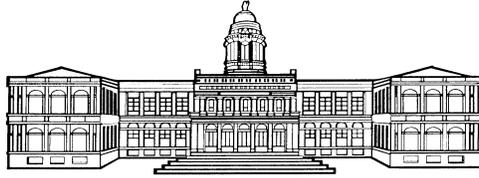


THE COUNCIL OF THE CITY OF NEW YORK

Finance Division



Hearing
on the Fiscal 2010 Executive Budget
for the
**Department of Information Technology
and Telecommunications**

May 14, 2009

Hon. Christine C. Quinn
Speaker

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Director

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Government

John Russell
Legislative Financial Analyst

Department of Information Technology and Telecommunications (858)

Agency Overview

The Department of Information Technology and Telecommunications (DoITT) administers and supports the integration and consolidation of a single data communications network among City agencies. It provides improved access for inter-agency transmissions as well as data processing services to City agencies; plans and coordinates telecommunications policy for the City including administering all franchises and revocable consents relating to telecommunications; develops municipal uses for cable television; and provides related technical assistance to City agencies.

The New York City Department of Information Technology and Telecommunications (DoITT) was created to consolidate citywide information and communications technologies to achieve long-term productivity improvements, revenue enhancements, and cost savings. Among the services provided by DoITT are the Computer Service Center (CSC), state-of-the-art host computer facilities supporting City agencies' systems which are critical to the City's operations; application development for consolidation and coordination of City IT resources; the City's website (NYC.GOV); telecommunication services; NYC-TV; and CityNet, the citywide data communications network.

DoITT has responsibility for the New York City 3-1-1 Center, which provides a centralized source for information about non-emergency City services and is coordinating the development of the new E-911 emergency response system.

Expense Budget Highlights

As compared with the Fiscal 2009 Adopted Budget, the Fiscal 2010 Executive Budget for DoITT would decrease by approximately \$15.4 million (4.1 percent). Over that same period, DoITT's Personal Services budget has decreased by approximately \$408,000 (0.4 percent) as headcount would be reduced by 78 positions. Because DoITT pays the phone bills for all City agencies, the bulk of its funding goes toward its Other Than Personal Services budget. The Executive Plan allocates approximately \$271 million (76 percent of DoITT's total budget) for OTPS expenditures.

In the Executive Plan, City-funds account for 64 percent DoITT's total budget, while Intra-City funding, which includes telecommunication expenditures for multiple City agencies, accounts for 31.8 percent of the agency's total budget. Capital IFA funding totaling \$10.12 million, used for Personal Services expenditures associated with Capital projects, would increase the agency's headcount by 107 positions. DoITT is also scheduled to receive \$1.6 million in Community Development Block Grant funds.

Since Adoption, DoITT has proposed PEG actions that would generate increased revenues of approximately \$16 million and achieve Expense Budget savings of approximately \$22.5 million for Fiscal 2010. Collective bargaining adjustments would increase DoITT's Fiscal 2010 budget by \$3.4 million.

Significant Program to Eliminate the Gap (PEG) actions since the Fiscal 2009 Adopted Budget include:

November Plan

- Emergency Communications Transformation Project (ECTP) Projected Surplus
- Telecommunications Savings

January Plan

- 311 Call Center Staffing Reduction
- ECTP Accruals and Reduction
- OTPS Facilities and Wireless Reduction
- Telecommunications Audit

Executive Plan

- Cell Phone Rate Reduction
- Contractual Reduction
- NYCWiN Maintenance Reduction
- PS Reduction: Attrition-Vacancies-Layoffs

