DENVER CITY COUNCIL
Legislative Services

General Government & Finance Committee
Summary Minutes

Wednesday, March 30, 2011   10:30 AM   City & County Building, Room 391

Members Present: Brown, Faatz, Lehmann, Robb, Sandoval
Members Absent: Boigon
Other Council Present:

Committee Staff: Debra Bartleson

Bill Requests

BR11-0103   Amends Section 20-1(c) of the Revised Municipal Code to update the rules for closing out small capital improvement projects (CIP) through appropriate accounting procedures - returning any remaining unexpended budget to the fund balance of the capital fund or enterprise fund - without additional ordinances.
Ed Scholz, Manager of the Department of Finance

Ed Scholz, Manager of Finance, explained the request would allow Budget & Management to clean up and close out old capital project budgets (CIP) without legislative action. The rescinded budgets and funding would go back to the fund balance. Mr. Scholz said these are steps in the budget process, and accounting rules would not allow the City to reappropriate the left-over monies to other funds. These transactions would only occur with completed projects.

Capital funds do carry over from year to year, but left-over monies do not stay in the Council District where the project was completed. The CIP budget is part of the annual budget process, and budget expenditures are determined by budget priorities. The CIP budget is submitted to Council and is allocated to critical maintenance needs. Left-over monies can be moved from one active project to another, but Council approval is required. Mr. Scholz stressed that CIP funding is

not equal in Council Districts. This proposal would eliminate the expense of filing bills to close out minor left-over budgets.

Councilmember Robb suggested that the ordinance include wording that requires the appropriate Councilmember notification when a project is completed. Mr. Scholz said he will work with the City Attorney's Office to get their opinion for options to the language. The current language provides spending authority within a specific category for any capital project by $20,000, or 10% of the total amount in order to transfer monies to other capital projects within the same category.   He said he will let the Committee know what was decided for language changes at Mayor-Council next Tuesday.

A motion offered by Councilmember Lehmann, duly seconded by Councilmember Brown to file a bill amending Section 20-1(c), carried by the following vote:
AYES: Brown, Faatz, Lehmann, Robb, Sandoval(5)
NAYS: (None)
ABSENT: Boigon(1)
ABSTAIN: (None)

Presentations

    1   **Technology Services on-call contract review**
                                   Chuck Fredrick, Chief Information Officer - Technology Services

Chuck Fredrick, Chief Information Officer, explained how Technology Services operates and how the organization uses professional services contracts. He noted that various surveys have reported that on average, technology projects have a 30% success rate and typically are defined as "challenged". In Denver, a "challenged" project means failed to deliver on time and on budget, but the word means different things to others, said Mr. Fredrick. The Committee questioned the benefit of purchasing software off the shelf rather than customizing the software program. Mr. Fredrick indicated that it is best to avoid rewriting systems because of cost and long-term maintenance. Council's SIRE system was heavily customized and based on the City's definition, SIRE would be defined as a challenged project. He stated that the SIRE project could be defined as suitable because of the lessons learned. Councilmember Robb said access to materials when voting is valuable.

Mr. Fredrick explained the importance of hiring on-call contracts for professional services. Not only do these services help to mitigate risk and help to achieve success on projects, but also researchers have found a 10-1 difference in productivity among developers with similar experience. The cost of professional services should be compared to hourly rates of employees to determine the efficiency and cost of success, stated Mr. Fredrick. (See attachment.)

Currently, Technology Services has 30 on-call contracts of which 25 are actively in use and represent more than 55 technology skill sets. The total value of the contracts is $27 million, but since 2006, only $9.4 million has been expended for services.

A new professional services "umbrella" request for proposal (RFP) has been generated to increase efficiency by moving to one date to enhance the City's ability to manage and administer the contract. The incentive to vendors in this process is to provide the City the best possible price for services.

The City uses fewer contractors as compared to the private sector, especially for services related to project management, enterprise architecture, and development, said Mr. Fredrick. He noted that these same positions are difficult to attract and retain in the City.   He did not have the figures for the ratio of contractors to City employees, but he could provide that information. He explained that costs and upgrades for technology systems continue to increase, but utilizing vendors places the risk on them for compensation and knowledge of skills sets required to perform the work. The agency has spent over $100,000 per year in the last three years training employees to encourage personal growth and retention of employees with technology systems knowledge. The City cannot afford the level of funding the private sector spends weekly on sending employees to training. Technology Services has found success using hybrid teams - contractors working side by side with employees to train them on new technology. Councilmember Sandoval asked if the City could require a commitment from employees to stay if trained. Mr. Fredrick said he didn't know, but he would check into it.

Councilmember Faatz asked if the City has the expertise to hire employees and vendors. Mr. Fredrick stated that a consultant was utilized to assess current employees' skill sets, and he works with Career Service Authority to conduct specific testing techniques to determine the skill sets of candidates when hiring for positions.   The Councilwoman voiced concerns about taking on larger projects and lease purchased technology projects. Mr. Fredrick indicated that the Investment Council reviews requests for purchases, and that the City has experienced successful projects such as e-performance, the tax systems upgrade, purchasing, and payroll system upgrades. He noted that only a few technology projects required lease purchases, and he assured the Committee that this type of financing is not the first consideration for funding a project. Councilmember Sandoval said she would schedule a discussion with the Investment Council at Committee in the future.