

CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT
Information Services Division

TO: Chair and Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: February 17, 2011	
SUBJECT/REPORT NO: Information Services Contract Savings and Incentives (FCS11024) (City Wide)	
SUBMITTED BY: Roberto Rossini General Manager, Finance & Corporate Services Department	PREPARED BY: Filipe Janicas 905-546-2424 ext 5705 Fred Snelling 905-574-2509 ext 6059
SIGNATURE:	

RECOMMENDATION:

- (a) That annualized savings from the printer and cell phone contracts of \$94,000 and \$77,700 respectively, be incorporated into the 2011 Operating Budget to reduce the levy requirement by a total of \$171,700;
- (b) That additional savings of \$218,000 in respect of the 5 year average annual contract incentive payments and bill credits be used to reduce the 2011 levy by \$131,000 and fund 1.0 FTE for a contract analyst (at a cost of \$87,000) to ensure further savings materialize;
- (c) That the annual contract incentive payments and bill credits be deposited into the IS Capital Reserve (account 108023) and then the amounts indicated in recommendation (b) above be funded from this Reserve;
- (d) That future projected savings, over and above the amounts set out in Recommendations (a) and (b) above be split equally between the IS Capital Reserve and reduction of the tax levy;

- (e) That staff commit to providing Council with annual performance reporting to communicate the status of savings generated from management of IS contracts.

EXECUTIVE SUMMARY

The Information Services Division, Corporate Services Department, created a section in 2009 specifically to manage corporate technology contracts. The mandate of this group is to negotiate corporate technology contracts and then manage the contract to ensure the expected savings are realized.

In 2010, two large corporate contracts were negotiated and awarded. In July, 2010, the City awarded the Corporate Print Contract to Ricoh and December 1, 2010, was the implementation date of the Corporate Cellular Contract with Bell Mobility.

Reports FCS10053 "Office Printing Equipment and Related Support Services and Supplies Contract, RFP# C12-03-10" and FCS10029(a) "Wireless Cellular Services and Devices Agreement and FCS10029(b) "Wireless Cellular Services and Devices Agreement" included Contract Management Policies. These reports also included a recommendation "That the increase of 1 FTE for the management of all City Print Devices and Cell Phones be funded from savings achieved by the new contracts associated with these devices and forwarded to the 2011 Budget process for consideration", which was approved by Council.

Alternatives for Consideration – See Page 8.

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: The average annual savings when compared to the 2010 Net Budget from the new cellular devices contract is estimated at \$296,000 (comprised of \$78,000 in lower operational spending and an average incentive payment of \$218,000). Total net savings compared to budget over the 4 year contract is \$1.2 million. If the contract was extended for a 5th year the total net savings over 5 years when compared to our existing budget would be \$1.5 million.

The annual budgeted net savings for the new printer contract is \$94,000 or \$470,000 over the next 5 years.

The total annual cost of the proposed new FTE for contract management is \$87,000.

The incentive and bill credit savings component of the cellular devices contract (\$1,092,000) would be deposited into the IS reserve and an amount of \$131,000 would be withdrawn every year to fund part of the levy reduction.

Staffing: 1 regular FTE is proposed (Contract Analyst).

Legal: N/A.

HISTORICAL BACKGROUND (Chronology of events)

The Information Services Division, Corporate Services Department, created a section in 2009 specifically to manage corporate technology contracts. The mandate of this group is to negotiate corporate technology contracts and then manage the contract to ensure the expected savings are realized.

In 2010, two large corporate contracts were negotiated and awarded. In July, 2010, the City awarded the Corporate Print Contract to Ricoh with an anticipated annual net operational savings of **\$94,000** when compared to budget and potential actual savings of \$700,000 annually. December 1, 2010, was the implementation date of the Corporate Cellular Contract which will result in annual net savings of **\$77,700** plus additional incentive payments totalling \$1,092,000 over the 5 year term of the contract.

Reports FCS10053 "Office Printing Equipment and Related Support Services and Supplies Contract, RFP# C12-03-10" and FCS10029(a) "Wireless Cellular Services and Devices Agreement and FCS10029(b) "Wireless Cellular Services and Devices Agreement" included Contract Management Policies. These reports included the recommendation "That the increase of 1 FTE for the management of all City Print Devices and Cell Phones be funded from savings achieved by the new contracts associated with these devices and forwarded to the 2011 Budget process for consideration".

