



# Request for City Council Committee Action from the Department of Information Technology

**Date:** February 9, 2015

**To:** The Honorable John Quincy, Chair, Ways and Means

**Referral To:** The Honorable Elizabeth Glidden, Chair, Committee of the Whole

**Subject:** **Provision of Information Technology Services**

**Recommendation:** Authorize proper City officials to:

- a. Execute a contract with OneNeck IT Solutions LLC for IT managed services with an initial term of five years with three 1-year options to renew and a total contract value not-to-exceed \$22,025,000.
- b. Increase Pillsbury Winthrop Shaw Pittman contract C-37373 by \$642,000 for a dedicated transition resource.
- c. Execute all necessary documents for transferring assets from Unisys to the City.
- d. Approve an amendment to the 2015 budget for the Information Technology department to provide for
  - i. 33 FTEs for service desk and desktop services, and
  - ii. Costs associated with transition to a new service provider

**Previous Directives:** August 16, 2013: Authorization to execute a contract with Pillsbury Winthrop Shaw Pittman LLP for outsourcing advisory services.

November 12, 2013: Approval to release RFP for Managed Information Technology Services, pending approval of the Permanent Review Committee.

### Department Information:

Prepared by: Bob Arko, Contract Administrator  
 Submitted by: Otto Doll, Chief Information Officer  
 Approved by: Spencer Cronk, City Coordinator  
 Presenter(s) in Committee: Otto Doll, Chief Information Officer

Reviews	Approval	Date	Not Applicable
Permanent Review Committee (PRC):	<input checked="" type="checkbox"/>	February 11, 2014	<input type="checkbox"/>
Civil Rights Approval:	<input checked="" type="checkbox"/>	January 30, 2015	<input type="checkbox"/>

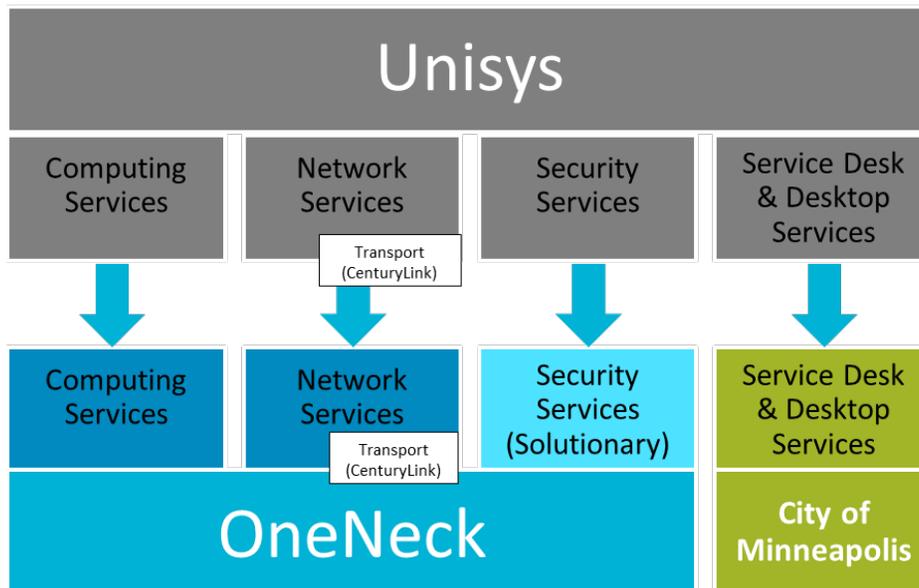
**Financial Impact:**

The transition to a new model for provision of information technology services is anticipated to result in a one-time cost in 2015 of \$10,000,000 resulting from the need to provide redundant services as the services migrate from Unisys to One-Neck. Resources are available in the Information Technology internal services fund for this purpose and the 2015 budget will be amended to reflect the use of these funds. Subsequent years’ annual costs are anticipated to be approximately \$3 million less than current costs, including costs associated with in-sourcing a portion of the services.

**Supporting Information:**

History: The City has outsourced some of its technology services since 2003. Under the existing outsourcing arrangement, the City has outsourced computing services, network services, security services, and service desk and desktop services. During the term of the agreement the contract was renegotiated twice, once in 2007 and again in 2010. The contract expires on December 31, 2015. As part of the last renegotiation, Council informed the Information Technology Department (IT) to issue a Request for Proposal (RFP) before expiration of the existing contract.

