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**Report to the Committee on Finance, the Committee on
Technology and the Committee on Land Use
on the Fiscal 2018 Executive Budget for
Department of Technology and Telecommunications
May 18, 2017**

Finance Division

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Executive Budget Summary

- **Expense Budget Overview.** The Department of Information Technology and Telecommunication's (DoITT) proposed Fiscal 2018 Expense Budget totals \$621.7 million, including \$135.2 million in intra-city payments from other agencies for telecommunications services and support for which DoITT coordinates payment. The Department's Personal Services funding for Fiscal 2018 totals \$150.7 million to support 1,768 full time positions.
- **DoITT Executive Budget Changes**
 - New needs total \$10.7 million in Fiscal 2018. Highlights include:
 - \$6.2 million in additional funding for citywide procurement technology;
 - \$3 million to extend positions working on IT capital projects; and
 - \$1 million for expenses related to recently approved capital projects.
 - Significant other adjustments for Fiscal 2018 include:
 - A funding roll of \$6.9 million from Fiscal 2017 to Fiscal 2018 for ongoing IT projects; and
 - \$6.7 million in savings in Fiscal 2018 from the Executive Plan's Citywide Savings Program.
- **Citywide Savings Program.** DoITT will generate budget savings of \$13.8 million in Fiscal 2017 and \$18.4 million in Fiscal 2018, as part of the three Citywide Savings Programs introduced since Adoption of the Fiscal 2017 Budget. Significant savings initiatives include:
 - \$7.3 million in Fiscal 2017 from the elimination of surplus funding for programs associated with the Film Incentive Program;
 - \$6 million in baselined savings beginning in Fiscal 2017 by decommissioning equipment reaching end-of-life, renewing contracts at more favorable terms and moving to more efficient equipment; and
 - \$6.2 million in baselined savings beginning in Fiscal 2018 by lowering costs for outside consultants.
- **DoITT Capital Program.** DoITT's Fiscal 2017-2021 Capital Plan totals \$539 million for technology equipment and infrastructure, including \$172 million for upgrades and equipment for PSAC I and PSAC II.
- **DoITT Contract Budget.** DoITT's Fiscal 2018 Contract Budget totals \$280.3 million which represents 45 percent of the Department's entire budget. DoITT's Contract Budget provides funding for the operation, maintenance and security of many citywide technology systems most notably:
 - \$68.4 million Public Safety Answering Centers (PSAC) I & II;
 - \$15.5 million for the 311 call center and NYC.gov operations;
 - \$34 million for the City's Wireless System; and
 - \$12.9 million for IT 24/7 security.

DoITT Overview

This report presents a review of DoITT Fiscal 2018 Executive Budget. The section below presents an overview of the Department's budget and how it has changed during the course of Fiscal 2017, followed by a review of the significant budget actions introduced in the Fiscal 2018 Executive Budget. Major issues related to the Department's budget are then discussed. Analysis and highlights of DoITT's Fiscal 2017 - 2021 Commitment Plan and Capital Strategy follows the discussion of the expense budget. Appendix 1 reports the changes made to the Fiscal 2017 and Fiscal 2018 Budgets since Adoption of the Fiscal 2017 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2018 Preliminary Budget Report for DoITT at:

<http://council.nyc.gov/budget/wp-content/uploads/sites/54/2017/03/858-DoITT-1.pdf>.

DoITT Financial Summary						
<i>Dollars in Thousands</i>						
	2015	2016	2017	Executive Plan		*Difference
	Actual	Actual	Adopted	2017	2018	2017 - 2018
Personal Services						
Full-Time Salaried	\$90,432	\$105,510	\$138,681	\$123,209	\$148,888	\$10,207
Additional Gross Pay	7,297	5,140	962	962	962	0
Other Salaried & Unsalaries	255	333	569	518	397	(172)
Overtime - Civilian	867	1,135	517	517	500	(17)
SUBTOTAL	\$98,851	\$112,118	\$140,729	\$125,205	\$150,747	\$10,018
Other Than Personal Services						
Contractual Services	\$192,582	\$260,345	\$283,180	\$336,827	\$280,324	(\$2,856)
Fixed & Misc. Charges	73	63	60	296	60	0
Other Services & Charges	189,199	198,603	199,651	224,377	186,777	(12,874)
Property & Equipment	6,676	9,123	1,111	11,584	1,416	305
Supplies & Materials	4,335	6,758	1,941	21,559	2,410	468
SUBTOTAL	\$392,865	\$474,891	\$485,943	\$594,644	\$470,987	(\$14,956)
TOTAL	\$491,716	\$587,010	\$626,672	\$719,849	\$621,734	(\$4,939)
Funding						
City Funds			\$469,471	\$466,224	\$460,119	(\$9,352)
Other Categorical			3,143	12,720	5,022	1,880
Capital- IFA			2,842	2,642	2,959	117
State			11,250	50,718	8,668	(2,583)
Federal - Community Development			11,357	15,880	8,882	(2,475)
Federal - Other			250	7,814	916	666
Intra City			128,359	163,853	135,168	6,808
TOTAL	\$491,716	\$587,010	\$626,672	\$719,849	\$621,734	(\$4,939)
Budgeted Headcount						
Full-Time Positions						
TOTAL	1,237	1,374	1,800	1,771	1,768	(32)