As indicated in report FCS10053, "Office Printing Equipment and Related Support Services and Supplies Contract, RFP# C12-03-10", a temporary 12 month IS position has been created to manage the Office Printing Equipment and Related Support Services and Supplies Contract (Print Contract) funded from existing resources in the approved capital project budget. This individual will also be responsible for managing the Cellular Contract and related support services. This position will verify the savings that are anticipated through Cellular Contract management, as well as, those savings anticipated for the other major IS contracts. The intent is for this position to transition into full-time after an initial 12 month temporary posting, subject to Council approval.

A contract award report is being prepared for presentation to Council in 2011 for all corporate computing equipment. A policy, similar to the Print Management Policy and the Cellular Management Policy will accompany this report for Council approval. The purpose of this policy, as with the others, is to ensure the proposed savings are realized; that staff are allocated equipment in a fiscally responsible manner; that life-cycle practices are adhered to; that contracted prices are being honoured and that costs are being controlled.

POLICY IMPLICATIONS

Print Management Policy and the Cellular Contract Management Policy, both of these policies were developed to:

- Ensure the right equipment is provided in a fiscally responsible manner.
- Govern how all distributed equipment is physically allocated to staff or within the offices and buildings that accommodate City of Hamilton staff.
- Manage growth of the acquisition of equipment and control costs.

A similar policy will be developed as part of the Corporate Computer contract award for the above deliverables.

To achieve these deliverables contract management is required.

RELEVANT CONSULTATION

N/A.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

Cellular Services Contract

Actual Spending & Budget Savings

The City of Hamilton recently awarded the cellular services contract to Bell Mobility for a four year term with the option to extend for a 5th year. Along with allowing us to take advantage of the H.P.S.A. (High Speed Packet Access) network and zero cost state of the art cell phones and Blackberry devices, this contract offers a number of incentives and potential additional savings for the City.

As outlined in report FCS10029(a), the average annual gross operating costs savings when compared to Actual spending from the new cellular devices contract is estimated at \$134,000 a year. These spending savings will be realized from areas such as:

- Reduction in cost of cellular service (monthly communications costs) for 1,500+ devices by \$2 per month
- Reduction in data charges for Blackberry devices by \$6 per month
- Elimination of \$40,000 in usage beyond the pool
- Reduction in text messaging charges
- Implementation of additional cost saving plans for air cards and modems
- Elimination of monthly system access fee of \$3.75
- Elimination of monthly 911 availability fee of \$0.75
- Elimination of activation fee of \$35.00
- Manage inventory of cellular devices
- Appropriately match user needs with cellular plans

In addition the City is receiving additional savings (average of \$218,000 per year) through bill credits and incentive payments. Accordingly, as outlined in report FCS10029(a), the average annual gross savings when compared to actual spending from the new cellular devices contract is estimated \$352,000 per year. Total gross savings compared to Actuals over the 4 year contract is \$1.4 million. If the contract was extended for a 5th year the total gross savings over 5 years when compared to current actual spending would be \$1.8 million.

It is projected that this contract will result in Net Budget operational savings of a minimum of \$77,700 annually (when compared to the City's 2010 Net Budget) plus another \$1.1 million in incentive payments and bill credits from Bell over a 5 year period. The total average annual net budget savings would be about \$296,000 per year. The total saving on a net budget basis would then be about \$1.5 million. The Net Budget savings is lower than the actual gross spending savings because the City was currently over spending its budget for cellular devices.

Incentives & Credits

A significant portion of the projected savings, come from incentives offered by Bell Mobility to continue our relationship with them. The incentives are available either as cash payments or invoice credits. Over the next four years, these payments will amount to \$931,000. If the contract is extended to a fifth year, the total payments would be \$1.1 million.

