

# DOT.Comm

Douglas Omaha Technology Commission

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## ANNUAL REPORT 2004

**We Delivered on our Promise!**

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## CHIEF EXECUTIVE REPORT

The purpose of this report is to provide information about the 2004 activities of the Douglas Omaha Technology Commission (DOT.Comm) as required by the Interlocal Agreement between the City of Omaha and Douglas County.<sup>1</sup>

The future looks promising for DOT.Comm. Much has been accomplished and there are still more opportunities for savings and improved services.

Currently there are two measures for the success of DOT.Comm:

1. Reducing cost and saving the taxpayers money, and
2. Improving and efficiently delivering information

This report presents information that indicates DOT.Comm has indeed delivered on our promises to save taxpayers dollars and improve the delivery of services to citizens. It is also a continuation of the success story started by the wisdom and foresight of the members on the City Council and County Board of Commissioners, and executed by dedicated employees.

The efforts of the DOT.Comm employees, formally from the City and County IS departments, must be recognized. I continue to be impressed with their pride, work ethic, and shared vision. Those attributes, coupled with the cooperation and commitment of the leaders of the government business units, formed an excellent foundation for our success making every day a big day, and every big day a big year.

I am excited and honored to have the opportunity to lead DOT.Comm as it continues to mature into an information services solutions provider. Like everyone at DOT.Comm, I appreciate your continued support and confidence in our products and services.

Respectfully,

Paul A. Christiani  
Chief Executive/CIO

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<sup>1</sup> Interlocal Agreement, Exhibit A, paragraph 5, January 2002.

## GOVERNANCE

Many federal agencies and cities across the United States have undertaken lines-of-business consolidation efforts. In 2001, the City of Omaha and Douglas County approved an Interlocal Agreement in order to increase their cooperative efforts in connection with electronic information, voice and data communications services for governmental operations and public services. The Interlocal Agreement created two organizations, a Board of Directors responsible for governance and a technology commission (DOT.Comm) responsible for the delivery of electronic information, voice and data communications services, and products and services supporting the computing operations of the city and county business units and elected officials.

DOT.Comm is governed by a Board of Directors that consists of five persons:<sup>2</sup>

1. The Mayor of the City of Omaha.
2. The Chairperson of the Douglas County Board of Commissioners.
3. A citizen appointed by the Mayor of the City of Omaha and confirmed by the Omaha City Council.
4. A citizen appointed by the Chairperson of the Douglas County Board of Commissioners.
5. A citizen agreed to by the above four members.

The following three members of the board were selected as officers:

**Chairperson:** Angelo Privetera, HDR.

**Vice Chairperson:** Verlyn Kroon, OPPD.

**Secretary-Treasurer:** Mayor Mike Fahey.

The term for the citizen members is for an initial three-year period that may be extended for an additional three-year period. The maximum term for the citizen members is six years.

The Board of Directors are required to meet quarterly, but has met monthly pursuant to the provisions of the Nebraska open meetings laws. The Board meetings review the financial status and address issues associated with regulations, directions, and policies. The CIO submits a report at each regular meeting describing the activities of DOT.Comm since the last meeting.

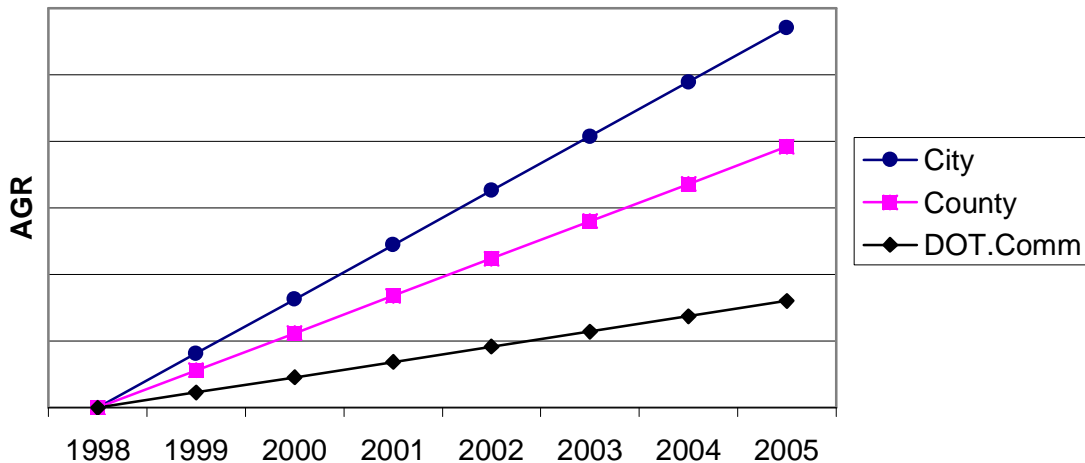
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<sup>2</sup> Interlocal Agreement, Section 5, January 2002, Section 5.

