MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: July 20, 2017

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: Request for authorization to execute a contract with International Business Machines (IBM) for Mainframe-as-a-Service (MfaaS) for the ongoing management of the CGI Advantage application.

FISCAL EFFECT:

☐ No Direct County Fiscal Impact

    ☐ Existing Staff Time Required

☒ Increase Operating Expenditures
(If checked, check one of two boxes below)

    ☒ Absorbed Within Agency's Budget

    ☐ Not Absorbed Within Agency's Budget

☐ Decrease Operating Expenditures

☐ Increase Operating Revenues

☐ Decrease Operating Revenues

☐ Increase Capital Expenditures

☐ Decrease Capital Expenditures

☐ Increase Capital Revenues

☐ Decrease Capital Revenues

☐ Use of contingent funds

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	$82,500	$990,000
	Revenue		
	Net Cost	$82,500	$990,000
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

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.

DAS-IMSD is requesting authority to execute a contract with IBM for Mainframe-as-a-Service (MfaaS). If this request is approved, it will enable IMSD to retire the County's deprecated, on-premises mainframe and transfer the CGI Advantage Financial System application to a state-of-the-art, hosted mainframe environment.

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.

The direct cost to the County for the Mainframe-as-a-Service contract is approximately $90,000 per month. This cost is calculated based on IBM's monthly charges for hosting, IBM operator salaries, mainframe operations, IBM licensed programs (variable charge by MSU usage), and storage/tape usage. For services which are billed on a variable, usage basis (licensed programs, storage/tapes), an estimated usage value was used to calculate cost. Should the County exceed the usage value for storage or MSUs on license programs, an additional cost would be incurred for each overage, as follows:

Baseline Table*	Unit of Measure	Baseline
Primary LPARs	LPARs	1
Secondary LPARs	LPARs	1
Primary Mainframe z/OS	MSU	8
Secondary Mainframe z/OS	MSU	8
Mainframe Memory	GB	4
Storage DASD	GB	1000
Storage vTape Compressed	GB	1000
Storage vTape Uncompressed	GB	5000

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[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.

RU Description*	Unit of Measure	Rate Per
Primary Mainframe z/OS	MSU	$1,266
Secondary Mainframe z/OS	MSU	$100
Mainframe Memory	GB	$150
Storage DASD	GB	$.75
Storage vTape	GB	$.25

For more information on estimated usage costs and assumptions, see section D.

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.**

Today, IMSD budgets funds for the operations, support, and maintenance of the County's on-premises mainframe, including licensed programs required to maintain the mainframe environment, staff costs, building charges, and a contingency fund for unplanned break-fix spend, in low org 1172: Mainframe. The monthly cost of the MfaaS contract will be accounted for in DAS-IMSD's operating budget.

In 2017, there will be no direct fiscal impact to the County. IMSD will fund this contract through an operating budget surplus resulting from strategic reduction of existing mainframe spend.

In 2018, IMSD's annual operating budget request will increase by approximately $94,000 due to additional cost associated with a state-of the-art mainframe system and dependable disaster recovery.

DAS-IMSD anticipates utilizing Mainframe-as-a-Service until the successful implementation of the new Enterprise Resource Planning (ERP) system and Comptroller-approved retirement of the CGI Advantage Financial System. If the Office of the Comptroller approves full retirement of the CGI Advantage Financial System prior to the termination of the MfaaS contract in 2022, the County may opt-out of the contract. Opting out will result in a variable, one-time opt-out cost as follows:

If Opt-Out Occurs:	County will be charged:
Between the second anniversary of the Production Service Ready Date and prior to the third anniversary of the Production Service Ready Date	4% of Remaining Billing Fees
Between the third anniversary of the Production Service Ready Date and prior to the fourth anniversary of the Production Service Ready Date	3% of Remaining Billing Fees
Between the fourth anniversary of the Production Service Ready Date and prior to the expiration of the contract.	2.5% of Remaining Billing Fees

D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

The information provided in this form assumes that:
- Vendor's proof-of-concept is approved, and testing is successful by December 1, 2017;
- IMSD and the Comptroller's Office are able to successfully transition CGI Advantage to MfaaS;
- IMSD will not identify any additional legacy data in the on-premises mainframe environment that may require additional expenditures for mitigation or transfer;
- IMSD will be able to fully retire all client applications running on the mainframe computer located in the City Data Center in 2017;
- As a result of the mainframe retirement, IMSD will be able to reduce contracted staff in 2018 by 2;
- The County will not exceed the baseline MSU and storage usage figures provided to the vendor; and
- IMSD will fund a full five years of the contract, and/or opt-out of the contract at the listed rates in section B upon confirmation from the Office of the Comptroller that CGI Advantage can be retired.

Department: Department of Administrative Services – Information Management Services Division

Prepared By: Erin Schaffer, IT Technical Documentation Analyst

Authorized Signature: _____

Did DAS-Fiscal Staff Review? ☒ Yes ☐ No

Did CDPB Staff Review? ☒ Yes ☐ No ☐ Not Required