Legislation Details (With Text)

File #:	17-1043	**Version:**	1	**Name:**	TI/FM - Approve critical technology purchases
Type:	Agenda Item			**Status:**	Approved
File created:	10/26/2017			**In control:**	City Council
On agenda:	12/5/2017			**Final action:**	12/5/2017
Title:	Recommendation to authorize City Manager to submit to the City Council purchase transactions for critical technology infrastructure needs. (Citywide)				
Sponsors:	Technology and Innovation, Financial Management				
Indexes:					
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Date	Ver.	Action By	Action	Result
12/5/2017	1	City Council	approve recommendation	Pass
11/14/2017	1	City Council	laid over	Pass

Recommendation to authorize City Manager to submit to the City Council purchase transactions for critical technology infrastructure needs. (Citywide)

At a special City Council study session on October 24, 2017, staff presented an overview of four categories of unfunded critical technology infrastructure needs totaling $88 million (Exhibit A). Staff advised the City Council that details of these technology infrastructure needs would be provided at its November 14, 2017 meeting. Exhibit B provides the details on these items, including their cost and potential financing/funding.

Staff is seeking City Council approval to bring forward, for future City Council consideration, proposed purchases and financing for various items encompassing three categories of unfunded critical technology infrastructure needs:

Installing a fiber optic system to interconnect City buildings to save on current and future communication costs and to form a basis for a potential future digital inclusion (see Exhibit C - Fiber Network Infrastructure memorandum);

Replacing outdated technology that is becoming unreliable and will not support new systems or the new Civic Center; and,

Furnishing needed systems to meet key critical City needs and prevent malicious system attacks, data loss, or service outages.

The total of these items is $67 million. The remaining $21 million is in a fourth need category, replacing public safety communications technology, which is not being recommended for

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action at this time as additional information pertaining to extended support is anticipated to become available from in the next few months.

If the recommended action is approved, staff will finalize the specific purchases, secure vendors through existing or new contracts or bids, secure funding and financing in conformance with the mechanism outlined in this letter, and return to the City Council for authorization of individual purchase transactions.

The purchases would be financed and funded primarily through equipment loans, use of reserves, and internal borrowing between City funds. The bulk of the funding would be for debt service that would be incorporated into future budgets. The funding source for the cash portion of the costs would include a draw-down of reserves. Some cash funding would likely also come from a loan between City funds. Staff anticipates returning to the City Council with various revenue options for the purchases prior to the end of the calendar year.

This matter was reviewed by Deputy City Attorney Amy R. Webber and by Finance Director John Gross on October 31, 2017.

TIMING CONSIDERATIONS

FISCAL IMPACT

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

BRYAN M. SASTOKAS
DIRECTOR OF TECHNOLOGY AND INNOVATION

City Council action is requested on November 14, 2017, to ensure equipment is available for

the new Civic Center, so new systems to be installed can be made fully functional, and to protect the City against cyberattacks.

This motion has no fiscal impact as it would only authorize bringing forward purchase transactions in the future for City Council's consideration. The actual fiscal impact may vary depending on the final structuring of the cash sources and equipment financing, the interest rates, and the actual equipment costs. The fiscal impact will have both a one-time cost and an ongoing annual component. One-time funds will be necessary to fund those costs that are not eligible for financing such as implementation and installation costs. Only physical equipment costs can be financed with the type of loan the City will be using. The ongoing costs to the various funds, including the General Fund, would result from debt service payments for equipment financing and new operating costs. These costs will likely be implemented as charges to the various funds by the Technology and Innovation Department via an annual MOU for services. There will also be secondary impacts to the General Fund realized by additional charge-backs from internal service funds that are themselves charged by the General Services Fund. The overall estimated impact to the General Fund is $11.0 million in cash and $6.6 million in annual costs. For all other funds, the cash need is $17.4 million with $10.4 million in annual costs. The costs are summarized in the chart below:

Estimated Fiscal Impact (in $ millions)

Item	General Fund	All Funds
Total Cost	Not Applicable	$67
Financing / Funding Approach	Approx. $11.0 cash plus shared cost in equipment loans	Approx. $17.4 cash plus $50 in equipment loans
Annual Debt Service	$5.0	$7.8
Annual Net Op. Cost	$1.6	$2.6
Total Annual Cost	$6.6	$10.4

If the General Fund or any other fund does not have adequate cash available to pay the upfront cash costs, an internal loan between City funds will be needed and will increase annual debt service. Each $1 million in internal borrowing will add approximately $0.1 to $0.2 million in annual costs, depending on the term of the borrowing.

The annual costs for the General Fund would be absorbed into the budget by reducing other expenditures or with revenue offsets, if available. For other funds, the costs would either be paid by cash from funds available and/or a potential increase to the various funds' budgets.

Approve recommendation.

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER