

EXECUTIVE SUMMARY

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: December 3, 2010

IBA Report Number: 10-92

City Council Docket Date: December 6, 2010

Item Number: 201

On December 6, 2010, the City Council will be requested to accept the Information Technology Sourcing Strategy prepared by Avasant, LLC, and authorize additional expenditures of up to \$392,000 for Avasant to assist in the development of the Request for Proposals (RFP) and to assist with vendor selection, negotiation and transition.

Soliciting proposals for outsourcing the City's IT Services is one of ten major fiscal reforms that the City is pursuing in addition to numerous other strategies and solutions- all aimed at reducing the overall cost of service and eliminating the City's structural budget deficit. Based on the City's recent experience with outsourcing the IT Help Desk and as shown in the analysis contained in the Sourcing Strategy, the potential exists for significant annual savings as a result of this competitive process.

In seeking Council acceptance of the IT Sourcing Strategy prior to issuance of the RFP, the Mayor is providing an opportunity for the Council to weigh in on a number of significant issues and to help set policy direction to guide this major procurement. While the IBA previously recommended that the Mayor review the actual RFP with Council, the Council alternatively requested this earlier opportunity for reviewing the Sourcing Strategy. While the IBA recommends Council acceptance of the report, prior to doing so, we further recommend the Council thoroughly discuss and clarify the following issues as well as any other outstanding issues with staff and the consultant. These issues are addressed in our full report which is attached.

- >Avasant's Analysis of the Four Service Delivery Options/Projected Annual Savings;
- > Displaced City/SDDPC employees;
- >Onshore/Offshore Service Delivery;
- >Length of Contract Term;
- >Single RFP/Multiple RFP's;
- >Prime Provider/Smaller, Local Providers;
- >Timetable for IT Outsourcing;
- >Vendor Transparency

The Mayor is not required to and does not plan to bring the RFP back to City Council for review. Therefore, Council's input at this phase of the process is critical. The next step requiring City Council action is award of contract(s) which is planned for Council Committee in July 2011 and full City Council action in September 2011.

The IBA also recommends Council approval of the next two phases of the Avasant contract not to exceed \$392,000 in order to allow this financial reform to move forward. While a significant expenditure, this is a complex work effort with potential for significant cost savings far greater than this initial investment.