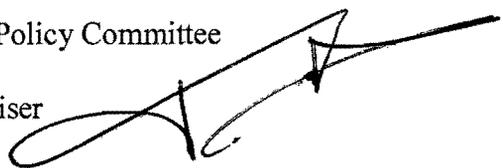


MEMORANDUM

April 28, 2016

TO: Government Operations and Fiscal Policy Committee
FROM: Dr. Costis Toregas, Council IT Adviser
SUBJECT: NDA: Device Client Management (DCM)



The following are expected to attend:

Sonny Segal, Chief Information Officer, Department of Technology Services (DTS)
Dieter Klinger, Chief Operating Officer, DTS
Dennis Hetman, Office of Management and Budget (OMB)

Staff recommendation:

Adopt the Executive's recommended FY17 budget for Device Client Management for \$6,550,200.

Discussion

The Device Client Management program (DCM) is part of the Non-Departmental Accounts budget; it is charged with maintaining a modern and cost-effective computing environment in the County by funding Help Desk support and by managing, maintaining, and replacing PCs on employees' desks. It targets the annual replacement of approximately one-fourth (according to the NDA text) of all managed PCs. The primary strategy of executing this mandate is through a contract with an outside vendor; currently, that contract is held by L3 Communications. The FY17 recommendations for DCM are on ©4-5 and the staff packet is on ©1-5. The budget request of \$6,550,200 represents a 12.9% increase from the FY16 level of \$5,800,200.

On April 19, 2016, the Committee reviewed the recommended budget and requested additional information on two items:

1. What would be the cost of going from a 6 to a 4 year cycle?
2. What are the actual numbers of devices currently under the DCM program?

As a consequence, the Committee deferred a final decision on the recommended DCM budget and requested additional clarity.

Council staff asked DTS to give more precise answers to questions that would help the Committee understand the issues more clearly; the questions and DTS answers are below.

1. Please provide an actual aging table of PCs and desktops to update the estimated one used in FY16 budget discussions

The table below shows the actual age of PCs eligible for replacement under the DCM program as of April, 2016:

	<2 years	2-3 years	3-4 years	4+ years	Total
# of PCs	2247	2639	1719	2524	9263
Percentage	26%	28%	19%	27%	100%

2. Please provide the calculations leading to the \$800,000 cost of going from a 6- to a 4-year replacement cycle

Under the current 6-year replacement cycle, DCM replaces approximately 1,500 machines per year.

Under a 4-year replacement cycle, DCM would replace approximately 2,300 machines per year. This is 800 additional machines compared to a 6-year replacement cycle.

The average budgeted cost for a new PC/Workstation/Laptop is \$1,033.

$$\$1,033 * 800 \text{ additional machines} = \$826,400$$

3. Please provide clarification regarding which items in DCM are Enterprise-wide (including all departments), and which ones relate only to departments that have no internal technology units

DCM provides replacements across all Departments for primary PCs used for general office operations. Secondary machines (e.g., an additional laptop) and special use machines (e.g., point of sale) are budgeted by each department.

All DCM Contract services are provided on an Enterprise wide basis. All Departments have access to and utilize these services. DCM Contract services include, but are not limited to:

- *Product Acquisition*
- *Asset / Inventory Management*
- *The IT Help Desk*
- *Mobile IT Help Desk Services*
- *Desk Side, Warranty and Break-Fix Support*
- *PC Installation, Moves, Adds and Changes*

- *PC Disposal*
- *Image Development*
- *Training*
- *Dashboards*

Departments with internal technology units often supplement the services provided by the DCM Help Desk and Field Services teams, whereas Departments without technology units do not.

4. Please provide a detailed breakdown of costs included in the \$6,550,200; costs of third-party support, personnel costs, and purchase items should be included explicitly

The table below provides a break-down of the costs included in the \$6,550,200:

Cost Item	CE Recommended FY17 Budget
<i>DCM Contract Services</i>	<i>\$2,818,688</i>
<i>Contractor staffing</i>	<i>\$181,040</i>
<i>PC Replacements & Acquisitions</i>	<i>\$1,472,332</i>
<i>Software Licensing</i>	
<i>Office 365 G3 upgrade licenses (1)</i>	<i>\$750,000</i>
<i>Windows 7 licenses (2)</i>	<i>\$504,350</i>
<i>Software Distribution System, Client Access & Endpoint Protection licenses (2)</i>	<i>\$307,970</i>
<i>Help Desk Software licenses (3)</i>	<i>\$120,000</i>
<i>Other Software Licenses</i>	<i>\$107,130</i>
<i>Enterprise Server Replacements</i>	<i>\$288,690</i>
Total	\$6,550,200

- (1) *7,000 additional upgrade licenses across all departments for PCs/users not yet upgraded. Base Office 365 G1 licenses for all County users are in the DTS budget.*
- (2) *Software licenses for all County PCs, both primary and secondary*
- (3) *Help Desk Software licenses for IT staff in all departments*

Based on the answers from DTS, Council staff is recommending the approval of the DCM budget as proposed by the Executive.

MEMORANDUM

April 15, 2016

TO: Government Operations and Fiscal Policy Committee
FROM: Dr. Costis Toregas, Council IT Adviser
SUBJECT: NDA: Device Client Management (DCM)

Expected to attend:

Sonny Segal, Chief Information Officer, DTS
Dieter Klinger, Chief Operating Officer, DTS
Dennis Hetman, Office of Management and Budget

Staff recommendation:

1. The Committee should affirm their continued support for 4- rather than 6-year replacement cycles for desktop computers and encourage the restoration of full funding that would reverse this trend.
2. Staff recommends the **adoption of the Executive's recommended FY17 budget for Device Client Management for \$6,550,200.**

Discussion

The Device Client Management program (DCM) is part of the Non-Departmental Accounts budget; it is charged with maintaining a modern and cost-effective computing environment in the County by funding Help Desk support and by managing, maintaining, and replacing PCs on employees' desks. It targets the annual replacement of approximately one-fourth (according to the NDA text) of all managed PCs. The primary strategy of executing this mandate is through a contract with an outside vendor; currently, that contract is held by L3 Communications. The FY17 recommendations for DCM are on ©1-2. The budget request of \$6,550,200 represents a 12.9% increase from the FY16 level of \$5,800,200.