An RFP for Outsourced IT Services was issued on February 27, 2014. The RFP contained four service categories that IT contemplated for outsourcing – computing services, network services, managed security services, and service desk and desktop services. Eighteen companies responded to the RFP. After evaluating all sourcing options for the four service categories, IT recommends insourcing the service desk and desktop services category and outsourcing the computing services, network services, and managed security services categories to OneNeck IT Solutions LLC as reflected below.



The key benefits of awarding a contract for IT managed services to OneNeck are:

1. Flexible, fast provisioning of new services.
2. Competitive pricing relative to market and more favorable than competitors.
3. Service levels and credit methodology more favorable than competitors.

4. Avoids supplier lock-in through favorable termination clauses.
5. Exit flexibility achieved through use of third party for security services, and City control of standardized equipment and tools.
6. Local data center, close proximity of secondary data center.

A summary of the contract terms with OneNeck are:

1. Term of agreement of five years with three 1-year options to renew at the price set forth in the contract
2. Total contract value not to exceed \$22,025,000
3. Compliance with the following City general contract terms:
  - a. Insurance coverage - \$5M general liability, \$2M professional liability, \$5M network security and privacy
  - b. Full indemnity for:
    - i. intellectual property infringement or misappropriation
    - ii. Claims by employees of OneNeck and its subcontractors
    - iii. Losses or breach of certain data maintained by the City
4. Compliance with other City conditions and terms unique to this agreement:
  - a. \$15M in tort liability
  - b. Breaches or loss of information not covered by full indemnity are capped at \$25M
  - c. Performance bond of \$10M
  - d. Terminate for convenience
5. Obligation to assist City with disengagement services
6. Flexibility in the variable components of the service delivery in the event that other decisions in the City affect the contract.
7. Provides all other costs for up to four IT personnel to attend executive forums for training on upcoming products that provide interest and value to the City, excluding travel expenses.

To implement the City's insourcing of the service desk and desktop services, 33 Full-Time Equivalent (FTE) positions shall be created and hired by IT. The functions and positions necessary to provide these services are:

- IT Service Desk – 17 FTEs
  - 3 service desk supervisors
  - 10 service desk agents
  - 1 configuration management coordinator
  - 3 business analysts
- Desktop Support – 13 FTEs
  - 1 supervisor
  - 9 support technicians
  - 3 windows engineers
- IT Service Management – 2 FTEs
  - 1 ServiceNow administrator
  - 1 business analyst
- Support – 1 FTE
  - 1 contract administrator

After the transition period in 2015, the new sourcing strategy (both insourcing and outsourcing combined) is anticipated to result in an average 25% reduction in annual spending for the same services as compared to the current levels.

To facilitate the necessary insourcing and outsourcing activities, certain assets must be transferred from Unisys to the City. IT is requesting that the Council approve the execution of all necessary documents to transfer these assets.

To aid in the transition from Unisys, IT will be exercising an option under its existing contract with Pillsbury Winthrop Shaw Pittman to engage a dedicated transition resource. This resource will provide program management oversight of both insourcing and outsourcing activities. IT is requesting that Council approve an increase in the contract amount by \$642,000 to retain this resource through the end of transition.

The SUBP goals identified in the RFP will not be met with the outsourcing contract; however the City will endeavor to meet racial equity goals through its staffing efforts for the new positions. IT partnered with CPED, NCR and HR to bring the philanthropic Creating IT Futures IT-Ready job program to Minneapolis for the February 9 – April 3, 2015 class. This 8-week, no-cost program helps populations that are under-represented in IT and individuals who are lacking in opportunity to prepare for, secure, and be successful in IT service desk and desktop careers. As a result of this program and other recruiting efforts, IT expects a diverse pool of potential candidates for these new positions.

Funding for immediate and future costs is available through a combination of fund balance in the Information Technology internal services fund and on-going allocation of costs across all City departments, with approximately 80% of the annual cost funded from the City's General Fund. For the transition costs in 2015, the need for an additional \$10 million in funding is identified due to the overlap of services that will occur as the contract with Unisys sunsets and OneNeck takes over. At the same time, new staff will be brought on board for training to insure that services can be provided internally when the Unisys contract ends on December 31, 2015. In years 2016 and beyond, the average annual cost (including the cost of staff for the in-sourced services) is projected to result in savings of at least \$3 million as compared to the current cost. These on-going operational costs will continue to be allocated across the City departments as they are currently.