Print Services Contract

The Office Printing Equipment and Related Support Services and Supplies Contract, was awarded in July 2010. The award of this contract allows for high-end equipment to be provided at highly competitive pricing and will result in operational net savings of a minimum of \$94,000 annually. Managing the print environment was identified as a key requirement for achieving the projected savings. Print management includes managing new acquisitions, assessing business unit needs, regular reporting on print usage to management, performing trend analysis and managing the services portion of the contract. Print management will enable verification of the savings that are anticipated through rigorous print contract management, as well as, those savings anticipated for the other major IS contracts.

In addition to the minimum net budgetary savings of \$94,000 (when compared to the 2010 budget) projected actual savings of \$700,000 (when compared to the 2010 actual spending) annually can be achieved through print management and would include items such as:

- A 7% overall reduction in hardware.
- Annual guaranteed 5% reduction in operating costs.
- Monitoring of pooled print volumes realizing potential savings.
- Savings of \$19,000 have already been achieved through contract negotiation for minimum volume costs on colour Multi Function Devices (MFD's).
- Annual review of minimum volume commitments to achieve additional savings.
- Monitoring payment of liquidated damages for breach of service levels specified in the RFP.
- Regular reporting and trend analysis of print usage are provided to management, including semi-annual reports to the General Managers and the City Manager.
- Ensuring the required annual operational savings specified in the RFP are obtained.
- Print need assessments are completed and required print equipment is provided to business units.
- Acceptance of allocated equipment has been received from each business unit.
- Requests for new print equipment are received and managed in accordance with the new Print Management Policy.
- Mandated service performance is managed.
- Print volumes and charges associated with them are verified.

Proposed Incentive Spending

	<u>Estimated Cost</u>
1. <u>Contract Administration Staffing</u>	<u>\$87,000/yr</u>

Proposed Incentive Spending Details

It is important that some of these incentives and savings are used to reduce taxation for the City. In addition, contract administration staffing is critical to ensure these large technology contracts are managed to maximize on-going savings and reduce costs.

1. **Contract Administration Staffing – Estimated \$87,000**

The annual net budget savings of \$77,700 from the cellular contract and \$94,000 from the print contract, as well as, yet unknown savings from the desktop contract will only be realized if spending is monitored, expansion is controlled, devices are administered and appropriate plans/devices are allocated. One additional contract management FTE would be allocated as a Contract Analyst (refer to Appendix A to report FCS11024 for the Job Description). Information Services is currently funding a temporary Contract Analyst position to assist in the roll-out of the print services and cellular contracts. The funding and term of this position expires in July, 2011. The Contract Analyst position would assist IS and the Contract Administration section with the following tasks:

Cellular Services

- Monitoring & analysis - Invoices must be monitored to ensure changes are properly reflected in a timely manner. This monitoring includes analysis of changes in user behaviour such as an increase in long distance or text messaging requiring plan adjustments to offset costs.
- Reporting – Monthly and quarterly reporting to business units and executive management will be completed by the Contract Analyst. Reporting will help identify normal business cellular costs, outliers and cost drivers.
- Cellular Plans - It is essential that plans be added and removed as necessary to ensure costs are minimized when and as device use changes. For example, when devices are taken outside of Canada significant additional charges can be incurred if the device is not on the proper plan.
- Terminations – The Contract Analyst position will ensure timely termination or suspension of cellular device plans. Without this

oversight the City has historically seen a number of devices being billed with zero minutes of use (air time). This also includes air cards (zero data usage).

Print Services

- This position would also look after the print services program consolidated in IS as part of the new contract (awarded to Ricoh). The new print services program includes a number of success metrics and trend analysis which the print management policy (approved in 2010) requires. These metrics are to be reported to city management regularly. This position would ensure the metrics are compiled and reported on in a timely manner. In addition to trend analysis reports alerting on cost outliers metrics include (but not limited to);
 - Number of impressions (by department)
 - Number of devices (and ratio to staff)
 - Duplexing percentage (and trees saved from duplexing)
 - Energy consumption

ALTERNATIVES FOR CONSIDERATION:

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

The alternative would be to continue with the current practice of having each business unit independently manage and account for cellular and print costs. This has proven ineffective and does not align with Council's approach to consolidate responsibility in Information Services for these programs.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Financial Sustainability

- ◆ Financially Sustainable City by 2020
- ◆ Effective and Sustainable Growth Management

APPENDICES / SCHEDULES

Appendix A to Report FCS11024 – Contract Analyst Job Description.

CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT

(INFORMATION SERVICES DIVISION – INFRASTRUCTURE & OPERATIONS - LOCATION – 55 YORK BLVD., 6th FLOOR)

CONTRACT ANALYSTS/IS BUSINESS INITIATIVES CO-ORDINATOR – CUPE 5167 (1 TEMPORARY FULL TIME POSITION)

SUMMARY OF DUTIES

Reporting to the Supervisor, Contract Administration the IS Business Initiatives Coordinator is responsible for: the preparation and monitoring of the Information Services (IS) Divisions service level agreements and contracts; preparing regular reporting for Senior Management: reviewing the on-going savings and expenditures related to specific IS contracts, conducting regular performance reviews with existing vendors and leading service management reviews. Overseeing new and existing IS technology to ensure most efficient usage, by monitoring and analyzing trends in usage in order to recommend efficiencies and potential savings. Assist in defining contracts which support business goals in collaboration with IS Management and stakeholders.

GENERAL DUTIES

Coordinates and leads regular reviews with vendors to ensure that the required financial targets in IS contracts are being met and oversees the achievement of targeted reductions in equipment and targeted savings as laid out in IS contracts.

Collaborates, with IS management to develop and maintain IS print equipment strategies and coordinates the negotiation, preparation and monitoring of the Division's: service level contracts.

Develops templates to assist IS sectional staff with the preparation of Requests for Information (RFI), Requests for Proposals (RFP).

Performs data collection and trends analysis for technology usage using workflow software and makes recommendations for changes to improve efficiency and performance.

Prepares regular reports to all levels of management, regarding technology usage throughout the City, highlighting, problems encountered, as well as overall results achieved on existing contracts.

Maintains an agreement, (i.e. service level, licence, inventory, etc.) tracking database to ensure the timely review and renewal of such contracts.

Works with the IS Service Desk to coordinate new equipment delivery and installation and allocation.

APPENDIX A (Contract Analyst Job Description) to report FCS11024 – page 2 of 3

Resolves and any discrepancies associated with the contracts and escalates if necessary

Processes and makes recommendations on requests for new equipment following entitlement policy.

Develop Key Performance Indicators (KPI's)

Monitors contract performance for compliance with organizational needs and requirements, including follow-up checks for corrective action and escalates if necessary.

Where necessary, provides appropriate contract information to accounting and purchasing departments.

Coordinates and maintains communications with City staff regarding IS equipment and the policies and procedures regarding the on-going management of IS equipment acquisition and usage.

Develops/Executes/Collates results of customer satisfaction surveys

Works with vendor and IS Service Desk to organise training for staff during major IS equipment deployments.

Performs other duties as assigned which are directly related to the major responsibilities of the position.

Works in accordance with the provisions of the applicable Health and Safety legislation and all City of Hamilton corporate and departmental policies and procedures related to Occupational Health and Safety.

QUALIFICATIONS

1. University Degree or College Diploma in Business Administration, Information Systems, Computer Technology or related discipline.
2. Progressive work experience/knowledge in the areas of agreement administration, cost recovery/analysis.
3. Excellent verbal and written communication skills, with the ability to communicate effectively with all levels of staff and management.
4. Excellent organizational and time management skills. Demonstrated ability to organize work, set priorities and meet deadlines.
5. Previous experience in and knowledge of the principles, practices, policies and procedures of municipal contracts and budgets.

APPENDIX A (Contract Analyst Job Description) to report FCS11024 – page 3 of 3

6. Previous project management experience in conducting business process reviews and developing policies and procedures.
7. Knowledge of IS service level management.
8. Ability to deal tactfully with vendors and suppliers who provide a broad spectrum of products and services.
9. Demonstrated ability to research, analyze and interpret statistical, financial and business practices information.
10. Must have excellent problem solving and negotiation skills.
11. Working knowledge of Microsoft Office programs (Microsoft Outlook, Word, Excel, MS Project and database software).

SALARY:

Salary Grade M

\$32.359 - \$33.830 - \$35.301 - \$36.772 per hour

HOURS:

35 hours per week