**The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Executive Budget*

DoITT's Fiscal 2018 budget includes \$460.1 million in City tax-levy funds, which represents 74 percent of its total operating budget. Because DoITT pays the telecommunication bills for the majority of city agencies, intra-city funding totals \$135.2 million, or 22 percent of the Department's total funding for Fiscal 2018.

DoITT's Fiscal 2018 Executive Budget is \$4.9 million less than its Fiscal 2017 Adopted Budget of \$626.7 million. The decrease results primarily from the Department's Citywide Savings Program and other re-estimates that eliminate budget surpluses.

Compared to the Fiscal 2017 Adopted Budget, headcount decreases by 32 positions in Fiscal 2018. In the Preliminary Plan, seven positions working on the City's new procurement tracking system are transferred to the Mayor's Office of Contract Services. Additionally, the Department eliminates 19 positions through a technical headcount realignment that does not reduce PS funding.

DoITT's current year budget (Executive Plan 2017 column) has increased significantly when compared to its Fiscal 2017 Adopted Budget. The increase is due largely to the recognition of State and federal funding. Included in DoITT's Fiscal 2017 Budget is \$33 million of state asset forfeiture funding for the Office of Criminal Justice - Justice Provider Management System. Unused funding for the project will be rolled into Fiscal 2018. DoITT's budget also includes an increase in intra-city payments from other agencies for additional current-year telecommunications expenses. Overall, City funds remain relatively flat.

New in the Executive Budget

The following are major financial plan actions for Fiscal 2018 included in the Executive Plan:

- **Citywide Procurement Technology.** The Fiscal 2018 Executive Plan includes additional funding of \$6.9 million in Fiscal 2017 and \$6.2 million in Fiscal 2018 for the upgrade of MOCS' procurement system called the Procurement and Sourcing Solutions Portal (PASSPort). This upgrade includes a replacement of the VENDEX questionnaire system, Automated Procurement Tracking System (APT), and other account management systems and includes improvements to allow vendors to complete City contracts faster.
- **Inter-Fund Agreement (IFA) Extensions.** The Executive Plan includes a proposal to extend 29 IFA positions through Fiscal 2018 at a cost of \$3 million. The IFA extensions allow these positions, which are associated with specific capital projects, to be funded through the capital budget. IFA positions are commonly extended on a year-to-year basis.
- **Expenses for Capital Projects.** The Fiscal 2018 Executive Plan includes a funding increase of \$1 million for expenditures related to the approval of various capital projects, which are approved on a rolling basis.
- **Citywide Savings Program.** New in the Executive Plan, DoITT will generate budget savings of \$8 million in Fiscal 2017 and \$6.7 million in Fiscal 2018 as part of the Citywide Savings Program. Highlights include the following.
 - **Film Incentive Program Surplus.** The Executive Plan reduces surplus funding of \$7.3 million in Fiscal 2017 for the Office of Media and Entertainment Film Incentive program which incentivizes film and television production companies to shoot in the five boroughs. The program's remaining balance for Fiscal 2017 totals \$9 million.
 - **IT and Consultant Savings.** DoITT will generate baseline savings of \$6 million beginning in Fiscal 2018 by transitioning to less expensive digital tools and eliminating redundant services and contracts.
- **Funding Rollover.** The Executive Plan includes \$6.9 million in funding that will roll from Fiscal 2017 to Fiscal 2018. This represents earmarked funding for ongoing IT projects, including \$3.4 million for citywide broadband access, and \$3.3 million for the DOE's Special Education Student Information System (SEIS).

- **Recovery and Resiliency Funding.** The Executive Plan recognizes \$5.5 million in CDBG funding for projects in Fiscal 2018 to protect the City's IT infrastructure against major storms and other disasters.

DoITT Miscellaneous Revenue

DoITT collects franchise fees for cable television, mobile telecommunications, and public telephone companies. Additionally, the Department generates revenues by leasing television time through NYCTV, and conducting telephone billing audits for the majority of city agencies to determine overpayment.

