

**MEMORANDUM**

April 15, 2016

TO: Government Operations and Fiscal Policy Committee  
FROM: Dr. Costis Toregas, Council IT Adviser  
SUBJECT: NDA: Telecommunications

Expected to attend:

Sonny Segal, Chief Information Officer, Department of Technology Services (DTS)  
Dieter Klinger, Chief Operating Officer, DTS  
Max Stuckey, Enterprise Telecommunications and Services Division, DTS  
Dennis Hetman, Office of Management and Budget

**Staff recommendation:**

1. The Committee should **review** the progress made toward **reducing costs of land lines and PBX expenses** in the upcoming year by converting to VoIP technology.
2. The Committee should encourage DTS to explore joint telecommunications services delivery with outside agencies at the most opportune time.
3. Staff recommends the **adoption** of the Executive's recommended FY17 budget for Telecommunications for **\$5,786,382**.

**Discussion**

The FY17 Operating Budget includes a new approach to budgeting for Telecommunications expenses: prior to FY17, DTS charged individual departments and funds for expenses incurred. Beginning in FY17, funds are specifically provided for in this NDA. Therefore, every end user department budget will have a cost reduction shown under this category.

The Telecommunications NDA provides the operating expense appropriations for telecommunications charges incurred by departments, including landline charges and PBX maintenance and support charges. The Executive's request is on ©1.

To put this request in a budget context, the total number of desktops that DTS manages approaches 9,000. If a phone sits next to each PC on a desktop, the cost to maintain land lines and PBX charges is over \$500/year for each and every County employee, a considerably high number when compared with the cost of, say, an annual cellular phone plan.

To better understand this new program and its advantages over the existing one, DTS was asked to provide additional information beyond that contained on ©1. Questions and answers are shown below.

- 1. This is a new initiative to consolidate all communications charges in a single account; please provide a general description of the program: what departments are covered, and summarize the costs across departments.**

*The Telecommunications NDA is used for contracts with Telecommunications providers and PBX support vendors, and provides land-lines, PBX maintenance, and support for all County departments. The aggregate cost for all departments is \$5,786,382.*

Staff Comment: Landline and PBX technologies are rapidly being replaced by Voice over Internet Protocol (VoIP) technology; the County is indeed on a similar change mode, making the \$5.8 million expenditure noteworthy. From a question raised in the DTS operating budget, the following DTS answer (in *italics*) sheds some light into the County strategy and suggests that this item may be a candidate for elimination, or at least sharp reduction in a future budget cycle.

- 2. PBX technology is rapidly outstripped by VoIP methods and platforms; are there plans for such a transition in the County?**

*The County is using VOIP, and DTS is currently in the process of converting the County telephone infrastructure to VOIP. To minimize budget impact this initiative is funded by savings realized in retiring legacy telephone infrastructure....*

Staff Comment: Having traditional telecommunications charges centralized under DTS should make the transition management challenge easier as more conventional phones are changed over to VoIP technology.

- 3. What is specifically funded out of this NDA?**

*The Telecommunications NDA is used for contracts with Telecommunications providers and PBX support vendors, and provides land-lines, PBX maintenance, and support for all County departments. The aggregate cost for all departments is \$5,786,382. This includes:*

- *Local telephone service*
- *Long Distance telephone service*
- *Connections for facilities not on FiberNet*
- *Centrex service for facilities on PBX*
- *PBX maintenance*

- 4. Does the DTS base budget fund telephony services? If so, how much?**

*There are no other County-wide (enterprise-wide) telephony services funded out of the DTS general operating budget.*

**5. Are there any other funds/department budgets that fund telephony services?**

*Departments fund their own cellular phone service; 911 emergency service is funded and managed through the Police budget.*

**6. Are there any CIP projects that fund telephony services?**

*There are no active CIP projects that fund land-line or cellular telephony services.*

County Code. This provision was enacted in 1949 and provides a payment to the City for protective services for the County residents of the City of Takoma Park. The payment is based on a formula, which uses \$0.048 per \$100 of assessable base tax rate with "full value assessment" levied on real property.

| FY17 Recommended Change                 | Expenditures   | FTE         |
|---|----------------|-------------|
| <b>FY16 Approved</b>                    | <b>945,540</b> | <b>0.00</b> |
| Increase Cost: Payment Based on Formula | 40,800         | 0.00        |
| <b>FY17 Recommended</b>                 | <b>986,340</b> | <b>0.00</b> |

### Telecommunications

This NDA provides the operating expenses appropriations for telecommunication charges incurred by departments, including land-line charges and PBX maintenance and support charges. Prior to FY17, the Department of Technology Services charged individual departments and funds for expenses incurred; beginning in FY17, funds are specifically provided for in this NDA.

| FY17 Recommended Change                         | Expenditures     | FTE         |
|---|------------------|-------------|
| <b>FY16 Approved</b>                            | <b>0</b>         | <b>0.00</b> |
| Shift: Telecommunication Costs from Departments | 5,786,382        | 0.00        |
| <b>FY17 Recommended</b>                         | <b>5,786,382</b> | <b>0.00</b> |

### Working Families Income Supplement

This NDA provides funds to supplement the State's Refundable Earned Income Tax Credit (EITC). The intent of the Working Families Income Supplement is to provide financial assistance to low-income working families in Montgomery County. The County, through the NDA, reimburses the State for the cost of the refund and related administrative expenses.

| FY17 Recommended Change   | Expenditures      | FTE         |
|---|-------------------|-------------|
| <b>FY16 Approved</b>  | <b>21,097,300</b> | <b>0.00</b> |
| Increase Cost: Revised Baseline Cost Estimate at 95% Match  | 1,963,475         | 0.00        |
| Increase Cost: Increase Match from 95% to 100% of State Earned Income Tax Credit as Required by Bill 8-13 | 1,213,725         | 0.00        |
| <b>FY17 Recommended</b>   | <b>24,274,500</b> | <b>0.00</b> |

### WorkSource Montgomery NDA

This is the private non-profit corporation authorized by Council Resolution 18-295 as the County's designated workforce development corporation. WorkSource Montgomery, Inc. has been designated to implement the County's workforce development policies established by the Workforce Development Board to promote job growth and talent attraction.

| FY17 Recommended Change  | Expenditures   | FTE         |
|--|----------------|-------------|
| <b>FY16 Approved</b>   | <b>0</b>       | <b>0.00</b> |
| Shift: Workforce Operating Support from Department of Economic Development | 982,344        | 0.00        |
| <b>FY17 Recommended</b>  | <b>982,344</b> | <b>0.00</b> |

## Budget Summary

|                            | Actual<br>FY16 | Budget<br>FY16 | Estimate<br>FY16 | REC<br>FY17 | %Chg<br>Bud/Rec |
|----------------------------|----------------|----------------|------------------|-------------|-----------------|
| <b>COUNTY GENERAL FUND</b> |                |                |                  |             |                 |
| <b>EXPENDITURES</b>        |                |                |                  |             |                 |
| Salaries and Wages         | 441,034        | 1,552,591      | 530,519          | 1,593,773   | 2.7 %           |