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$75,873,328	\$86,178,411	\$76,776,479	\$85,769,709
Other than Personal Services	\$232,391,439	\$286,063,746	\$270,621,905	\$270,980,854
Total	\$308,264,767	\$372,242,157	\$347,398,384	\$356,750,563
Funding				
City	NA	\$244,015,387	\$231,999,054	\$229,997,317
Other Categorical	NA	\$1,356,252	\$1,356,252	\$1,425,742
Capital IFA	NA	\$10,460,911	\$0	\$10,119,192
Federal - CDBG	NA	\$1,483,356	\$1,483,356	\$1,587,812
Intra-City	NA	\$114,926,251	\$112,559,722	\$113,620,500
Total	NA	\$372,242,157	\$347,398,384	\$356,750,563
Headcount				
Full-time Positions	1,144	1,221	1,070	1,143

Capital Budget

The Fiscal 2010 Executive Capital Commitment Plan includes \$1.98 billion in Fiscal 2009-2013 for DoITT (including City and non-City funds). This represents 4.2 percent of the City's total \$47.11 billion Executive Plan for Fiscal 2009-2013. The agency's Executive Commitment Plan for Fiscal 2009-2013 is 42.3 percent more than the \$1.39 billion in the January Commitment Plan.

Over the past five years, DoITT has committed an average of 29.4 percent of its annual Capital Plan. Therefore, it is assumed that a large portion of the agency's Fiscal 2009 Capital Plan will be rolled into Fiscal 2010, thus greatly increasing the size of the Fiscal 2009-2012 Capital Plan. Since the January Plan, the Capital Commitment Plan for Fiscal 2009 has fallen from \$645.2 million to \$547.3 million, a decrease of \$97.9 million, or 15.2 percent.

Current DoITT appropriations total \$744 million in City funds for Fiscal 2009. These appropriations are to be used to finance the Department's \$406.6-million City-funded Fiscal 2008 Capital Commitment Program. The agency has 83 percent more funding than it needs to meet its entire Capital Commitment Program for the current fiscal year.

In January the Mayor announced his intention to reduce the City's capital plan by 30 percent. The objective of the capital cut is to reduce the amount of the City's general obligation (GO) debt service as a percentage of total revenues. The 30 percent reduction in the Ten-Year Capital Plan for Fiscal 2010-2019 would reduce the long-term average annual growth in debt service costs to 3.4 percent, equal to the level of forecast growth in City revenues. The 2010 Executive Capital Budget includes \$47.0 billion in planned commitments for Fiscals 2010 – 2019. This total includes \$12.84 billion in commitments for capital projects for the Department of Environmental Protection (DEP) which are funded primarily by non-GO debt. The GO-funded portion of the Fiscal 2010 – 2019 Executive Capital Plan is \$34.17 billion; this is \$6.93 billion or 16.86 percent less than the \$41.1 billion Preliminary Fiscal 2010 – 2019 Capital Plan.

DoITT Capital Commitment Plan, 2009-2013

Millions of dollars

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	TOTAL
January Plan						
City	\$636.7	\$396.9	\$46.5	\$32.0	\$278.0	\$1,390.1
Non-City	\$8.5					\$8.5
Total	\$645.2	\$396.9	\$46.5	\$32.0	\$278.0	\$1,398.6
Executive Plan						
City	\$538.8	\$785.8	\$220.9	\$201.5	\$226.5	\$1,973.5
Non-City	\$8.5					\$8.5
Total	\$547.3	\$785.8	\$220.9	\$201.5	\$226.5	\$1,982.0
Difference						
City	(\$97.9)	\$388.9	\$174.4	\$169.5	(\$51.5)	\$591.9
Non-City						
Total	(\$97.9)	\$388.9	\$174.4	\$169.5	(\$51.5)	\$591.9
Percent Change	(15.2%)	98%	375%	530%	(18.5%)	42.3%

Executive Budget Overview

Personal Services – Unit of Appropriation 001

Funding in the Personal Services unit of appropriation provides state-of-the-art computing services, through the computer service center, to enhance the productivity and cost-effectiveness of over 25 City agencies in meeting their information processing needs through 24-hour continuous on-line operations. The computer service center implements a single data communications network among CityNet in order to reduce data communications costs by eliminating and consolidating redundant data lines. The CityNet system directs data transmissions to two central communication hubs, from which the information is then dispersed to intended destinations. Through CityNet, DOITT plans and coordinates the telecommunications policy for New York City; manages all telecommunications franchises and revocable consents; and develops municipal uses of cable television. DOITT also purchases and manages many of the City's telecommunications systems and provides related technical assistance to city agencies, in addition to operating the City's 3-1-1 Citizen Service Center.

