MFP Committee #3
May 3, 2010

Worksession

MEMORANDUM

April 29, 2010

TO: Management and Fiscal Policy Committee

FROM: Dr. Costis Toregas, Council IT Adviser

SUBJECT: FY11 Operating Budget NDA for Desktop Computer Modernization (DCM), Section 67-7 in the Executive's Recommended Budget (Continued)

The following are expected to attend:
E. Steven Emanuel, Chief Information Officer, DTS
Dieter Klinger, DTS
Alex Espinosa and John Cuff, Office of Management and Budget (OMB)

The relevant page from the April 22, 2010 "FY10 and FY11 Budget Adjustments" memo of the County Executive is attached on ©1.

Summary of Staff Recommendations

1. **Accept** the Executive's **additional cut of $450,000** in the DCM program, which brings the DCM recommended budget for FY11 to **$3,180,950** (a level 53% lower than FY10).
2. Ensure that the FY11 **impact of the DCM reduction** regarding emergency PC acquisitions, critical PC repairs, and server procurement suspension is **disseminated and reflected in individual user department budgets,** and transmit this information to relevant Council committees with oversight responsibility for these departments.
3. Request that the **results of the Risk Assessment analysis** undertaken by the Executive be **provided to the Committee as soon as practical**, so that the impact of the DCM recommendations is understood in terms of increased risk in the departments' business processes.
4. Request that **the results of the ITPCC review of PC and other IT equipment replacements** across agencies be **expedited**, and **those results used to promote** and explore the use of the excellent **DCM program** across agencies.

Changes from Last Committee Decision on DCM Budget Request

For FY11, the Executive recommended a budget of $3,630,950 for the Desktop Computer Modernization program, a reduction of $3,208,340 from last year. The details of the requested resources approved by the Committee on April 15, 2010 are provided in the table below:

	FY10 Approved	FY11 Recommended	Change	% Change
DCM Program	$6,839,290	$3,630,950	$3,208,340	-47.0%

The basis of the Committee's approval of the recommended DCM budget with such a deep 47% cut was the acceptance of increased risk in a time of fiscal restraint. The analytic packet used to support this decision is on ©2-8. This approval was conditioned by a discussion of Risk Assessment and ways in which an effort currently under way to define both the probability of breakdown, and its severity, would be understood for each major County system. While not currently available for Committee use, such a risk assessment system would permit the evaluation of the increased risk and make sure that it is within the policy expectations of individual Committee members.

On April 22, 2010 the Executive released a new round of reductions in a memo titled "FY10 and FY11 Budget Adjustments". In that memo, the Executive recommended a further cut of $450,000 to the DCM budget. The impact of this action would be **the suspension of Enterprise and Public Safety server replacements**. The detailed financial impact of this action is shown in the Table below:

	FY10 approved budget	FY11 March 15, 2010 Recommended budget	April 22, 2010 recommended change	Current aggregate DCM budget recommendation	% Change from FY10 approved budget
DCM Program	$6,839,290	$3,630,950	-$450,000	$3,180,950	-53.5%

Lacking the Risk Assessment analysis referenced in the prior section of this memo, it is hard to evaluate the impact of the recommended additional reduction. Once again, there are two major concerns:

- **What will be the increased risk levels** if no servers are replaced in FY11? How do these risks relate to the **business processes they are supporting**? Since the users include public safety, increased risk of breakdown may lead to undesirable situations.
- Have the **user** agencies **been informed** of this increased chance of breakdown, and has this change caused adjustments in their own budgets as they attempt to mitigate the new risk levels?

The Committee should **verify** with the Executive branch representatives that there **exists an open and transparent communication mechanism** which permits the communication and mitigation of increased risk at the user department level.

Council staff **recommends approval** of the Executive's suggested reduction.

DECREASE COST: SUPPLEMENT TO PROVIDERS OF DEVELOPMENTAL DISABILITIES (DD) SERVICES -181,900

This reduction brings the total percent reduction to the DD supplement for non –Individual Support Services (ISS) and Family Support Services (FSS) from 4.7% to 7%. Funding for the supplement for ISS/FSS services was eliminated in the CE Recommended Budget because the ISS/FSS services are fully reimbursable by the State and therefore do not need a supplement. The 7% reduction is in line with the contract reductions taken department-wide.