The major cause for this change is a shift from buying one-time software licenses for all County desktop computers to buying annual "subscriptions" for Office 365, the new, cloud-based offering of Microsoft. The silver lining in this increase is the availability of several (up to 15) additional versions of Office 365 for every County employee on multiple devices such as tablets and smart phones, thereby boosting

employee productivity (both during and outside office hours). In addition, encrypting all emails and unlimited archiving of emails are new and welcome benefits to the migration to Office 365.

To gauge progress made in this important program and ensure that the FY17 DCM program can address current challenges, a series of questions were posed. These questions and DTS answers are provided below.

1. **There is an increase of \$750,000 to the base due to Office 365 licenses; please explain why this is a new item, and why there are no offsetting cost reductions in the technology under use before the Microsoft platform was chosen.**

This increase is for the upgrade of 7,000 Office 365 subscription licenses to enhance County security and replace obsolete business productivity software. The upgrade provides:

- E-mail encryption
- Unlimited e-mail archiving
- Compliance and information protection - Legal hold, rights management, and data loss prevention for email and files
- MS Office software for 5 PCs, 5iOS, and 5 mobile devices for each user

Before moving to Office 365, the County would have had to purchase MS Office licenses for 7,000 PCs without the additional benefits listed above at a cost of \$2,359,000.

2. **Provide a status report of PC, tablet, and telephone refresh cycles for County employees; total numbers in use, average (or targeted) replacement cycles, and other relevant information would be useful.**

The table below provides a snapshot of projected inventory for desktops and laptops eligible for replacement under the DCM program, and average age for each for fiscal year 2017.

DTS does not maintain a County wide inventory of portable devices such as smart phones and therefore is unable to provide aging for these devices.

DCM is currently on an estimated 6-year PC replacement cycle.

Description	Projected Count of Age at start of FY17				Total
	1	2	3	4+	
PC-DESKTOP	1050	1338	2640	2806	7834
PC-LAPTOP	350	621	425	109	1505
Total	1400	1959	3065	2915	9339
	15%	21%	33%	31%	100%

The Aging Table provided above was also provided last year in identical form and content during the FY16 budget review. As a consequence, it must be seen as a pure estimate; assumptions have not changed over the intervening year. It is important to provide the Committee with full actual counts of equipment—

something that an automated inventory system of the DCM private partner should be able to provide readily.

The 6-year "estimated" replacement cycle continues to be a weakness in the DTS program. Last year, the County slipped from a 4- to a 6-year replacement cycle in order to fund an \$800,000 increase in the new Help Desk contract. At that time, the Committee had urged DTS to restore the more aggressive (and best practice in leading edge jurisdictions) 4-year cycle as soon as practical. The same encouragement should be provided again this year.

F:\IT Issues\GO Support\Susan M folder\GO April 19 2016 #6 DCM.docx

Conference Center Management Committee.

	Expenditures	FTE
FY16 Approved	616,072	1.00
Increase Cost: Annualization of FY16 Personnel Costs	11,364	0.00
Shift: Costar License from Department of Economic Development	4,000	0.00
Increase Cost: FY17 Compensation Adjustment	1,333	0.00
Decrease Cost: Biennial Management Audit	(50,000)	0.00
FY17 Recommended	582,769	1.00

Consolidated Retiree Health Benefits Trust (MCPS)

This NDA provides consolidated funding for Montgomery County Public Schools' contribution to the Retiree Health Benefits Trust.

	Expenditures	FTE
FY16 Approved	61,733,000	0.00
Increase Cost: County Contribution Based on Actuarial Valuation	1,322,000	0.00
FY17 Recommended	63,055,000	0.00

Consolidated Retiree Health Benefits Trust (Montgomery College)

This NDA provides consolidated funding for Montgomery College's contribution to the Retiree Health Benefits Trust.

	Expenditures	FTE
FY16 Approved	1,428,000	0.00
Increase Cost: County Contribution Based on Actuarial Valuation	96,000	0.00
FY17 Recommended	1,524,000	0.00

County Associations

This NDA funds Montgomery County membership dues to the National Association of Counties (NACo) and the Maryland Association of Counties (MACo).

	Expenditures	FTE
FY16 Approved	74,728	0.00
FY17 Recommended	74,728	0.00

Device Client Management

The Device Client Management (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.

Replacement of the remaining Windows XP machines is completed as of mid-FY15.

	Expenditures	FTE
FY16 Approved	5,800,200	0.00

Recommended Changes	Expenditures	
Add: Microsoft Office 365 G3 Licenses	750,000	0.00
FY17 Recommended	6,550,200	0.00

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.

FY16 Approved	20,000,000	0.00
FY17 Recommended	20,000,000	0.00

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.

FY16 Approved	28,020	0.00
FY17 Recommended	28,020	0.00

Group Insurance for Retirees

Group insurance is provided to an estimated 6,242 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.

FY16 Approved	36,768,000	0.00
Increase Cost: Group Insurance Claims Costs Based on Actual Annual Claims	15,532,000	0.00
FY17 Recommended	52,300,000	0.00