Revenue Sources (in Thousands)	2014 Actual	2015 Actual	2016 Actual	Planned	
				2017	2018
Cable Television Fees	\$142,870	\$145,663	\$143,441	\$142,733	\$140,533
Mobile Telecom. Fees	3,296	4,222	5,728	6,660	3,520
LinkNYC Revenue	0	3,141	18,395	23,330	25,830
NYC Revenue	0	1,238	854	775	900
Lease-Time TV	1,649	1,874	1,869	1,700	1,700
Film Fees & Permits	346	394	294	370	300
Procure Card Spend Rebates	0	1,734	1,177	1,325	2,130
TOTAL	\$148,161	\$158,266	\$171,758	\$176,893	\$174,913

The overwhelming majority of miscellaneous revenue collected by DoITT stems from cable television franchise fees. In Fiscal 2016, cable television franchise fees accounted for 83.5 percent (\$143.4 million) of the Department's total miscellaneous revenue. Additionally, the City receives a guaranteed payment from the operators of LinkNYC attached to gross revenue generated primarily through advertising. In Fiscal 2016, the City received \$18.4 million and it is on track to receive \$23.3 million in Fiscal 2017. LinkNYC is expected to generate at least \$500 million for the City over its first 12 years, providing advertising revenue for additional broadband initiatives aimed at bridging the digital divide

Preliminary Budget Highlights

- **DoITT New Needs.** In the Preliminary Plan DoITT identified \$11.3 million in new needs for Fiscal 2017 and \$6.4 million in Fiscal 2018. For Fiscal 2017, \$7.8 million is for IT security risk assessment and analysis. In Fiscal 2018 the majority of funding for new needs are for expenditures related to the approval of various capital projects, which are approved on a rolling basis.
- **DoITT Citywide Savings Program.** In the Preliminary Plan, DoITT's Savings Program included savings of \$5.8 million in Fiscal 2017 and \$11.7 million in Fiscal 2018. The majority of savings is generated through the decommissioning equipment reaching end-of-life, renewing contracts at more favorable terms and moving to more efficient equipment.

DoITT Capital Plan and Ten-Year Strategy

Capital Commitment Plan

The Fiscal 2018 Executive Capital Commitment Plan includes \$539 million in Fiscal 2017-2021 for capital programs administered by DoITT, all of which are City funds. This represents less than one percent of the City’s total \$69.8 billion Executive Plan for Fiscal 2017-2021. The Department’s Executive Capital Commitment Plan is two percent less than the \$548 million scheduled in the Preliminary Commitment Plan. In the Plan, funding for Fiscal 2017 decreases as funds are rolled into future fiscal years to reflect more accurate timelines.

The majority of the capital projects span multiple fiscal years and it is therefore common practice for an agency to roll unspent capital funds into future fiscal years. In Fiscal 2016, the Department committed \$166.8 million, or 51.3 percent of its annual capital plan. Therefore, it is assumed that a significant portion of the agency’s remaining Fiscal 2017 Capital Plan will be rolled into Fiscal 2018, thus increasing the size of the Fiscal 2018-2021 Capital Plan.

DoITT 2017-2021 Capital Commitment Plan						
<i>Dollars in Thousands</i>						
	2017	2018	2019	2020	2021	Total
Executive Plan	\$164,416	\$157,507	\$127,225	\$46,909	\$42,488	\$538,545
Preliminary Plan	228,700	133,785	102,802	46,670	35,788	547,745
Change	(\$64,284)	\$23,722	\$24,423	\$239	\$6,700	(\$9,200)
Percentage Change	(28%)	18%	24%	1%	19%	(2%)

Source: OMB Fiscal 2018 Executive Capital Commitment Plan

Commitment Plan Highlights

- **Emergency Communications Transformation Program.** The Executive Capital Plan includes \$172 million for the ECTP for Fiscal 2017-2021 to complete the implementation and technology buildout of the program. The objective of the program is to modernize and consolidate the City’s 911 emergency communication system. The ECTP includes capital funding for: PSAC 1; PSAC 2; the computer automated dispatch system; radio; telephone and wireless equipment; and FDNY, NYPD and EMS facilities and equipment. To date, the City has committed (contracted out) approximately \$1.9 billion in capital funds to this project.
- **Electronic Data Processing (EDP) Projects.** The Executive Capital Plan for Fiscal 2017-2021 includes planned commitments totaling \$367 million for EDP equipment and infrastructure. The majority of this amount equaling \$290 million is held in two lump sum project lines that effectively operate as holding codes. Funding is transferred from these lines as needs are identified. Significant EDP capital projects in the plan include:
 - \$22 million for the re-architecture of the 311 Customer Service Management System;
 - \$4.8 million for upgrades to the Worker Connect System;
 - \$3 million for the re-architecture of the CityShare Platform;
 - \$2.9 million for the Law Department’s electronic Search and Discovery project; and
 - \$2.1 million for the Citywide Cyber Security Management and Operations Dashboard.