Human Rights

TECHNICAL ADJ: SHIFT FUNDING FROM HUMAN RIGHTS TO COUNTY ATTORNEY FOR EEO INVESTIGATIONS AND DEFENSE OF COMPLAINTS -44,200

Shift funding from the Office of Human Rights to the County Attorney to perform the EEO function regarding the investigation and defense of complaints filed against the County.

NDA - Community Grants

ELIMINATE: COMMUNITY GRANT TO CAPITAL PC USER GROUP, INC. -2,500

Nonprofit withdrew the request.

NDA - Desktop Modernization

DECREASE COST: DEFER DCM SERVER REPLACEMENTS -450,000

Suspension of Enterprise and Public Safety server replacements.

NDA - Historical Activities

REDUCE: HISTORICAL ACTIVITIES NDA -177,670

The Executive recommends a reduction of 50% in the General Fund support for this Non-departmental Account.

NDA - Inauguration & Transition

REDUCE: INAUGURATION & TRANSITION (NDA) -45,000

Reduce funding for fiscal considerations. In FY11, $5,000 would remain for related expenses.

NDA - Municipal Tax Duplication

DECREASE COST: MUNICIPAL TAX DUPLICATION PAYMENTS AN ADDITIONAL 20% -1,497,640

The Executive recommends an additional 20% reduction to the Municipal Tax Duplication payment. This is in addition to the 5% reduction including in the March 15 Recommended Budget.

INCREASE COST: ALLOCATE SPEED CAMERA REVENUES TO MUNICIPALITIES 297,110

In order to efficiently and effectively deploy speed detection cameras within municipalities, the Executive has negotiated Memorandum of Agreements (MOA) with Chevy Chase View, Kensington, and Poolesville for sharing speed camera revenues collected in the municipalities. Under recently approved amendments to State Law, municipalities are authorized to deploy their own speed cameras. However, since the County has an existing program it was more efficient and served broader public safety purposes to deploy these cameras under the auspices of the County's speed camera program provided the municipalities received the same amount of revenues (net of expenses) they would be due as if they issued these cameras on their own. The following distributions would be made pursuant to the MOA: Chevy Chase View ($104,010); Kensington ($144,980); and Poolesville ($48,120)

NDA - Rockville Parking District

ELIMINATE: FREE PATRON PARKING AT THE ROCKVILLE LIBRARY -143,540

The County Executive Recommends eliminating free patron parking at the Rockville Library.

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MFP Committee #4
April 15, 2010

Worksession

MEMORANDUM

April 13, 2010

TO: Management and Fiscal Policy Committee

FROM: Dr. Costis Toregas, Council IT Adviser

SUBJECT: FY11 Operating Budget NDA for Desktop Computer Modernization (DCM), Section 67-7 in the Executive's Recommended Budget

The following are expected to attend:
E. Steven Emanuel, Chief Information Officer, DTS
Dieter Klinger, DTS
Alex Espinosa and John Cuff, Office of Management and Budget (OMB)

The relevant page from the recommended FY11 operating budget is attached on ©1.

Summary of Staff Recommendations
1. Accept the Executive's recommended budget of $3,630,950. 2. Ensure that the FY11 impact of the DCM reduction on user departments regarding emergency PC acquisitions and critical PC repairs is understood and reflected in individual user department budgets, and transmit this information to relevant Council committees with oversight responsibility for these departments. 3. Request that the results of the ITPCC review of PC and other IT equipment replacements across agencies be expedited, and those results used to promote and explore the use of the excellent DCM program across agencies.

Overview

For FY11, the Executive recommends a budget of $3,630,950 for the Desktop Computer Modernization program, a reduction of $3,208,340 from last year. The details of the requested resources are provided in the table below:

	FY10 Approved	FY11 Recommended	Change	% Change
DCM Program	$6,839,290	3,630,950	$3,208,340	-47.0%

The degree of reduction is significant, and goes well beyond percentage targets in other programs (including DTS's own budget reduction of 17%). There is no clear way to understand and analyze how such a target for a cut was derived. It must be assumed that the Executive strategy is to work backwards from a target reduction figure and manage the remaining funds in the best way possible. The question for the Committee to address is whether this target reduction figure is too large, and whether the equipment all County employees need to carry out their responsibilities may age beyond acceptable levels. To explore just how dim the prospects for PC and server replacements might be in FY11, the following question was posed to DTS:

Given the 47% reduction in DCM, what computers will be the oldest at the end of FY2011? Oldest servers? Oldest equipment line replaced through DCM? And are these ages sustainable? What is the expected cost to repair/keep them going, and how do the expected higher maintenance costs over the lifetime compare with the short-term savings?