According to the Fiscal 2009 Preliminary Mayor's Management Report, during the first four months of Fiscal 2009, the 311 Customer Service Center received more than 1.3 million calls per month and nearly 5.4 million calls overall, a 12-percent increase over the same period in Fiscal 2008. Despite the increase in call volume, 311 representatives answered these calls two seconds faster on average and resolved slightly more calls without transferring callers to another City agency, while answering largely the same percentage of calls within 30 seconds.

Calls handled in languages other than English increased by two percentage points during the reporting period. This is attributable to a multi-language marketing campaign describing expanded social services information and referrals available through 311, as well as the multi-language automated messaging – in Spanish, Russian, Mandarin, Cantonese, Korean and Haitian Creole – available to callers before they reach 311 representatives.

Budget Proposals

- **Personal Services Reduction.** In the Executive Plan, DoITT proposes achieve savings by reducing headcount by 33 positions through a combination of attrition, layoffs, and the elimination of vacant positions. Through attrition, DoITT would generate savings of \$117,473 in Fiscal 2010, \$118,273 in Fiscal 2011, \$119,073 in Fiscal 2012, and \$119,873 in Fiscal 2013 by reducing headcount by 1 position. DoITT would layoff 9 staffers to generate a savings of \$588,009 in Fiscal 2010, \$658,668 in Fiscal 2011, \$640,269 in Fiscal 2012, and \$620,879 in Fiscal 2013. DoITT would also eliminate 23 currently vacant positions which would generate savings of \$1.73 million in Fiscal 2010, \$1.75 million in Fiscal 2011, \$1.77million in Fiscal 2012, and \$1.79 million in Fiscal 2013.
- **Capital IFA Headcount Increase.** Via Inter-Fund-Agreements, Capital funding totaling \$10.1 million will be used to cover City-funded Personal Services expenditures associated with Capital projects. This funding will increase DoITT's headcount by 107 positions.
- **PS Budget Surplus.** In the Executive Plan, DoITT has recognized a \$2 million surplus in its Fiscal 2009 Personal Services Budget.
- **311 Overnight Shift Reduction – Attrition (January Plan).** As per the January Plan, DoITT proposes to significantly reduce overnight operations in the 311 Call Center. This action is designed to generate savings of \$4.02 million in Fiscal 2010, increasing to \$4.07 million in Fiscal 2011, \$4.12 million in Fiscal 2012 and \$4.17 million in Fiscal 2013. Through attrition, headcount

would be reduced by 63 call taker positions out of a total of approximately 340. The maximum call answer delay of 3 minutes would be eliminated. Service during the day, however, should not be impacted.

- **311 Vacancy Reductions (January Plan).** As per the January Plan, DoITT estimates savings of \$442,300 in Fiscal 2010 and Fiscal 2011 by eliminating 12 call taker positions that are currently vacant. DoITT proposes to eliminate an additional 12 call taker positions (24 total positions) in Fiscal 2012 to increase its total baseline savings to \$884,600 for these combined actions.

Other Than Personal Services – Unit of Appropriation 002

The OTPS unit of appropriation is used to purchase supplies, materials, and other services to support the operations of DOITT and other City agencies. Voice and data communication charges for all City agencies are paid through DOITT, including those related to the CityNet system, and are charged back to those agencies through the Intra-City billing process.

