

Sacramento County

Information Technology Cost Containment / Reduction Plan

Executive Summary

The IT community worked together in November to understand our IT costs and structure. The team identified a solid base to develop plans for ongoing cost savings.

Our Costs at the Macro Level

We think there are more opportunities for saving money where we spend the most money. This helps us identify where to start and how to contain costs.

Cost Containment Strategy

The key is to reduce complexity in the information technology systems. This strategy is used to develop a multiyear cost containment plan.

1 - Link costs to demand

IT costs are demand driven. Managing demand is one way to contain IT costs.

2 - Reduce resource costs

Labor and technology are the two largest information systems cost components. We can leverage technology to reduce costs and thereby reduce labor requirements.

3 - Change operating practices

Implementing disciplined management processes can reduce costs, improve service levels and reduce risks. We can improve the IT operating model for substantial savings.

Conclusion

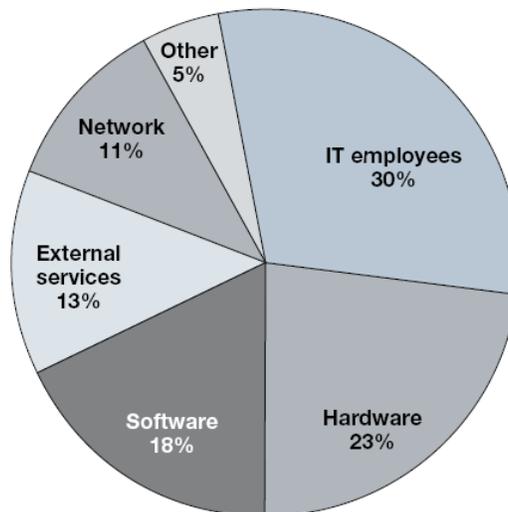
Our costs at the macro level

We think there are more opportunities for saving money and containing costs in the areas where we spend the most money.

Annual amount	Category
\$20,000,000	IT contractors and consultants
13,643,000	Misc. computer equipment
7,200,000	Training and travel
3,056,000	Microsoft EA
2,777,000	Misc. software
2,500,000	Cell phones
2,444,000	Misc. maintenance and support
2,126,000	Maintenance and support
1,690,000	Telecom supplies
1,650,000	Misc. licenses (excludes MS EA)
955,000	Cisco network equipment
879,000	Unix Servers
695,000	Printer supplies
652,000	Filenet
360,000	Non-Cisco network
275,000	Z800 mainframe
18,000	Antivirus / antispam

Central contracts and purchase orders July 1, 2007 to June 30, 2008.

Average percentage of IT spend by major cost category



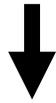
Cost Containment Strategy

Maintaining the balance between cost containment and supporting the business with high quality service is a challenge we face. Fortunately, cost containment techniques can not only reduce costs, but also improve service levels, increase agility, and reduce risks.

The key is to reduce complexity in the information technology systems. This strategy is used to develop a multiyear cost containment plan.

Goals of Government Services

Economic Growth, Law and Justice,
Transportation, Public Health and Safety,
Healthy Families, and Sustainable and Livable Communities.



Vision for Enterprise IT

The purpose of information technology is to
enable the County to achieve its business goals and objectives.



IT Cost Containment Initiatives

Link costs to demand Reduce resource costs Change operating practices

1 - Link Costs to Demand

IT costs are demand driven. Managing demand is one way to contain IT costs. By providing more cost information to IT users they can manage their own demand for IT services and help set priorities for IT investments.

Key Strategies

- Manage demand for IT services; decide what to stop, defer, or accelerate.
- Shift some fixed costs to variable costs to align supply and demand.

Targets / Objectives (highlighted items identified by the team as quick wins)

1. Utilize chargeback so the business can make cost-versus-value trade-offs. Retire applications that are not needed.
2. Use a project management office to improve project, program, and portfolio management. This will aid in deciding what to delay, stop, or accelerate.
3. Use IT governance to improve prioritization and investment decisions.
 - **See the impact of various departments creating cost for moving away of central services and central applications. What is the net cost to the rest of the county departments?**
 - There are opportunities for standards to be created: backup software, printers, copiers, use of personal printers, cell phone standards such as the hardware plan and use of pooled minutes.
4. Use contractors to fill variable demand and special expertise needs. However, we need to evaluate the \$20 million per year we spend on contractors.
5. Use shared services or software as a service (SaaS) to avoid capital costs or to vary costs with usage.
6. Use capacity on demand to flex processing capacity and costs with fluctuating workloads; for example, Internet usage, cell phone usage, remote access.

2 - Reduce Resource Costs

Labor and technology are the two largest information systems cost components. We can leverage technology to reduce costs and also reduce labor requirements.

Key Strategies

- Reduce labor costs while gaining other benefits.
- Leverage technology to reduce costs.