The response from DTS is as follows:

"… The 47% reduction in DCM is comprised of several elements, including deferral of PC and enterprise server acquisitions, DCM contract reductions with service level impacts, and IT contractor and software maintenance reductions. The projected inventory ages are as follows:

Projected Computer Age at the end of FY11

2 years	*3 years*	*4 years*	*5 years*	*Over 5 years*
3%	*17%*	*34%*	*32%*	*14%*

Projected Server Age at the end of FY11

2 years	*3 years*	*4 years*	*5 years*	*6 years*	*Over 6 years*
10%	*5%*	*7%*	*10%*	*19%*	*49%*

DCM maintains that long-standing best practices for PC replacement every 4 years should not change for long-range budget planning. Industry research from Gartner indicates that longer replacement cycles lead to higher total costs of ownership and complexity, due to the need to support and maintain a greater number of hardware models and numerous versions of software applications, operating systems, and system images, and to provide staff training for these platforms. Further, enterprise servers, life and storage and other infrastructure equipment need to be replaced when they reach end of life and experience increased failures or can no longer run current operating systems and applications.

Reduction of equipment replacements will increase the likelihood of system failures and outages. It will also increase current maintenance costs and future replacement costs when more will need to be replaced in a shorter amount of time. The total expected cost to repair/keep PCs going depends on the number of and types of failures. In FY11, departments will be required to fund emergency PC acquisitions as well as critical repairs due to the DCM budget reduction. DCM will keep a very small number of systems in inventory to mitigate operational risks caused by PC failures. The short-term savings associated with deferring PC acquisitions for 1 year are substantial. Assuming full or partial *restoration of the DCM PC acquisition budget in FY12 as well as lower than or average PC failure rates, these short-term savings outweigh the expected maintenance costs..."*

Council staff agrees with DTS. However, the Executive's recommendation appears to move in directions that will increase the risk of failure and possibly be more costly than retaining a stronger replacement program. At the end of next year, almost half of the County's servers will be over 6 years old, giving rise to potential breakdowns and service disruptions. DTS estimates that 14% of all PCs will be over 5 years old by the end of FY11, an age when modern applications or needed security patches may not properly execute. A true picture of the risk associated with this DCM reduction is needed, and the Committee should **hear from the DTS leadership regarding their ability to manage this worrisome challenge**.

Although detailed numbers have not been provided by the Executive that would permit alternate scenarios to be built, Council staff explored a more reasonable number, tracking best practice a bit more closely, to moderate the degree of reduction made to the DCM budget. A 17% reduction from FY 10 levels (paralleling the overall decrease in the DTS budget) would mean an increase in the DCM budget from the level recommended by the Executive to $5,676,610. This kind of increase is difficult to suggest now, given both the dearth of impact information and the fiscal condition the County is in, so it cannot be recommended.

Beyond the obvious risk increase, there is another element of the proposed DCM strategy which may have significant downside risks: a **new policy** appears to be proposed under which each user department will be **responsible for its own emergency PC acquisitions and critical repairs**. There is no indication that this new cost element has been identified and absorbed in user department budgets for FY11. The Committee should **verify with OMB representatives that this is indeed the case**, or departments may find the change in policy difficult to accommodate in mid-budget season.

The ITPCC is completing a study of all agency replacement strategies, and once their report is available, the DCM program can measure itself against the approach found in other agencies. In addition, DCM **can explore an expansion strategy for the program** immediately. DTS has been able to negotiate extremely attractive, low rates for Help Desk personnel and hardware replacements. An increase in the volume of business through interagency agreements could mean yet lower rates, as well as savings in other departments and agencies not currently under the DCM agreement. Such an expansion strategy will be available to the Cross-Agency Resource Sharing initiative (CARS) about to begin its deliberations (see ©2-4) and, if found to be viable and desirable, will be reflected in DCM's plans through mid-year supplemental appropriations.