Ten-Year Capital Strategy

The City’s Ten-Year Capital Strategy totals \$95.8 billion (all funds) an increase of \$6.2 billion or 6.9 percent greater than the Preliminary Ten-Year Capital Strategy total of \$89.6 billion. For DoITT, the Ten-Year Capital Strategy provides \$655 million, including \$86 million for infrastructure and upgrades at PSAC I and II. The majority of funding in this program area resides in lump sum project lines as specific projects have yet to be identified.

Note: Not included in the Ten-Year Capital Strategy is funding for the current fiscal year which totals \$164.4 million. It is expected that a significant percentage of current year capital planned commitments will not be committed and will be rolled into Fiscal 2018.

DoITT Ten-Year Capital Strategy by Category

(Dollars in thousands)

Fiscal 2018-2027 Ten-Year Capital Strategy											
<i>Dollars in Thousands</i>	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Electronic Data Processing Equipment for Doitt, Citynet	\$157,507	\$127,225	\$46,909	\$42,488	\$31,892	\$92,930	\$50,788	\$30,938	\$46,366	\$27,433	\$654,476

Citywide IT Equipment and Infrastructure. DoITT’s Capital program provides funding for several citywide IT systems, including the City’s website, CityNet, the Citywide Data Communication Network, the 311 customer service center, and the Public Safety Answering Centers.

Appendix 1: Fiscal 2018 Budget Actions since Fiscal 2017 Adoption

<i>Dollars in Thousands</i>	FY 2017			FY 2018		
	City	Non-City	Total	City	Non-City	Total
DoITT Budget - Adopted 2017 Plan	\$469,471	\$157,200	\$626,671	\$463,598	\$142,136	\$605,734
New Needs						
Creative Communications	\$588		\$588	\$528		\$528
Software Asset management	980		980	980		980
Expenses for Approved Capital Projects	1,953		1,953	4,863		4,863
Security Risk Analysis/Assessment	7,800		7,800			0
Subtotal, New Needs	\$11,321	\$0	\$11,321	\$6,371	\$0	\$6,371
Other Adjustments						
Cost Savings Plan	(5,820)		(5,820)	(11,671)		(11,671)
Other City Adjustments	(2,439)		(2,439)	(5,591)		(5,591)
State Adjustments		31,945	31,945		0	0
CDBG		4,580	4,580		1,440	1,440
Other Federal Adjustments		6,063	6,063			0
Other Categorical Adjustments		11,986	11,986		0	0
Inter-City Adjustments		30,757	30,757		6,827	6,827
Subtotal, Other Adjustments	(\$8,259)	\$85,331	\$77,072	(\$17,262)	\$8,267	(\$8,995)
TOTAL, All Changes	\$3,062	\$85,331	\$88,393	(\$10,891)	\$8,267	(\$2,624)
DoITT Budget - Preliminary 2018 Plan	\$472,533	\$242,531	\$715,064	\$452,707	\$150,403	\$603,110
New Needs - Exec. 2017						
Expenses for Approved Capital Projects	\$583		\$583	\$994		\$994
Additional Funds for Procurement IT System	6,939		6,939	6,178		6,178
IFA Extension			0		2,959	2,959
Office of Digital Strategy New Needs	12		12	490		490
MOME- Analyst			0	60		60
IT Support			0	50		50
Subtotal, New Needs	\$7,534	\$0	\$7,534	\$7,772	\$2,959	\$10,731
Other Adjustments - Exec. 2018						
DCAS Cost Savings Program	(\$7,964)	\$0	(\$7,964)	(\$6,728)	\$0	(\$6,728)
Cyber Security Enhancement		6,132	6,132			0
Funding Roll Over Various IT projects	(6,911)		(6,911)	6,911		6,911
Heat light and Power	496		496	1,154		1,154
Recovery/Resiliency (CDBG)		(57)	(57)		5,495	5,495
311 Transfer and Adjustment	(162)		(162)	(2,965)		(2,965)
Lease Adjustment			0	1,426		1,426
Other City Adjustments	698	0	698	(157)	0	(157)
State Adjustments	0	1,391	1,391	0	0	0
Other Federal Adjustments	0	1,500	1,500		665	665
IFA/Cap Adjustment		(200)	(200)			0
Other Categorical Adjustments	0	(2,409)	(2,409)		1,873	1,873
Inter-City Adjustments	0	4,737	4,737	0	219	219
Subtotal, Other Adjustments	(\$13,843)	\$11,094	(\$2,749)	(\$359)	\$8,252	\$7,893
TOTAL, All Changes - Exec. 2018	(\$6,309)	\$11,094	\$4,785	\$7,413	\$11,211	\$18,624
DoITT Budget as of the Fiscal 2018 Exec. Plan	\$466,224	\$253,625	\$719,849	\$460,120	\$161,614	\$621,734