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City of Detroit

CITY COUNCIL

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TO: Chuck Dodd, Director
Information Technology Services Department

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: May 19, 2014

RE: 2014 -2015 Budget Analysis

Attached is our budget analysis regarding your department's budget for the 2014-2015 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Friday, May 23, 2014 at 1:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Council members and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

DW:jgp:ss

Attachments:
Issues and Questions
Agency Summary Page
Agency Activity Description Page
Triennial Appropriation Summary Object Expenditure
Ten Year Restructuring and Reinvestment Initiates
Ten Year Financial Projections

cc: Councilmembers
Auditor General's Office
John Hill, Chief Financial Officer
Beth Niblock, Chief Information Officer
Pam Scales, Budget Director
Palencia Mobley, Mayor's Office

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Information Technology Services Department (31)

FY 2014-15 Budget Analysis by the Legislative Policy Division

Issues and Questions

1. As part of the Plan of Adjustment/Disclosure Statement under the Finance Department $94.8 million is included for "incremental IT costs primarily related to the implementation of" a new enterprise resource planning system, hardware upgrades, data-center back-up services, software upgrades, a new income tax processing software system, a document management system, upgrades to the workforce management software and other infrastructure improvements. However the budget allocation for the next three years for the ITS department remains at the current level of $17 to $18 million. How involved will the ITS department be with all of these initiatives? Is it reasonable, and will the ITS Department be able to adequately help implement and support these new systems with the current level of resources?

2. What hardware upgrades is the department considering for the city in general? What is the timetable for this to occur and how much will it cost? What is a reasonable upgrade/replacement cycle for PC equipment and software? What is the City's current upgrade/replacement cycle for PC equipment and software?

3. Going forward will the City use employees or contractors to support the various technology systems and equipment? Explain the advantages/disadvantages of both.

4. Under your Agency Goals provide a timetable for the following two items, the consolidation of the Data Center and IT Services and related cost savings, the creation and deployment of a Data Security Program and IT Governance.

INFORMATION TECHNOLOGY SERVICES (31)

AGENCY PLAN: MISSION, GOALS AND BUDGET SUMMARY

MISSION:
The Information Technology Services Department will provide effective, reliable and secure information technology and related services to City agencies, enabling them to effectively manage assets and deliver services to Detroit's citizens, businesses and visitors in accordance with the Mayor's vision on transforming and rightsizing government. ITS provides services in the areas of Strategic and Business Management, Infrastructure Management, Applications Management and desktop support.

AGENCY GOALS:
1. Develop and implement a plan to consolidate Data Center and IT Services to realize cost savings.
2. Upgrade City of Detroit email and Microsoft Office tools.
3. Create and deploy the City of Detroit Data Security Program and IT Governance.
4. Reorganize department to offer better services and improve relationship between ITS and City departments.
5. Update the City of Detroit Website by offering more services, information and mobile applications.

Budget Summary:

	FY 2014 Budget		FY 2015 Recommended		FY 2016 Recommended		FY 2017 Recommended	
	General	All Funds	General	All Funds	General	All Funds	General	All Funds
Base Budget	$414,096	$414,096	$92,500	$92,500	$92,500	$92,500	$92,500	$92,500
Restructuring Initiatives	N/A	N/A	Preliminary Restructuring Projects are listed on the Quality of Life Loan – Restructuring Projects					
Total Revenues	$414,096	$414,096	$92,500	$92,500	$92,500	$92,500	$92,500	$92,500
Base Budget	$16,872,565	$16,872,565	$17,939,018	$17,939,018	$17,443,093	$17,443,093	$17,600,217	$17,600,217
Restructuring Initiatives	N/A	N/A	Preliminary Restructuring Projects are listed on the Quality of Life Loan – Restructuring Projects					
Total Expenditures	$16,872,565	$16,872,565	$17,939,018	$17,939,018	$17,443,093	$17,443,093	$17,600,217	$17,600,217
NET TAX COST	$16,458,469	$16,458,469	$17,846,518	$17,846,518	$17,350,593	$17,350,593	$17,507,717	$17,507,717

