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# **Boise IT Division**

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## Budget Office Report

This report summarizes a due diligence review with departments of line item compliance with budget guidelines. The departments have submitted revised budget amounts based upon negotiations between the department and the Budget Office.

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June 6, 2003

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## The IT Division

Revenues/Expenditures (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Total Revenues	\$1,472	\$1,435	\$1,937	\$1,952
Total Expenditures	\$2,651	\$2,279	\$2,015	\$2,050
NET TAX SUPPORT	\$1,179	\$844	\$77	\$99

“Net Cost” reflects how much tax support is allocated directly to the IT Division. The reduction from FY 2002 to FY 2003 and then to FY 2004 reflects increased cost accounting allocations to user departments.

While the nominal “net cost” shows a significant decrease (and associated tax support), the tax support for the IT Division has not significantly reduced. The reduction reflects shifting costs to departments for cost accounting purposes.

## Revenues

The IT Division has two primary revenue types – indirect and direct. Indirect revenues are revenues received from departments for costs incurred in the prior year that could not be directly billed at the time. Direct revenues are those revenues received for services rendered within the same fiscal year.

There have been two major revisions to the revenue formula for the IT Division over the past few years. Highlights of the changes include:

- ✓ Beginning in FY 2001, the division revised the direct charge process to furnish better documentation of charges and directly bill for more of the services provided.
- ✓ In FY 2002, a single revenue account which identified the type of revenue instead of several accounts which identified the submitting department. The amount received from each department is documentation by the accounting journal entry. This greatly simplified the revenue accounting process.
- ✓ The reorganization implemented in November 2002, resulted in changes to services that are charged through the indirect plan and those charged directly to departments. Four (4) positions were transferred to other departments. The WEB team was expanded from 2 positions to 5, with transfers from IT training, IT development, and using the division manager position. The team leader for the Network team was assigned as the Security Administrator of the newly established Security and Research & Development service. In April 2003, the Mayor and City Council appointed a Chief Information Officer. Because the CIO position was not funded, the funding and the FTE for the Security Administer position were used. The IT Division and the ITAT believe the Security Administrator position is critical and have requested it as a BBA.

Revenues (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Indirect Revenues	\$290	\$312	\$461	\$474
Direct Revenues	\$1,182	\$1,124	\$1,477	\$1,477
TOTAL REVENUES	\$1,472	\$1,435	\$1,938	\$1,952
% Change	6.7%	-2.5%	35.1%	0.7%

## Key Revenue Accounts

- 1) FY 2004 Indirect revenues increased \$171,000 over FY 2002 actuals because of statistical changes made to the Indirect Cost plan, increased citywide development costs (Peoplesoft Financial Upgrade to version 7.5), and increased usage from actual Indirect payers.

The basis for Indirect Revenue is the prior year's actual net costs plus adjustments for such things as depreciation and allocated charges or credits from other departments. These adjusted costs are then allocated to departments based on certain statistics. Although all applicable costs are allocated to other departments in the Indirect Plan, only certain departments actually pay for indirect costs (all enterprise funds, Planning & Development, and Parking Control). For example, the IT Division allocated \$2,476,883 in FY 2003 to other departments based on their FY 2002 actual net, adjusted costs. However, the charge to the Police Department would only increase cost in the Police budget and net against the revenue in the IT Division because both departments are in the General Fund. So, while the fully allocated cost increased only 3.4% in FY 2003 over FY 2002, the amount paid by the "paying" departments increased. The increase is for two reasons - increased service and decreased direct bills.

- 2) The direct charges to the enterprise funds reduce tax support to the IT Division. The direct charges to the other departments are done for cost accounting purposes and do not reduce the actual tax support.

Direct revenues, generated from services provided, are projected to increase 31.4% over FY 2003 revised budget and 24.9% over FY 2002 actual, from reclassification of costs resulting from the reorganization. Previously, development costs (Peoplesoft and WEB functions), one of the largest IT operating costs and included system maintenance, were not billed directly to departments and instead went through the indirect plan. These costs are now separated and identified as "maintenance" and "WEB services" and bill directly to departments. Development costs are billed directly to departments if they are department specific. Costs for citywide applications are allocated through the indirect cost plan.

## Personnel Costs

As of May 2003, the IT Division had 22 approved FTE's. The reorganization in November 2002 resulted in a transfer of four FTE's to other departments – 2 to Police, 1 to PDS, and 1 to Public Works, and several reclassifications within the division.

