



CITY OF POMONA COUNCIL REPORT

May 7, 2018

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: John DePolis, Information Technology Director
Linda Matthews, Human Resources/Risk Management Director

Subject: **Adoption of Resolutions Amending the Memorandum of Understanding with the Pomona Mid-Management/Confidential Employees' Association (PMMCEA), and Amending the Authorized Staffing Levels within the Fiscal Year 2017/18 Operating Budget Related to Bringing Information Technology Services In-House; Authorize an Amendment to the Conduent Agreement; and Authorize Side Letter Agreement with PMMCEA to Streamline Hiring Process related to the Transition**

OVERVIEW

Recommendations - That the City Council:

1. Adopt a Resolution Amending Appendix B of the Memorandum of Understanding between the City of Pomona and the Pomona Mid-Management/Confidential Employees' Association (PMMCEA) and Amending Authorized Staffing Levels in the FY 2017-2018 Operating Budget;
2. Authorize Contract Amendment Nine (9) with Conduent that substitutes section 4.4 Right to Hire language and allows the City to employ outsourced staff at the end of the contract term and authorize the City Manager to execute related documents; and
3. Authorize the City Manager to enter into a Side Letter Agreement with PMMCEA to streamline the hiring process related to the transition.

Fiscal Impact- The fiscal impact of bringing IT services in-house for Fiscal Year 2018/19 is shown in the table below:

Total IT Cost for In-House Option		Total IT Cost w/ Contract and current Staff	
Salaries	910,691	Potential Contract Cost	721,380
GIS Contract	175,000	Current Staffing Cost	429,131
Misc. Cost (Telephone, Software, Training, etc.)	8,900		
	<u>1,094,591</u>		<u>1,150,511</u>
		Year One Savings	55,920

The option to bring (IT) services in-house creates a budget savings in the first year (FY2018-19); however, it should be noted that future budget increases such as employee raises, increased PERS cost, additional training cost, supplies, etc. would result in added cost to the City versus continuing to outsource this service.

EXECUTIVE SUMMARY

Since 1998, most of the City's information technology (IT) services have been outsourced. Currently, Conduent provides almost all IT services for the City and provides on-site staff to deliver those services. In 2017, a Request for Proposal (RFP) process was conducted. As a result of the RFP process, it is recommended that the City cease the contract with Conduent and instead add five full-time positions to provide IT services in-house. In addition, it is recommended that one full-time position currently in the Information Technology Department be deleted. Approval of the proposed actions will authorize the requested position changes; create a streamlined hiring process to ensure a timely transition; and modify the Conduent agreement to allow for the transition of staff at the City's option. In a related but separate action, the City recommends continuing to contract for Geographic Information Services, which will be presented to City Council at a later date for approval.

DISCUSSION

Background

In 1998, IT services for City Hall, Library, Public Works and Water/Wastewater Operations was outsourced to Affiliated Computer Services (ACS). At that time, network infrastructure, network servers, personal computers, citywide email and internet services were added. In addition, many legacy systems were upgraded or modified in anticipation for the year 2000 conversion ("Y2K"). In 1999, IT support for the Police Department and GIS services were added to the contract with ACS. The original agreement was amended over the years at the City's request and with Council consent and resulted in a 10-year contract with 10 one-year extensions. The expiration of the contract is June 30, 2018.

A Request for Proposal (RFP) was developed and completed. Six firms responded and interviews were conducted with the three top finalists. In addition, an analysis was completed regarding staffing and costs related to bringing the information technology services in-house. After comparing the result of the RFP to the internal staffing analysis, it is recommended that most information technology services be performed with internal staff. It is also recommended that the City continue to contract for Geographic Information Services (GIS); this action will be presented to City Council for approval at a later date.

Recommended Personnel Changes

Adding internal staff to perform information technology services helps ensure the continuity of services, the integrity of mission-critical applications, and the security of the City's network and data. To staff the IT services internally, the following staffing changes are recommended:

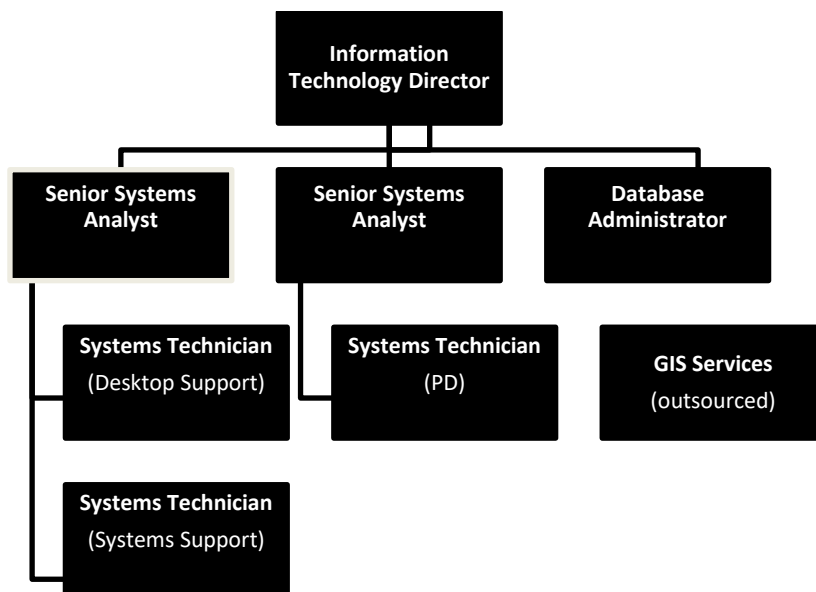
1. Add two (2) Senior Systems Analysts, range MC-068 (\$67,104-\$81,552 annually)
2. Add three (3) Systems Technician positions, range MC-055 (\$48,660-\$59,160 annually)
3. Delete one (1) Telecommunications Technician, range GS-047 (\$39,960-\$48,540 annually)