## COST SAVINGS

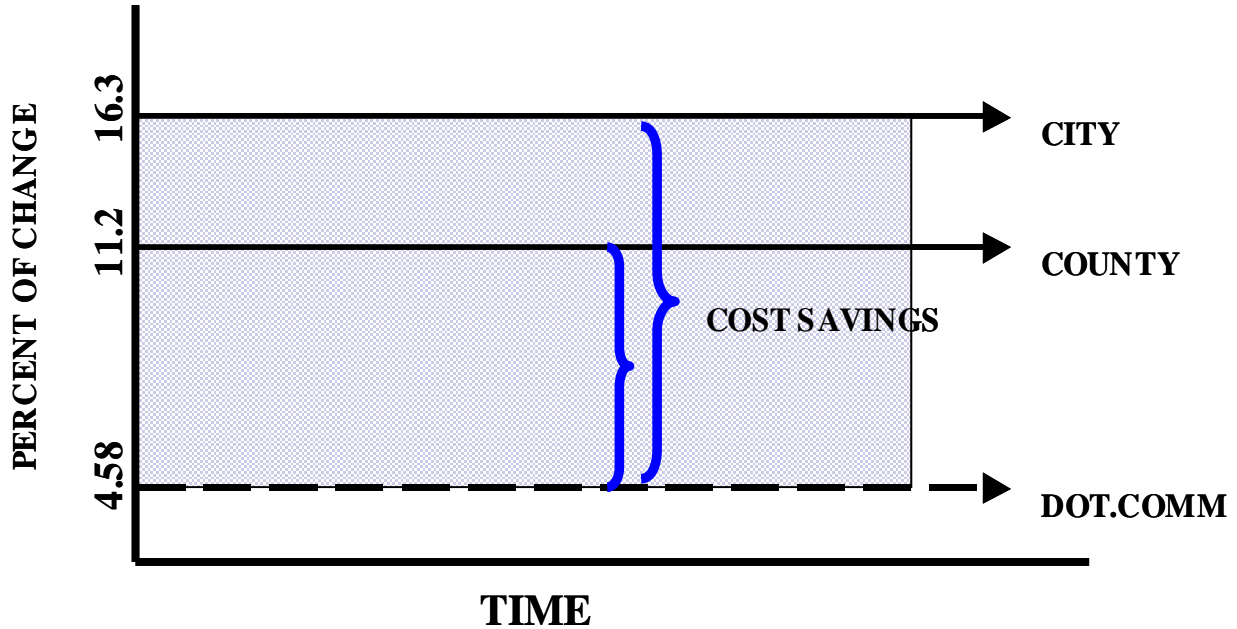
Since DOT.Comm is the result of the merging of two government technology departments with the goals of improving efficiency and reducing costs, the question of cost savings is relevant and must be addressed. The approach presented in this report is to present benchmarks from other cities and counties within the U.S. and compare them to the actual cost of DOT.Comm. This analysis reveals trends that indicate efficiencies that result in cost savings. Savings are realized wherever trends are less than historical spending rates, below benchmarks, or the rate of increase is slowed. Savings have been realized as a result of the merger and creation of DOT.Comm. The City and County saved an estimated \$1,900,000 through the reduction of the rate of growth in spending rates for information services in 2004. This was determined by comparing the annual growth rate of IS spending by the City and County before DOT.Comm and after DOT.Comm. Before DOT.Comm, the City and County annual growth rates were 16.3% and 11.2%, respectively, after DOT.Comm the growth rate was reduced to 4.58%.<sup>3</sup> The graph below depicts the different growth rates as slopes of lines. The lower slope represents a lower rate of growth. In this case, the rates were normalized to a base year of 1998 for ease of reference. As can be seen, DOT.Comm has significantly reduced the annual rate of growth for both the City and the County.

**IT BUDGET ANNUAL GROWTH RATE (AGR)**



<sup>3</sup> City of Omaha/Douglas County Information Technology Assessment Report by Deloitte & Touche, July 6, 2000.

Taking this graph and changing the Y-axis to the growth rates reveals the actual cost savings.



Further analysis show when these growth rates are applied to budgets, the cost savings can then be calculated. The following tables present the savings since DOT.Comm started operations in 2003.