INFORMATION TECHNOLOGY SERVICES (31)

Activities in this Agency:

	FY 2014 Budget		FY 2015 Recommended		FY 2016 Recommended		FY 2017 Recommended	
	General	All Funds	General	All Funds	General	All Funds	General	All Funds
Computer Operations	$16,872,565	$16,872,565	$17,939,018	$17,939,018	$17,443,093	$17,443,093	$17,600,217	$17,600,217

Position Summary:

	FY 2013-14 Budget	05-02-14 Actual	FY 2014-15 Recommend	FY 2015-16 Recommend	FY 2016-17 Recommend
City FT Positions	41	30	41	41	41
Grant FT Positions					
TOTAL POSITIONS	41	30	41	41	41

INFORMATION TECHNOLOGY SERVICES (31)

ACTIVITY INFORMATION

ACTIVITY DESCRIPTION:

COMPUTER OPERATIONS

The Information Technology Services Department (ITS) is the central staff agency responsible for directing, developing and providing information technology and consulting services to City agencies. The responsibilities of ITS include: information management, strategic technology planning, application development and implementation, system/application maintenance and support, telecommunications, data center operations, technology acquisitions, business needs solutions and other services necessary to aid agencies in harnessing technology to improve operations and the quality of services provided to their customers.

CITY OF DETROIT
Budget Development for FY 2014-2017
Triennial Appropriation Summary Object Exp-ITS

	2012-13 Actuals	2013-14 Redbook	2014-15 Mayors Recomm	2015-16 Mayors Year 2 Rec	2016-17 Mayors Year 3 Rec
ALLAPP - All Appropriations					
A31000 - Information Technology Services Depa					
SALWAGESL - Salary & Wages	0	2,058,578	2,466,910	2,466,910	2,528,595
EMPBENESL - Employee Benef	0	2,361,870	812,108	837,477	872,916
PROFSVCSL - Professional/Con	0	3,211,385	3,840,000	3,880,000	3,880,000
OPERSUPSL - Operating Suppli	0	6,115,125	5,189,248	5,039,248	5,099,248
OPERSVCSL - Operating Servic	0	3,060,165	3,085,310	2,674,016	2,674,016
CAPEQUPSL - Capital Equipme	0	5,442	5,442	5,442	5,442
OTHEXPSSL - Other Expenses	0	60,000	60,000	60,000	60,000
FIXEDCHGSL - Fixed Charges	0	0	2,480,000	2,480,000	2,480,000
A31000 - Information Technology Serv	*0*	*16,872,565*	*17,939,018*	*17,443,093*	*17,600,217*
ALLAPP - All Appropriations	**0**	**16,872,565**	**17,939,018**	**17,443,093**	**17,600,217**
Grand Total	**0**	**16,872,565**	**17,939,018**	**17,443,093**	**17,600,217**

City of Detroit

Ten-Year Plan of Adjustment
Restructuring and Reinvestment Initiatives - Consolidated by Department
Technology Infrastructure
($ in millions)