Desktop Computer Modernization

The Desktop Computer Modernization (DCM) program is based on a best practices approach to maintaining a modern and cost effective computing environment in the County. The program reduces the Total Cost of Ownership (TCO) of personal computers (PCs) and laptops through standardization, asset management, and maintenance services. DCM includes the centralized management, support, and maintenance of PCs and targets the annual replacement of approximately one-fourth of managed PCs. The program also includes PC-related training and software. This NDA includes funding for Help Desk support, management, maintenance, and replacement of PCs.

FY11 Recommended Changes	Expenditures	WYs
FY10 Approved	**6,839,290**	**0.0**
Increase Cost: DCM - Professional Consultant Services	16,660	0.0
Decrease Cost: Reduce PC acquisitions, contract services, and software maintenance for Desktop Computer Modernization (DCM) program.	-375,000	0.0
Reduce: Reduce PC acquisitions, contract services, professional consultant services, hardware acquisition fees, and enterprise server acquisition for Desktop Computer Modernization (DCM) program.	-2,850,000	0.0
FY11 CE Recommended	**3,630,950**	**0.0**

Future Federal/State/Other Grants

This NDA enables the County to implement new grant-funded programs up to $200,000 each and provides funds for grant continuations and enhancements without having to process individual supplemental appropriations through the County Council. Upon approval by the County Executive, funds in this program are transferred to the receiving department's grant account.

FY11 Recommended Changes	Expenditures	WYs
FY10 Approved	**20,000,000**	**0.0**
FY11 CE Recommended	**20,000,000**	**0.0**

Grants to Municipalities in Lieu of Shares Tax

This NDA funds payments required in accordance with State law. The 1968 Session of the General Assembly revised the tax structure to include a County income tax. As part of this restructuring, the shared tax on banks and financial institutions was eliminated, and a provision was adopted which requires counties to pay annually to municipalities the amount ($28,020) which had been received by the municipalities in FY68.

FY11 Recommended Changes	Expenditures	WYs
FY10 Approved	**28,020**	**0.0**
FY11 CE Recommended	**28,020**	**0.0**

Group Insurance for Retirees

Group insurance is provided to an estimated 4,350 retired County employees and survivors, as well as retirees of participating outside agencies. Employees hired before January 1, 1987, are eligible upon retirement to pay 20 percent of the premium for health and life insurance for the same number of years (after retirement) that they were eligible to participate in the group insurance plan as an active employee. The County government pays the remaining 80 percent of the premium. Thereafter, these retirees pay 100 percent of the premium. Employees hired before January 1, 1987, are also offered the option at retirement to convert from the 20/80 arrangement to a lifetime cost sharing option.

Employees hired after January 1, 1987, are eligible upon retirement for a lifetime cost sharing option under which the County pays 70 percent of the premium and the retiree pays 30 percent of the premium for life for retirees who were eligible to participate in the County group insurance plan for 15 or more years as active employees. Minimum participation eligibility of five years as an active employee is necessary to be eligible for the lifetime plan. The County will pay 50 percent of the premium for retirees with five years of participation as an active employee. The County contribution to the payment of the premium increases by two percent for each additional year of participation up to the 70 percent maximum.

On March 5, 2002, the County Council approved a one-time opportunity for retirees still under the 20/80 arrangement with an expiration date to elect the lifetime cost sharing arrangement. The new percentage paid by the County for those electing this arrangement ranges from 50 percent to 68 percent, depending upon years of active eligibility under the plan and years since retirement. The cost sharing election process has been completed.

The budget does not include employer contributions from participating outside agencies.

OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

MEMORANDUM

March 24, 2010

TO: Jerry Weast, Superintendent, Montgomery County Public Schools
Hercules Pinkney, Interim President, Montgomery College
Royce Hanson, Chairman, Montgomery County Planning Board
Jerry Johnson, General Manager, Washington Suburban Sanitary Commission
Steve Farber, Staff Director, Office of the County Council

FROM: Timothy L. Firestine, Chief Administrative Officer

SUBJECT: Cross-Agency Resource-Sharing Committee

Thank you for your participation in the Cross-Agency Resource-Sharing discussion on February 3rd. These are difficult times and the financial challenges before us are significant. As we agreed, the current budget situation offers us an opportunity to reexamine the way in which County government functions in order to be more efficient and effective. This is a great opportunity to work together and reach an unprecedented level of collaboration and partnership towards structurally improving our long-term budget challenges. To this end, I am offering the following for your review and comments before we formalize this process:

Overall Purpose: The purpose of the Cross-Agency Resource Sharing Committee is to provide a forum for coordination among Montgomery County agencies that seeks to share ideas/best practices, develop potential resource-sharing strategies to achieve operational efficiencies, reduce costs, and improve the quality of services offered to our residents.