Personnel (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Salaries	\$1,307	\$1,120	\$1,127	\$1,127
Health	\$171	\$148	\$168	\$168
Other Personnel Costs	\$240	\$211	\$197	\$199
TOTAL PERSONNEL	\$1,718	\$1,479	\$1,492	\$1,493
% Change	4.1%	-13.9%	0.9%	0.0%
FTE's	26.0	22.0	22.0	22.0

## Key Personnel Accounts

Personnel costs decreased in FY 2003 by \$269,000 from the 4 FTE's to other departments.

Overall, IT has a \$13,000 increase in personnel costs in FY 2004 and FY 2005 over FY 2003 revised primarily from changed benefit costs.

**1) Notes:**

- ✓ Health – The budget reflects a \$20,000 increase, or 13.5% increase in FY 2004 over FY 2003 due to the new health plan for general employees.
- ✓ New life and long-term disability plan effective May 2003 will result in annual savings of about \$2,200.

## M&O

IT division M&O budget for FY 2004 and FY 2005 is within the negotiated targets.

The FY 2004 and 2005 budget is less than FY 2003 revised budget and FY 2002 actuals because of one-time projects such as the Peoplesoft Financial 7.5 Upgrade (\$268,000) in FY 2002 and the Peoplesoft HR Upgrade in FY 2003 (\$42,675).

<b>M&amp;O (000's)</b>	<b>FY 2002a</b>	<b>FY2003r</b>	<b>FY 2004b</b>	<b>FY 2005b</b>
Minor Equipment	\$9	\$8	\$7	\$7
Professional Services	\$269	\$1	\$0	\$0
Travel/mtgs	\$12	\$25	\$16	\$15
Training	\$33	\$70	\$27	\$28
Frame Relay	\$24	\$0	\$25	\$25
Internet	\$0	\$16	\$18	\$18
System Maintenance	\$158	\$243	\$290	\$321
Other M&O Accounts	\$93	\$155	\$89	\$92
<b>TOTAL M&amp;O</b>	<b>\$598</b>	<b>\$518</b>	<b>\$472</b>	<b>\$506</b>
% Change	101.7%	-13.3%	-8.9%	7.2%

### Key M&O Accounts

- 1)** Minor equipment is primarily used to purchase small computer hardware such as cables.
- 2)** Professional Services – This account is used consulting expertise for special projects such as the Peoplesoft Financial 7.5 Upgrade in FY 2002. Otherwise, in-house staff is utilized. Task numbers are assigned to these projects to ensure budgetary control.
- 3)** Travel/training – This account is primarily for continued staff training in order to maintain the many systems and upgrades.

In FY 2003, a transfer of \$42,675 was made from the citywide technology account (Intergovernmental – one-time moneys approved by City Council) to train staff in preparation of the Peoplesoft HR upgrade scheduled for completion in July 2003.

- 4)** Frame relay – In FY 2002, the city installed T-1 lines to provide faster and enhanced connectivity to City Hall from other locations such as Parks Administration. FY 2002 was the first year that this cost was expensed from the Frame Relay cost account (for only part of the year). Prior to that, it was expensed from the computer equipment account, although it is an operating expenditure, while Internet costs were expensed from this account instead of the Internet account. This is the reason why the budget for this cost in FY 2003 is "0", and has been properly categorized in FY 2004 and FY 2005. Internet costs have also been properly categorized in FY 2004 and FY 2005.

- 5) Internet Costs – This pays for the city’s WEB services. Web hosting will be a new cost for IT in FY 2004 and FY 2005. This cost was previously paid for from the Mayor’s office.
- 6) System Maintenance – This is the single largest M&O account for the IT division and supports the maintenance contracts for numerous systems such as Sysco, Novell, SAN, Proclarity, BMC Patrol, and various Peoplesoft modules. There is an approximate 10% annual increase to these maintenance contracts. In FY 2003, two key systems were added – Proclarity and SANS.

## Equipment

There are two key types of equipment for IT – department specific equipment and citywide system equipment. Both types are included in the budget.

Equipment (000's)	FY 2002a	FY2003r	FY 2004b	FY 2005b
Computer Equipment	\$335	\$279	\$48	\$50
Other Equipment	\$0	\$3	\$3	\$1
TOTAL EQUIPMENT	\$335	\$282	\$51	\$51
% Change	263.0%	-15.8%	-81.9%	0.0%

The IT Division is within the equipment target of \$51,000 for each year.

In both FY 2004 and FY 2005, there is \$21,500 budgeted for citywide items such as server replacements, network equipment replacement, and training computer replacements. The balance is for staff PC replacement (less than 1/3 of staff PC's) and office equipment replacement.

## CONCLUSION

Key issues observed include:

- ✓ Large increases for citywide system maintenance and upgrades.
- ✓ Increasing support demands from other departments. Nearly every department has noted technology as an issue or made technological requests.
- ✓ The development of a citywide technology master plan (in progress under ITAT) and the respective organization of the IT Division.