

## **SALT LAKE CITY COUNCIL STAFF REPORT**

### **BUDGET ANALYSIS – FISCAL YEAR 2008-09**

**DATE:** May 23, 2008

**BUDGET FOR:** **INFORMATION MANAGEMENT SERVICES**

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### ***INFORMATION MANAGEMENT SERVICES BUDGET***

Information Management Services (IMS) provides citywide computer and network support, maintenance, software development, and telephone services and repair. Internal service funds such as Information Management Services are used to account for the financing of services provided by one department or agency to other departments or agencies of the City. Cities use internal service funds in order to account for the full cost of providing the services similar to private businesses. This type of accounting helps governments know whether the services are competitive with private businesses with regard to their fees. Internal service funds reimburse the General Fund for overhead costs and track the full cost of their operations.

Revenue for the Information Management Services Fund for fiscal year 2008-09 is proposed to increase by \$60,403 or 0.7% over fiscal year 2007-08. Expenses are proposed to increase by \$188,855 or 2.2%.

INFORMATION MANAGEMENT SERVICES FUND PROPOSED BUDGET				
	Adopted 2007-08	Proposed 2008-09	Difference	Percent Change
<b>Revenue &amp; other sources</b>				
Fees from departments/funds	\$2,773,962	\$2,915,906	\$144,944	5.1%
Interest	20,000	24,000	4,000	20.0%
Miscellaneous revenue & sale of Equipment	37,078	32,078	(5,000)	(13.5%)
Transfer from General Fund	5,680,677	5,600,136	(80,541)	(1.4%)
<b>Total revenue</b>	<b>\$8,511,717</b>	<b>\$8,572,120</b>	<b>60,403</b>	<b>0.7%</b>
<b>Expenses &amp; other uses</b>				
Network/infrastructure	\$3,497,205	\$4,498,867	1,001,662	28.6%
Software engineering	1,553,7191	1,501,585	(52,134)	(3.4%)
Web services	277,749	288,511	10,762	3.9%
Telephone services	462,038	- 0 -	(462,038)	(100%)
Consulting team (coordinate with customers)	1,333,609	1,344,435	10,826	0.8%
Security group (from hackers, viruses, spam)	328,462	- 0 -	(328,462)	(100%)
IFAS (accounting system)	229,566	229,566	- 0 -	
SLCTV – video processing	143,770	126,352	(17,418)	(12.1%)
Administration	525,138	550,795	25,657	4.9%
Computer lease program	382,009	382,009	- 0 -	
<b>Total expenses</b>	<b>\$8,733,265</b>	<b>\$8,922,120</b>	<b>\$188,855</b>	<b>2.2%</b>
Budgeted revenues and other sources over (under) expenditures and other uses	<b>(\$221,548)</b>	<b>(\$350,000)</b>	<b>(\$128,452)</b>	<b>(58.0%)</b>

## POTENTIAL MATTERS AT ISSUE AND MAJOR BUDGET ISSUES

Some of the major changes reflected in the proposed budgets include:

- Elimination of Deputy Director/IMS position, 1.0 FTE (vacant): Cost savings of \$119,164 The Administration has proposed the elimination of the IMS Deputy Director position and re-distribution of the deputy position functions to the other IMS managers.
- Elimination of Software Engineer position, 1.0 FTE (vacant): Cost savings of \$89,612 - The Administration proposes to eliminate one software engineer position from the IMS division, resulting in a cost savings of \$89,612.
- Transfer of Software Engineer position, 1.0 FTE to Public Utilities \$84,224 – The Mayor's budget recommends transferring a software engineer position from IMS to the Department of Public Utilities. The Division indicates that Public Utilities has a team of developers assigned to support their systems, and anticipates that one member of the team will be retiring next year. Transferring a software engineer to this team assists with succession planning and re-allocates the expense from the General Fund to Public Utilities.

**The Council may wish to note that as a result of the elimination of two software engineer positions and the deputy director position, the IMS Division anticipates a service level reduction as well as an increase in**

**project completion timeframes. The Administration indicates that lower level priorities will be delayed, and programming maintenance and enhancements will have to be weighed against other requests. The Division anticipates the need to contract with private vendors to enhance in-house support on an as-needed basis.**

- Increase in Network/Infrastructure – The Division has changed the way in which it accounts for expenses in an effort to more accurately track them. Projected expenses for Telephone Services (\$462,038) and the Security Group (\$328,462) are now being categorized under Network/Infrastructure, which is reflected in the 28.6% increase in the budget category as noted in the chart on page two of this report.
- Reserve Balance – In prior years, the Division has experienced a cash deficit; however, IMS is now maintaining a positive cash balance. For fiscal year 2007-08, IMS projects a cash balance of \$531,647 based on budget expectations. The projected cash balance for FY 2008-09 is \$181,647. The FY 2008-09 budget proposes to use \$350,000 from fund balance to fund capital expenditures, including server infrastructure replacement totaling \$359,600.
- Microsoft Licensing Agreement Update and Cost Savings of \$150,000 – IMS is requesting \$58,000 for ongoing Microsoft licensing. This is an ongoing need as opposed to a one-time request. During the fiscal year 2007-08 budget process, the Council appropriated \$221,000 for additional licensing agreements costs, as requested by the Administration. Of that amount, IMS used approximately \$58,000 this year to purchase licensing agreements. (These costs are included in the category of Network Services/Infrastructure.) IMS has studied the value the City receives from Microsoft under the current agreement. After careful review, the Division indicates it will not pursue the full array of client licenses and software assurance. Approximately \$150,000 will be returned to the fund balance for IMS. **The Council may wish to ask for clarification regarding the choice to not pursue the additional client licenses and software assurance.**
- Miscellaneous Revenue and Sale of Equipment: The Administration anticipates that this account will decrease by 13.5% in FY 08-09. In the past, it has been used to purchase and resell equipment to the departments; however, IMS is now billing departments directly whenever possible.
- IFAS (Integrated Fund Accounting System) – Actual IFAS costs for fiscal year 2007/08 are projected to be approximately \$154,250. The budget proposed for fiscal year 2008-09 is \$229,566, which is the same amount requested during the last fiscal year.
- SLCTV Video Processing – The decrease in funding for this category is a result of adjustments made in personnel services to more accurately reflect where the costs are reported. The Division indicates that paid part-time interns are assisting with the recording of Council meetings using existing funding.

- Transfer from the General Fund – The General Fund’s portion of major systems is funded by a direct transfer from the General Fund. A transfer of \$5,600,136 is proposed for fiscal year 2008-09, which is a decrease of \$80,541, or (1.4%). The decrease in the transfer is attributed to the transfer of the software engineer to Public Utilities, as well as the elimination of the deputy director and software engineer positions.
- Fees from Departments/Funds – Departments are charged for computer maintenance (set fee per computer), for discretionary computer support services not covered by the set fee amount, and for telephone services. As a reminder, the IMS audit recommended that the total cost for all new software (either purchased or developed by IMS) be budgeted by the requesting departments.
- IMS Fund Lease Program – The lease program provides for the IMS Fund to purchase computers and lease them to City departments (for general fund only) which pay for the computers over time.

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*Additional Information*

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**LEGISLATIVE INTENT STATEMENTS**

No legislative intent statements are outstanding for the Information Management Services Fund.

*During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Information Management Services Fund.*

*During the briefing, the Council may wish to identify potential programs or functions to be added to the Council’s list for future audits.*