Targets / Objectives (highlighted items identified by the team as quick wins)

- 1 Configure systems / staff for higher performance:
 - Power management for PCs
 - Paper usage – dual sided default
 - Investigate cost reduction possibility using Juniper (VPN) for virus protection
 - Shoot for higher utilization of existing servers
- 2 Outsource non-core functions for cost and service advantages.
- 3 Automate software distribution. **We need to select solutions for automated software distribution.**
- 4 Pool resources for efficiency and flexibility.
 - **Put in place a managed service provider for our staff augmentation contracts. Use 1 vendor to manage all 45+ of the contractor contracts and therefore achieve a standard rate and cost reduction.**
 - Virtualize servers, storage, and applications.
- 5 Move toward an IP-based converged network for more bandwidth at lower cost.
- 6 Transition to VoIP telephony to reduce costs.
- 7 Selectively use open source software (free) to reduce software costs. We use the Microsoft EA agreement. We should study the potential, the cost, and use of open source software such as Open Office.

3 - Change IT Operating Practices

Unnecessarily complex operating models and lack of consistent practices leave room to squeeze costs and gain other benefits. Implementing disciplined management processes can reduce costs, improve service levels and reduce risks.

Key Strategies

- Improve the IS operating model for substantial savings.
- Inventory and audit IT assets and related contracts and licensing agreements.

Targets / Objectives (highlighted items identified by the team as quick wins)

- 1 Consolidate, standardize, and automate for economies of scale:
 - Look for cost saving through a consolidation strategy – ERP systems, help desks, procurement, data centers, network management, & security management.
 - Look at a common email infrastructure.
 - Establish countywide information security, disaster planning and business recovery services.
 - Consolidate electronic payment systems.
 - Consolidate SQL processors.
 - **Should we consolidate our many individual ATT lines to reduce costs? Do we have an inventory? Should we audit what we have?**
 - **Put our purchases countywide on a standard schedule such as twice a year.**
 - Server rooms – can we consolidate? Are there standards?
- 2 Standardize the operating environment to reduce complexity.
 - **Leverage the economies of scale: standardize on hardware and software: \$13.6 M spent / yr. Get a volume discount on 1 or 2 types countywide.**
 - **Need a more cohesive, architected plan for the network – the way it is installed, managed, and maintained.**
 - Areas to look at: help desk software, SmartNet (CISCO), EA.
 - We need standards as a county and at a countywide level:
 - HP or Dell for everyone, explore costs of training and images on PCs, look at service level from the vendor, pool our money and leverage it for good or better service.
 - Can we share PC images between departments? We don't have a county standard right now.
- 3 Implement telework to increase employee productivity and reduce occupancy costs. Implement video conferencing to reduce travel time.
- 4 Delay refresh/upgrades to extend the useful life of existing IT assets
 - Delay implementation of new hardware/software/systems – use legacy systems longer.
 - On new PC buy: maybe only get a new box, not all the other peripheral parts

- **Refresh cycles: schedule them at the same time for everyone – 1 or 2 per year – drive the cost down at least 10%.**
- 5 Tighten controls on asset and license management
 - Improve asset management practices: audit vendor invoices, match software with hardware, check telecommunications services and utilizations, negotiate equipment trade-ins as part of new acquisitions, migrate ‘zero value’ assets.
 - Look for cash flow reductions: leasing options, multi-year contracts.
 - **Look at EA at a county level vs at a department level – maybe we overbuy or under use right now.**
 - **Calnet2 pricing – can we get favorable rates?.**
 - Review licenses for SQL and maintenance on EA.
 - Consolidate software licenses: example GIS.
 - Oracle – use shared infrastructure for licenses.
 - Licensing opportunities: MS Project, Visio, Adobe, web devl tools, etc. Break down the 2.8 M spent on SW; Applix, Help Star,... Sharepoint is free, Openview? Solar wind?
 - Fewer brands and fewer buys per year = better pricing than the way we do it now.
 - **Consider buying refurbished vs new for Cisco.**
 - 6 Gain control over printing: personal printers, copiers, faxes.
 - 7 Put in place employee telephone expense management.
 - 8 Renegotiate maintenance and service contracts for better terms and prices.
 - **Have spares on hand vs high cost maintenance.**
 - **Reduce maintenance coverage hours to save money.**
 - 9 Improve IT operations processes.
 - Look for video conferencing options.
 - Look at options: yahoo instant messenger, office communicator, webex.
 - Look at connectivity to branch offices – hard lines vs. point to point.
 - Reduce the number of DS3 lines.
 - **Can we sell surplus on e-bay? What about the logistics to wipe hard drives and the software license issues.**
 - We need a consistent approach to disposing of equipment – not everyone knows we can not wipe but instead have the drives shredded.
 - **We need a method to share surplus with others via something like an internal Craigslist.**
 - MS service desk module – investigate if this would work here for us.
 - **Implement remote connect to PCs for help desk support.**
 - **Standardize on remote control software; VNC for example.**
 - 10 Use application development processes to reduce costs and risks.

Conclusion

So, what kind of cost reductions are realistic as we implement a multi-year plan?

According to Gartner, these are the kind of results medium to large business are getting and can reasonably expect to save in selected categories.