	For the Fiscal Year Ended										10-Year
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
EXECUTIVE AGENCIES											
Administrative Hearings	$ -	$ (0.5)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (0.5)
Finance/Budget	(1.7)	(34.6)	(17.3)	(8.8)	(6.7)	(6.6)	(4.2)	(5.3)	(5.5)	(4.2)	(94.8)
Fire	-	(1.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.4)	(0.2)	(0.2)	(3.5)
General Services	-	-	-	-	-	-	-	-	-	-	-
Human Resources	-	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(1.3)
Labor Relations	-	-	-	-	-	-	-	-	-	-	-
Human Rights / Board of Ethics	-	(0.1)	-	-	-	-	-	-	-	-	(0.1)
Human Services	-	-	-	-	-	-	-	-	-	-	-
Law	(0.5)	-	-	-	-	-	-	-	-	-	(0.5)
Mayor's Office	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	-	(0.6)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.8)
Police	(0.9)	(12.2)	(10.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(38.4)
Public Lighting	-	-	-	-	-	-	-	-	-	-	-
Public Works (Solid Waste)	-	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-	-
Vital Records (Health & Wellness)	-	-	-	-	-	-	-	-	-	-	-
LEGISLATIVE AGENCIES											
Auditor General / Inspector General	-	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.4)
Board of Zoning Appeals	-	-	-	-	-	-	-	-	-	-	-
City Clerk	-	-	-	-	-	-	-	-	-	-	-
City Council	-	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
Election Commission	(0.0)	-	-	-	-	-	-	-	-	-	(0.0)
Ombudsperson	-	(3.0)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(7.6)
OTHER AGENCIES											
Non-Departmental (36D Initiatives)	-	(1.6)	(0.8)	(0.4)	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(4.2)
ENTERPRISE AGENCIES											
Airport	-	(0.0)	-	-	-	-	-	-	-	-	(0.0)
Buildings and Safety	-	-	-	-	-	-	-	-	-	-	-
DDOT - Transportation	-	-	-	-	-	-	-	-	-	-	-
Municipal Parking	-	-	-	-	-	-	-	-	-	-	-
OTHER											
Blight	-	-	-	-	-	-	-	-	-	-	-
TOTAL	$ (3.1)	$ (54.4)	$ (29.2)	$ (12.2)	$ (10.1)	$ (9.9)	$ (8.2)	$ (8.8)	$ (8.8)	$ (7.5)	$ (152.3)

City of Detroit

Ten-Year Financial Projections
ITS - general fund
($ in millions)

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues																
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipal income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wagering taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utility users' and other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, permits and inspection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State revenue sharing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales and charges for services	0.5	0.5	0.2	1.3	0.4	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Revenue from use of assets	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking/court fines and other revenue	(0.1)	-	-	(0.0)	-	-	-	-	-	-	-	-	-	-	-	-
DDOT risk mgmt reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimb. from parking & vehicle fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street fund reimb. and financing proceeds	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	0.9	0.5	0.2	1.3	0.4	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Expenditures																
Salaries and wages	(5.1)	(5.1)	(4.0)	(3.4)	(2.6)	(2.0)	(2.0)	(2.3)	(2.3)	(2.4)	(2.4)	(2.5)	(2.5)	(2.6)	(2.6)	(2.7)
Overtime	(0.4)	(0.2)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Pension	(0.6)	(0.5)	(0.4)	(0.4)	(0.3)	(0.2)	(1.3)	(1.7)	(1.9)	(2.1)	(2.4)	(2.5)	(2.6)	(2.8)	(2.9)	(3.0)
Medical & fringe benefits	(2.6)	(2.3)	(1.9)	(1.8)	(1.5)	(1.5)	(2.4)	(2.5)	(2.6)	(2.8)	(2.9)	(3.0)	(3.2)	(3.3)	(3.5)	(3.6)
Professional and contractual services	(2.4)	(2.5)	(4.9)	(3.0)	(2.6)	(3.8)	(3.8)	(3.8)	(3.9)	(3.9)	(4.0)	(4.0)	(4.0)	(4.1)	(4.1)	(4.2)
Materials & supplies	(8.4)	(11.4)	(12.3)	(8.7)	(8.1)	(4.8)	(7.8)	(6.9)	(5.9)	(6.0)	(6.0)	(6.1)	(6.1)	(6.2)	(6.3)	(6.3)
Utilities	(0.8)	(1.4)	(0.5)	(0.8)	(0.5)	(2.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Purchased services	-	(0.2)	(0.2)	0.1	0.0	-	-	-	-	-	-	-	-	-	-	-
Risk management and insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(1.7)	(1.7)	(1.8)	(1.5)	(0.8)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Debt service	(0.1)	-	-	-	-	(1.1)	(1.4)	(1.4)	(1.4)	(0.7)	-	-	-	-	-	-
Contributions to non-enterprise funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POC - principal and interest1	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.6)	(0.9)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Transfers out	-	(0.1)	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant expenses (before reallocation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	(22.7)	(26.0)	(26.7)	(20.3)	(17.0)	(18.1)	(21.7)	(21.8)	(21.3)	(21.1)	(20.9)	(21.3)	(21.7)	(22.2)	(22.6)	(23.0)
Total surplus (deficit)	$ (21.8)	$ (25.5)	$ (26.6)	$ (19.1)	$ (16.7)	$ (17.4)	$ (21.2)	$ (21.3)	$ (20.8)	$ (20.6)	$ (20.4)	$ (20.8)	$ (21.2)	$ (21.7)	$ (22.1)	$ (22.5)
Operational restructuring																
Department revenue initiatives						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expenses																
Additional operating expenditures						-	-	-	-	-	-	-	-	-	-	-
Technology						-	-	-	-	-	-	-	-	-	-	-
Capital expenditures and other infrastructure						-	-	-	-	-	-	-	-	-	-	-
Implementation costs						-	-	-	-	-	-	-	-	-	-	-
Subtotal: Expenses						-	-	-	-	-	-	-	-	-	-	-
Operational restructuring						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adjusted surplus (deficit)						$ (17.4)	$ (21.2)	$ (21.3)	$ (20.8)	$ (20.6)	$ (20.4)	$ (20.8)	$ (21.2)	$ (21.7)	$ (22.1)	$ (22.5)