Organizational Framework: It is essential that we create a framework that encourages cooperation and collaboration among our employees involved in this process, and also leverages the expertise of our organizations in a manner that generates new and creative ideas and fosters strong working relationships among our agencies. Therefore, I propose a two-tier organizational framework that contains an Executive Committee that is accountable for achieving results in a timely and transparent fashion, and a number of workgroups that will apply their expertise to sharing ideas and generating solutions to pressing issues faced by all of our agencies.

Executive Committee: The executive Committee will be composed of the following members with the authority to convene meetings on a quarterly basis, provide direction and act on the recommendations of each of the workgroups, and render decisions on future action items. The Executive Committee will also appoint representatives from their agency to serve on each of the workgroups.

- Timothy Firestine, Chief Administrative Officer, Montgomery County Government
- Jerry Weast, Superintendent, Montgomery County Public Schools
- Hercules Pinkney, Interim President, Montgomery College
- Royce Hanson, Chairman, Montgomery County Planning Board
- Jerry Johnson, General Manager, Washington Suburban Sanitary Commission
- Steve Farber, Staff Director, Office of the County Council

Workgroups: The workgroups will be composed of a representative from each of the agencies. Each workgroup will nominate a member to serve as the Workgroup Chair, who will have the responsibility of guiding overall efforts and reporting on the group's progress to the Executive Committee. The workgroups will meet on as-needed basis, to complete action items and foster the creation of new ideas.

Workgroups' Focus Areas: As we agreed at our February 3rd meeting, the initial cross-agency resources-sharing efforts will be focused on the following areas:
1. Information Technology – *utilize ITPCC*
2. Utilities – *utilize ICEUM*
3. Facilities Planning, Design, Construction and Maintenance
4. Procurement – *utilize IPACC*
5. Space Utilization
6. Fleet
7. Mailing, Printing and Document Management
8. Employees and Retirees Benefit Plans (health, retirement, etc.)
9. Administrative Functions (payroll, budget, finance, training, etc.)

Next Steps:

- By Friday, April 9th, members of the Executive Committee will come to agreement on the above-proposed organizational framework and workgroups' focus areas and designate representatives to serve on each of the eight workgroups.

- By the end of April, convene the first Cross-Agency Resource-Sharing Executive Committee kick-off meeting to provide direction and discuss the overall purpose, process and timelines for this effort. Select a chairperson for each of the workgroups.

- In order to encourage ideas from those with the greatest knowledge of their subject matter, initial action items and charge statements should be devised by each workgroup and subsequently presented to the Executive Committee at its first quarterly update meeting. Each workgroup should generate a list of both short-term (able to complete within one year) and long-term action items that will focus the efforts of each group. In addition to preparing action items, each workgroup should create a specific charge statement to guide their efforts. These charge statements could change from year to year as the workgroups prioritize different aspects of their specific topic areas.

- On quarterly basis, the Executive Committee meets to receive updates, provide directions and discuss progress made by each workgroup.

- In addition, I suggest we reach out to the community at large (business, residential, non-profit) to seek their input and guidance in this effort.

I look forward to working with you on this initiative. Please review the above-proposed process, provide any comments/suggestions you have about the process, as well as the name of the representative you designate to serve on each of the eight workgroups to Assistant Chief Administrative Officer Fariba Kassiri via e-mail at Fariba.Kassiri@montgomerycountymd.gov by Friday, April 9th. Upon receipt, she will compile and send you a complete package and notify you of the date and time of our first Executive Committee kick-off meeting. She can be reached by phone at (240) 777-2512 if you have any questions or need additional information.

Thank you for your help in this important effort. I believe we all see opportunities for greater efficiencies and I am hopeful that working together we can make these improvements for the good of our community.

TLF:st