Budget Proposals

- **NYCWIn Maintenance Reductions.** DoITT will downgrade its NYCWiN maintenance contract to achieve estimated baseline savings of \$2 million beginning in Fiscal 2010.
- **Contractual Reductions.** Through a combination of renegotiating contract costs and downgrading service plans, DoITT would achieve savings of \$2.8 million in Fiscal 2010 and the outyears.
- **OTPS Budget Surplus.** In the Executive Plan, DoITT has recognized a \$3-million surplus in its Fiscal 2009 Other Than Personal Services Budget.
- **Fleet-Related Reduction.** Embracing an alternative savings proposal made by the City Council, OMB included in the November Plan lump sum reductions in City funds associated with a citywide fleet reduction. These lump sum reductions included \$20 million in Fiscal 2010 associated with the purchase of fewer vehicles, and \$2 million annually beginning in Fiscal 2011 associated with lowered vehicle maintenance costs. The Executive Plan now zeroes out this lump sum figure and apportions the savings throughout the City's many agencies. For DoITT, the Executive Plan shows a fleet reduction savings of \$91,000 in Fiscal 2010 and a vehicle maintenance savings of \$9,300 in Fiscal 2011 and the outyears. This action would reduce the agency's fleet by 3 vehicles.
- **Telecommunications Reduction.** Included in the Executive Plan is a proposal by the City Council to reduce its telecommunication expenditures achieving a baseline savings of \$285,000 beginning in Fiscal 2010. As per the November Plan, DoITT would identify additional telecommunication savings of \$1.34 million in Fiscal 2009, and 2.34 in Fiscal 2010 and the outyears.
- **ECTP Maintenance Accruals and Reductions (November and January Plans).** The Emergency Communications Transformation Project (ECTP) initiative is the Bloomberg Administration's large-scale effort to transform and consolidate the City's E-911 infrastructure. The November Plan included annual savings of \$2.8 million in Fiscal 2009-2011 by removing projected surplus funding for ECTP maintenance. The January Plan now proposes to decrease the ECTP budget by \$4.2 million in Fiscal 2009, \$2.6 million in Fiscal 2010, and by \$3.1 million in both Fiscal 2011 and 2012 due to expected surplus caused by delays in ECTP implementation.

- **OTPS Facilities Reductions.** As per the January Plan, DoITT will reduce its budget for IT facilities and maintenance by \$1.39 million in Fiscal 2010 and 2011.
- **Wireless Reductions.** As per the January Plan, DoITT estimates savings of \$2.05 million in Fiscal 2010, decreasing to a baseline savings of \$1.55 million beginning in Fiscal 2011 by trimming redundant functions and further streamlining NYCWiN operations.

Revenue PEGs

- **NYCWiN Reimbursement.** As per the Executive Plan, DoITT would recognize a baseline increase in revenues of \$500,000 beginning in Fiscal 2010 for reimbursement payments from the Department of Environmental Protection for the use of wireless water meters that utilize the NYCWiN infrastructure.
- **Verizon Franchise Revenue from FIOS.** DoITT estimates a baseline increase in revenues of \$535,000 beginning in Fiscal 2010 as a result of additional Verizon payments due to higher-than-projected FIOS subscriptions.
- **Telecommunications Audit (January Plan).** DoITT is responsible for managing telecommunications accounts for most agencies citywide. According to DoITT, the agency intends to enter into a new \$248,000-telecommunications audit services contract to identify over-payments. It is anticipated that this contract will yield approximately \$2.25 million in annual revenue. Over the course of the two-year contract, therefore, the agency expects annual net revenues of approximately \$2 million.

Other Adjustments

- **HHS Connect Project Funding.** Last year, Mayor Bloomberg announced the creation of HHS-Connect, a system to allow for the sharing of client information among city health and human service agencies. “HHS-Connect will link more than a dozen City agencies so that caseworkers are able to share client information without compromising confidentiality. Clients will only need to provide their personal and other pertinent information one time to be included in a virtual integrated case file which they will be able to access and update online...HHS-Connect will reduce the paperwork burden for caseworkers, improve customer service, and allow unique accessibility to the City's various programs and services for New Yorkers who need them most.”

