equipment and IT personnel consolidated under the Chief Information Officer of the City. The County runs an operation that is very fragmented, with most functions dispersed among: various departments of the executive branch with little apparent unified or common governance; various separately elected row offices, again with little common governance; and the courts. In fact, studies over the last 10 years have shown that only 11% to 20% of the County's IT expense is under the centralized Division of Computer Services, and the remaining 80% - 89% is dispersed among the various Departments and Offices.

**Consolidation Path:** An actual City/County IT consolidation must first start with consolidation within the County government. Major savings should be achieved within the County in the upcoming period of time when a major refurbishment and refresh of the Microsoft products used by all of the governmental structures is in order. During this period of time, the County has the opportunity to put into place a plan to consolidate equipment, applications and support staff.

Currently, there are forms of server rooms in over 22 locations within the executive branch of the County, 9 locations within the Row Offices, and 1 or more in the courts. Since December 2000, 23 of the 32 locations with the majority of the County's IT equipment have been connected with high speed fiber-based Ethernet which enables consolidation, so the reasons for the original separation of equipment are no longer valid. An additional 4 – 7 of the executive branch locations that currently have lower capacity connections to the main County network could be candidates for upgrades of their communications and consolidation of their server equipment downtown.

It is likely that no IT consolidation with the Row Offices will occur until consolidation of the Row Offices is implemented, but the County has the ability to control the consolidation within its own administrative departments, and it should do so. The objective for the County should be to consolidate the IT functions of those organizations on the fiber network to two locations, one downtown, and one at the Lexington facility where the disaster recovery facility and Emergency Services are located.

**Personnel:** For all parties, there are savings to be realized in personnel costs by combining the various skill sets and disciplines into pools of skill sets available to all. At the same time, the long term practice using permanent manpower from outside consulting / manpower firms should cease. DCS moved 21 permanent personnel onto the County payroll in 2001 and saved \$936,000 in the markup that would have been paid to vendors if the services were contracted. By converting these contractors to permanent employees the County not only saved costs, but insured that the County controlled skill sets and knowledge of key County applications and technology. Contract personnel are to be found in some but not all of the departments and offices within the County. By pooling skill sets, personnel costs can be reduced over a period of time by not duplicating these skill sets across multiple departments and offices, and by not paying the markup to vendors for long-term manpower.

One of the reasons various agencies and departments go to outside vendors for long-term personnel is the lengthy County hiring process, and the fact that outside agencies are capable of providing personnel with the needed skills quickly, and vacancies are quickly addressed. In the past, the County has not been able to consistently find and replace IT personnel with the needed skills, and critical IT jobs have been left vacant for extended periods of time. In the past, County pay scales for IT personnel were not competitive, so that good personnel with the necessary skills did not have an incentive to work for the County directly, and the County had to utilize contractors for these skills. Thus, by way of example, instead of paying \$24 - \$45 per hour internally for the skill sets, the County has paid \$60 to \$135 per hour to outside vendors for the same skill sets. This needs to be corrected across the County to assure that the County has the required skills to maintain core applications at a reasonable cost.

**Equipment:** A simple explanation of what is needed here, and the need to do it quickly, is that there may well be 6 different servers using Microsoft Sequel Server or Oracle in various departments supporting their applications. Each requires electricity; heating and cooling; space; staff support; server licensing and annual maintenance contract fees; application licensing fees and annual licensing fees. The majority of these expenses can be saved by purchasing one large server to host all of these. By repeating this action across the County substantial savings will add up over time. By further repeating this action with the City, even further savings will be realized.

**Applications:** There are several prime areas here where savings / cost avoidance can be achieved:

- a. **Enterprise Resource Planning:** PeopleSoft versions within the City and the County can be combined on the County enterprise license, saving significant funds for the City and resulting in some savings for the County. The support staffs could be combined, resulting in further savings in this area. Additionally, the Enterprise Resource Planning applications could be built out to accommodate payroll production for both the City and County.
- b. **Mail Systems:** Allegheny County is currently running 4 separate sets of mail systems on 8 or more servers, excluding any disaster recovery support. (DCS, Health, Police, and Courts are all running separate systems.) The City is running separate systems with additional servers. The County must upgrade its system this year if it is to continue to have e-mail, as Microsoft has indicated it will discontinue its support for existing e-mail systems at the end of this year. Some departments desire to establish further separate systems breaking off of the central enterprise mail system when the migration is done. All parties (the County, the City and the courts) could operate off of 3 servers in a combined enterprise system, at significantly less cost than the current model provides for. This enterprise system could also provide support for other authorities and subordinate municipalities on a reimbursable basis. The more the users on a consolidated, system, the less the unit cost per user.
- c. **Internet Service Providers (ISP):** Allegheny County currently has separate access for DCS, the Health Department, the Courts, and some Row offices may have their own separate access. The City currently has its own access. All of these could be consolidated into 2 sets of access – one prime set, downtown, and a secondary set at the County's Lexington Avenue location in the event of emergencies. When the costs for the ISP, together with security Intrusion Detection and Monitoring costs are taken together, going to two points of access provides the least cost, best service possibility for all parties. All other duplicative connections are wasting the taxpayers' dollars.
- d. **Application Support:** A single set of programmers – with duplication so the loss of a single person with skill sets does not cripple the entire government – would achieve a least cost solution in this area. All of these employees should be government as opposed to contractor employees.

### **Cost Savings Within the City IT Department**

The availability of immediate savings to the City resulting from a consolidation is unclear because of a lack of information provided to the committee by the City and because of the uncertainty regarding the accuracy of information provided to this committee and previously to other groups studying cooperative efforts between the City and County IT Departments. For example, with regard to payroll administration, previously it was reported that the City's outsourcing of payroll administration resulted in higher costs than the County's internal costs of payroll administration, and that a consolidation would result in immediate savings to the City. However, it appears that information regarding the terms of the existing contract with the outside vendor of payroll administration services were either not fully disclosed or considered previously, in coming to this conclusion.<sup>1</sup>

### **Previous Studies**

This report would not be complete without reference to the previous efforts of the subcommittee of City Council (Councilman Sala Udin, Chair) which studied information technology City-County cooperative efforts and issued a subcommittee report on November \_\_, 2003. That report, and the recommendations contained therein, are excellent and are adopted by reference by this Committee.

### **Conclusion**

Substantial long-term savings will result from the consolidation of City and County IT Departments, but those savings will never be realized if the political will does not exist to issue a directive, now mandating this consolidation. The longer it takes to decide to consolidate these functions, the costlier the consolidation will be and the longer the delay will be in obtaining substantial cost savings as a result of such a consolidation.

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<sup>1</sup> The County internally provides payroll services while the City recently outsourced payroll services to Ceridian. The Regional Cooperation Committee Report to City Council dated October 29, 2003 that solicited comments and suggestions from all city department heads found "the County's current internal costs are approximately \$3.40 per check. The City's cost per check is \$4.40. The County believes it can modify their payroll system to accommodate the issuance of City paychecks with nominal effort." A City payroll department representative attending the IT sub-committee meeting claimed the source of this information was unknown and that this would have to be verified. However, the IT committee has yet to receive any additional communication from the City payroll department. The City Computer Information Services (CIS) department representative stated that the Ceridian contract could not be terminated in 2005 without paying Ceridian a \$500,000 penalty. This information on the penalty apparently was not provided by the City Director of Personnel who recently testified before City Council to obtain approval to pay Ceridian \$650,000 in 2004 (much larger sums were paid to Ceridian during the past two years). The IT committee has concerns with the credibility of the City Administration on this point and strongly believes that payroll represents an opportunity for both governments to save money by merging.