(1) Historical POC payments have been split out from total pension expense based on forecasted POC allocation.

City of Detroit
Ten-Year Financial Projections
ITS - general fund - Key assumptions

	Fiscal year ended actual					Preliminary forecast										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Department employees (baseline)	99	92	65	46	43	35	35	38	38	38	38	38	38	38	38	38
Average salary & wages(1)	$ 51,306	$ 55,548	$ 61,007	$ 74,548	$ 60,681	$ 57,494	$ 57,494	$ 60,369	$ 60,369	$ 61,878	$ 63,425	$ 65,011	$ 66,311	$ 67,637	$ 68,990	$ 70,369
Average overtime	4,087	2,260	2,140	1,465	597	2,467	2,467	2,590	2,590	2,655	2,721	2,789	2,845	2,902	2,960	3,019
	$ 55,393	$ 57,808	$ 63,147	$ 76,013	$ 61,278	$ 59,961	$ 59,961	$ 62,959	$ 62,959	$ 64,533	$ 66,146	$ 67,800	$ 69,156	$ 70,539	$ 71,949	$ 73,388
Overtime as a % of salary & wages	8.0%	4.1%	3.5%	2.0%	1.0%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Pension as a % of salary & wages						9.7%	62.9%	71.8%	83.2%	90.6%	98.6%	100.8%	103.8%	106.4%	109.3%	111.1%
Medical & fringe as a % of salary & wage	51.0%	45.7%	48.1%	53.2%	55.9%	74.7%	117.9%	110.5%	114.1%	116.4%	118.5%	121.7%	124.8%	128.3%	131.3%	134.4%

Key Items	Comment/Reference
Revenues	
Sales and charges for services	Primarily interagency billings
Expenses	
Personnel expenses	Appendix C.1 - Appendix C.3
Professional and contractual services	Information technology contracts
Materials & supplies	Primarily hardware (servers, Xerox, etc.) and software (Oracle, Groupwise, etc.) maintenance & upgrade costs; does not include upgrade costs in excess of 2012 levels Beginning FY 2015, savings from payroll administration outsourcing reflected as certain upgrades would not be completed
Other expenses	Rental expenses (building, computers, and other office equipment)
Debt service	Payments for IBM product purchased through financing in FY 2013; purchase captured in Non-Departmental

Operational restructuring												
Additional Department employees	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) Based on department salaries & wages and employees, see Appendix C.2.