Funding for HHS-Connect was originally placed in the budget of the Department of Information Technology and Telecommunications (DoITT). As the initiative will be supported by funding from the HHS agencies, the Executive Plan now removes the funding from DoITT and apportions it to eight participating agencies. Funds being removed from DoITT's budget include \$159,674 in Fiscal 2009, \$807,177 in Fiscal 2010, \$576,145 in Fiscal 2011 and the outyears.

- **Collective Bargaining Adjustments.** The Executive Plan includes an increase in City funds of \$281,000 in Fiscal 2009, increasing to \$724,000 million in Fiscal 2010, and \$837,000 in Fiscal 2011 and the outyears for collective bargaining adjustments impacting various staff positions across all PS units of appropriation. These funds are being transferred from the Labor Reserve in the Miscellaneous Budget to DoITT to cover the costs associated with recent collective bargaining settlements. The November and January Plans included collective bargaining increases totaling \$1.78 million in Fiscal 2009, and \$ 2.7 million in Fiscal 2010 and the outyears.

- **Fringe Benefits Offset Reduction.** In order to give the agency PEG credit, PEG actions described above that impact Personal Services include fringe benefit savings that should be properly accounted for not in the Department's budget, but in the City's Miscellaneous Budget. To reflect the neutral impact on the Department's budget that would result from fringe benefit savings in the Executive Plan, an offsetting sum totaling \$413,000 in Fiscal 2010, \$543,000 in Fiscal 2011, \$564,000 in Fiscal 2012, and \$585,000 in Fiscal 2013 is being added back to the Department's budget as an adjustment.
- **All Other Technical Adjustments.** In the Executive Plan, all other budget adjustments, including heat, light and power adjustments and lease adjustments, increase the Department's City-funded budget by \$411,000 in Fiscal 2010, \$4.4 million in Fiscal 2010, \$4.8 million in Fiscal 2011, \$5.1 million in Fiscal 2012, and \$5.7 million in Fiscal 2013.

American Recovery Re-Investment Act

- **Broadband Technology Opportunities Program.** "The U.S. Congress has appropriated \$4.7 billion to establish a Broadband Technology Opportunities Program for awards to eligible entities to develop and expand broadband services to unserved and underserved areas and improve access to broadband by public safety agencies. Of these funds, \$250 million will be available for innovative programs that encourage sustainable adoption of broadband services; at least \$200 million will be available to upgrade technology and capacity at public computing centers, including community colleges and public libraries; \$10 million will be a transfer to the Office of Inspector General for the purposes of BTOP audits and oversight. Up to \$350 million of the BTOP funding is designated for the development and maintenance of statewide broadband inventory maps."

Executive Capital Commitment Plan, 2009-2013

In the Executive Capital Plan, DoITT's planned commitments for Fiscal 2009-2013 increase by 42.3 percent to a total of \$1.98 billion when compared to the Department's January Plan.

Significant changes in the Executive Plan that result in the net 42.3-percent increase include:

- An additional \$663.2 million in planned commitments for the Emergency Communications Transformation Project (ECTP). Total planned commitments allocated for the ECTP would increase to 1.52 billion. As of May 2008, the City has committed (contracted out) \$346 million in Capital funds to this project.
- A reduction in planned commitments of \$20.2 million for the Enhanced 311 for Human Services project. Total planned commitments for this projects would decrease to \$74.1 million. To date, the City has committed approximately \$13 million to this project.
- A reduction of \$51.5 million in planned commitments for outyear planning of Electronic Data Processing projects. Total planned commitments for these projects would decrease to \$130.9 million.