The new positions of Senior Systems Analysts will be in the Pomona Mid-Management/Confidential Unit, will have complex project and supervisory responsibility, and

will be in Group C. The Systems Technician positions will also be in the Pomona Mid-Management/Confidential Unit. They will perform a variety of system support duties and will be in Group D. Group C positions are considered exempt from the overtime provisions of the national Fair Labor Standards Act and Group D positions are not exempt from FLSA, and receive overtime. These positions will be added immediately upon approval by Council to allow staff to begin necessary actions to fill the positions. The positions will be funded effective July 1, 2018 to coincide with the end of the agreement with Conduent.

It is also recommended that the Telecommunication Technician position be deleted. The primary duties of the Telecommunications Technician include setting up new phone lines and acting as a liaison with the phone service provider to install new lines and resolve issues. Phone systems have evolved over the years and are now closely integrated with the information technology systems. As such, these duties will be merged into the Systems Technician classification rather than having a separate specialized classification. This position is currently filled. This position will be deleted after the applicable lay-off procedures are followed, including the required notice, necessary meet and confer obligations with the Pomona City Employees Association/Teamsters, and displacement provisions, have been completed. The incumbent will be offered another lower-level position within the City.

The proposed organizational chart for Information Technology is as follows:



Transition of Personnel

The agreement with Conduent prohibits the City from hiring any of the Conduent staff. Conduent has agreed to modify the agreement to waive this provision. The Side Letter Agreement authorizes the City to consider the Conduent employees before opening the positions for recruitment. Any vacant positions remaining will be filled using the City's standard recruitment processes. Approval of Recommendations 2 and 3 allow for the modification of the agreement with Conduent and implementation of the streamlined hiring procedure to help ensure a smooth and timely transition of services.

Fiscal Impact of Insourcing Information Technology Operations

As indicated earlier, the primary reason to bring IT operations in-house is to ensure continuity of service and retention of the skills and knowledge of the City's system. Staff also completed a longer-term analysis of the fiscal impact. Below is a chart outlining the total cost of bringing IT services in-house compared to entering into a proposed seven (7) year contract with the top-rated IT service provider from the RFP process.

FISCAL YEAR	Total Cost for In House Option	Contract w/ current IT Staff	Citywide Savings/(Cost)	GF Savings if Water Pays \$75K for GIS
FY 2018-19	1,094,591	1,150,511	55,920	130,920
FY 2019-20	1,129,198	1,150,511	21,313	96,313
FY 2020-21	1,165,898	1,150,511	(15,387)	59,613
FY 2021-22	1,188,908	1,150,511	(38,397)	36,603
FY 2022-23	1,201,027	1,150,511	(50,516)	24,484
FY 2023-24	1,204,433	1,164,939	(39,494)	35,506
FY 2024-25	1,206,817	1,172,152	(34,665)	40,335
7 Year Total	8,190,873	8,089,647	(101,227)	423,773

Important financial factors to note are:

1. There could be a \$400,000 savings over a seven (7) year period to the General Fund assuming the Water Resources Fund can absorb \$75,000 annually for GIS services and still meet the required debt service coverage ratios for the Water Funds. If the Water Fund is unable to contribute to the GIS costs, total costs to the City to bring IT services in-house vs. contracting is a minimum of \$100,000 over a seven (7) year period.
2. PERS increases have been included; however, it is very likely that rates could increase more in the future. The assumptions above do not include any negotiated raises or benefits for the next seven (7) years. The budget assumptions for costs such as the GIS contract, telephones, training, and supplies, etc. also do not include a CPI increase factor.
3. If City Council opts to continue with the current staffing levels and outsource the remaining positions to the winning bidder, the contract amount would be \$721,380 in years one through five, \$735,808 in year six and \$743,021 in year seven.

Conclusion

In conclusion, staff recommends bringing the IT operations in-house by adding five additional positions and deleting one existing position. This will provide a higher expectation of continuity of IT services at a reasonable cost. To facilitate the transition, a contract with Conduent will be amended to allow the City to hire Conduent employees and a side letter agreement with PMMCEA will allow a streamlined hiring procedure to facilitate a timely transition.

Attachments:

1. Resolution Amending Appendix B of the Memorandum of Understanding between the City of Pomona and the Pomona Mid-Management/Confidential Employees' Association and Amending Authorized Staffing Levels in the Fiscal Year 2017/18 Operating Budget
2. Side Letter Agreement with PMMCEA related to hiring process for IT transition