

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 3/8/16

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Request for authorization to execute a contract with OneNeck IT Solutions LLC for the implementation of a solution for data center and disaster recovery services (including transition activities and hosting/service fees).

FISCAL EFFECT:

- | | |
|--|--|
| <input checked="" type="checkbox"/> No Direct County Fiscal Impact | <input type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input type="checkbox"/> Absorbed Within Agency's Budget | <input type="checkbox"/> Decrease Capital Revenues |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input type="checkbox"/> Increase Operating Revenues | |
| <input type="checkbox"/> Decrease Operating Revenues | |

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year*	Subsequent Year
Operating Budget	Expenditure		\$1,692,297
	Revenue		
	Net Cost		\$1,692,297
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

**The Department of Administrative Services – Information Management Services Division (IMSD) 2016 adopted operating budget includes an appropriation of \$300,000 for data center hosting service fees and existing capital project WO619 – Disaster Recovery Site maintains an unencumbered Year-to-Date expenditure balance of approximately \$817,000.*

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
 - B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
 - C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
 - D. Describe any assumptions or interpretations that were utilized to provide the information on this form.
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- A. The approval of the requested action will allow IMSD to contract with OneNeck IT Solutions LLC for the implementation of a solution for data center and disaster recovery services (including transition activities and hosting/service fees).
 - B. Implementation of the solution will require two stages, an initial setup stage and an ongoing support stage.

The initial setup stage will encompass the transition activities associated with the migration to OneNeck IT Solutions LLC as a managed service provider. This will cost an estimated \$805,200 and is categorized as a capital cost which will be funded through capital project WO619 – Disaster Recovery Site. The capital project currently has an unencumbered balance of approximately \$817,000 to cover the estimated transition costs.

The ongoing support stage results in an operating cost of \$141,025 per month for hosting/services fees. In 2016, this will begin in November for an expected annual cost of \$282,050 for 2016. IMSD included \$300,000 in its operating budget for data center hosting/service fees. As a result, IMSD staff has indicated there is sufficient to funding to cover the operating expenses for 2016.

For 2016, the initial set-up and on-going support stage costs are estimated at \$1,087,250.

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

² Community Business Development Partners' review is required on all professional service and public work construction contracts.

The contract with OneNeck IT Solutions LLC also provides authority for on-going support which will result in and additional estimated operational costs of **\$1,692,300** per year from 2017 – (October) 2021. A Managed Service solution would provide data center services in a fully redundant data center and DR at a third party location. With this option Milwaukee County would not have responsibility of purchasing, maintaining, patching nor licensing of servers, storage and back-up systems, but would continue management of the application portfolio. After much research it was clear that this option was the most cost effective, provided the quality of service required for a government agency of our size and complexity, and would mitigate known risk in the shortest period of time. The managed services option is projected to realize a cost savings of \$1,171,305 annually compared to the in house option. IMSD staff has indicated that on-going support costs are variable and will likely fluctuate as Milwaukee County's need for IT services expands and contracts.

The annual on-going support costs will need to be included in future IMSD operating budgets.

- C. The estimated budgeted impact for 2016 is \$1,087,250 (\$805,200 from existing capital project WO619 and \$282,050 from IMSD the IMSD operating budget). The annual impact for on-going support is estimated at \$1,692,300 from 2017 through (October) 2021. Therefore, the total cost related to the proposed contract is currently \$10,959,000 for the implementation of a solution for data center and disaster recovery services over the contract term. IMSD will request additional funding in their 2017 (and future) operating budget(s) for the hosting/service fees associated with this contract.
- D. IMSD has used vendor proposals to estimate the transition costs associated with this project. Additionally, the on-going cost estimate is based on the current resource needs (such as the number of servers and storage resources) of Milwaukee County's infrastructure environment.

Department/Prepared By IMSD/Nicholas Wojciechowski, Chief Technology Officer

Authorized Signature  _____

Did DAS-Fiscal Staff Review? Yes No

Did CDBP Review?² Yes No Not Required