Large-Scale Projects Housed in the Citywide Equipment (PU) Capital Plan

- In the Executive Plan for Fiscal 2009-2013, planned commitments allocated to Business Express total approximately \$16 million. To date, the City has committed approximately \$20.3 million to this project.
- In the Executive Plan for Fiscal 2009-2013, planned commitments allocated to DataShare/Integrated Justice Project total approximately \$11 million. To date, the City has committed approximately \$32.6 million to this project.
- In the Executive Plan for Fiscal 2009-2013, planned commitments allocated to the MOCS End-to-End project total approximately \$11 million. To date, the City has committed approximately \$46.5 million to this project.

Supplemental Tables

Executive Budget Actions

The following table summarizes changes to the Fiscal 2009 and 2010 budgets since the 2009 budget was adopted. The Non-City actions include State, Federal, Other Categorical, Intra-City and Capital Inter-Fund Agreement (IFA) funding changes.

Description	Fiscal 2009			Fiscal 2010		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as per the January Plan	\$237,139	\$142,273	\$379,412	\$231,999	\$115,398	\$347,397
Executive Plan Programs to Eliminate the Gap (PEGs)						
PS Reduction - Vacancies				(\$1,732)		(\$1,732)
PS Reduction - Layoffs			\$0	(\$588)		(\$588)
PS Reduction - Attrition			\$0	(\$117)		(\$117)
Cell Phone Rate Reduction			\$0	(\$968)		(\$968)
Contratual Reductions			\$0	(\$2,839)		(\$2,839)
NYCWIn Reductions			\$0	(\$2,000)		(\$2,000)
Intra-City Telecom Reduction			\$0		(\$484)	(\$484)
Reestimate HHC Non-Cash subsidy			\$0		(\$285)	(\$285)
Fleet-Related Expense Reduction	(\$91)		(\$91)	(\$9)		(\$9)
Total PEGs	(\$91)	\$0	(\$91)	(\$8,254)	(\$769)	(\$9,023)
Executive Plan New Needs						
FY 09 Surplus Reduction	(\$5,000)		(\$5,000)			\$0
IFA			\$0		\$10,119	\$10,119
Total New Needs	(\$5,000)	\$0	(\$5,000)	\$0	\$10,119	\$10,119
Executive Plan Other Adjustments						
<i>Collective Bargaining Increase</i>	\$281	\$64	\$345	\$724	\$174	\$898
<i>Fring Benefit Offset</i>			\$0	\$413		\$413
<i>Federal Grants and Adjustments</i>	\$0	\$4,035	\$4,035	\$0		\$0
<i>State Grants and Adjustments</i>			\$0	\$0		\$0
<i>Other Categorical Grants and Adjustments</i>		\$428	\$428			\$0
<i>Technical Adjustments</i>	(\$234)		(\$234)	\$5,154		\$5,154
Heat,Light and Power	(\$291)		(\$291)	(\$39)		(\$39)
Intra-City Adjustments	\$0	\$9,380	\$9,380		\$1,830	\$1,830
Total Other Adjustments	(\$245)	\$13,907	\$13,663	\$6,252	\$2,004	\$8,256
Total Executive Plan Budget Changes	(\$5,336)	\$13,907	\$8,571	(\$2,002)	\$11,354	\$9,352
Agency Budget as per the Executive Plan	\$231,803	\$156,180	\$387,983	\$229,997	\$126,752	\$356,749

Summary of Changes Since June 2009 Plan

City Funds only, \$\$ 000's

	2009	2010	2011	2012	2013
June 2009 Plan	\$244,015	\$242,505	\$242,044	\$242,077	\$242,076
New Needs	(\$5,000)				
Collective Bargaining	\$2,058	\$3,420	\$3,533	\$3,533	\$3,533
Other Adjustments	\$571	\$6,609	\$6,973	\$7,239	\$7,330
PEG	(\$9,841)	(\$22,537)	(\$25,506)	(\$27,265)	(\$27,265)
Exec 2010 Plan	\$231,803	\$229,997	\$227,044	\$225,584	\$225,674