	Actual Growth Rate Applied			
	2003	2004	2005	AGR
City	5,103,213.00	4,472,936.00	5,054,094.00	-0.48%
County	4,300,000.00	4,300,000.00	4,496,800.00	0.05%
		<b>8,772,936.00</b>	<b>9,550,894.00</b>	

	Historical Growth Rate Applied			
	2003	2004	2005	AGR
City	5,103,213.00	5,935,036.72	6,766,860.00	16.30%
County	4,300,000.00	4,781,600.00	5,263,200.00	11.20%
		<b>10,716,636.72</b>	<b>12,030,060.00</b>	
Savings		<b>1,943,700.72</b>	<b>2,479,166.00</b>	

The analysis compares the actual rate of increase to the historical rate of increase, as reported in the Deloitte & Touche (D&T) technology assessment report, dated July 6, 2000. The City of Omaha and Douglas County hired D&T to conduct an assessment of the two separate technology departments (prior to DOT.Comm) and determined their respective annual growth rates.

In the first table, the actual growth rate is applied to the base year of 2003. In the second table, the growth rate reported by D&T and derived from 1998 through 1999 was applied to the same 2003 numbers.

As can be seen, if the historical growth rates still applied, the City and County would have spent a combined \$10,716,636.72 for services in 2004. Instead, they spent \$8,772,936.00, for a savings of close to \$2,000,000.

The same approach is applied to 2005 and reveals a projected savings of \$2,424,402.

Additional savings are realized through the use of the DOT.Comm End User Training Service. This service, as part of the Application Hosting Management area, is provided to City and County business units through Base Services. In 2004, 29 classes and over 191 employees of the City and County received training. If this training were conducted at a local commercial training facility, it would have cost over \$34,000.00. Since this is part of Base Services, the City and County received training at no additional cost.

A final analysis answers the question: Are the City and County getting what they pay for? This requires throughput analysis. Such analysis measures the amount of services produced and compares it to the amount of services paid by the City and County, as well as other business units. If the amount of services produced exceeds the amount paid, then the City and County are in fact receiving premium services at low cost and realize cost savings.

The following table indicates DOT.Comm customers paid under \$12 million for services in 2004, but received services of over \$17 million, for a cost savings of over \$5 million.<sup>4</sup>

<b>Cost of Services</b>	<b>Amount Paid</b>	<b>Savings</b>
\$17,145,415.94	\$11,917,587.00	\$5,227,828.94

The three approaches presented all show significant cost savings with the delivery of improved services, both of which remain strategic objectives for DOT.Comm.

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<sup>4</sup> Amount of services produced is the product of service rates and total hours associated with the delivery of the following managed service areas: Infrastructure, Application Hosting, Customer Management, to include 357 PC installations, 11,986 Service Desk Work Orders, and 361,967 Data Center tasks.

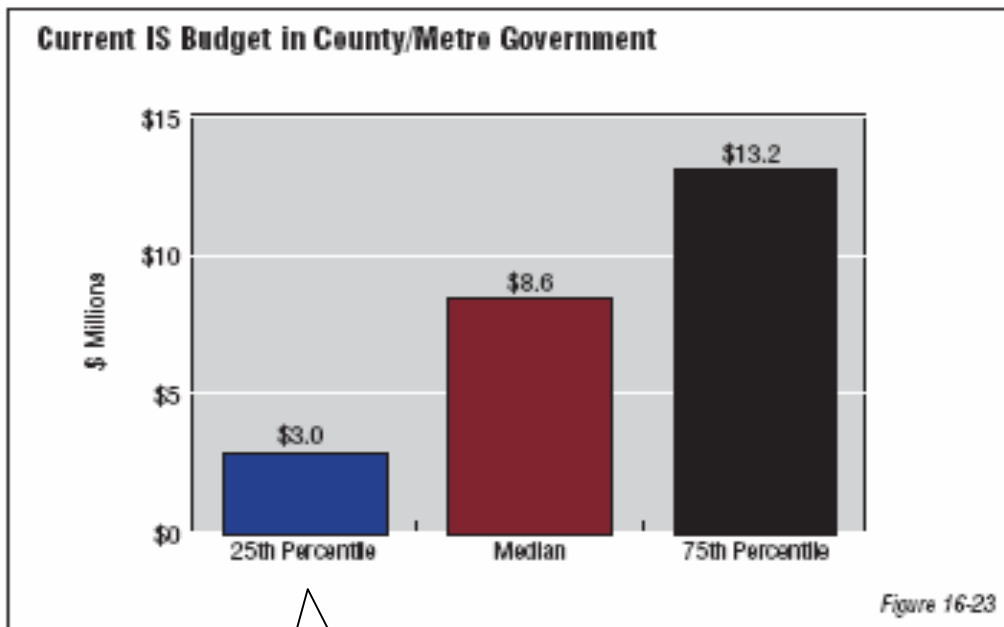
## **BENCHMARKS**

Savings are a good measure of success, but how does the cost of DOT.Comm services compare to the national benchmarks? The following benchmarks are presented in order to determine the value delivered by DOT.Comm:

- a. DOT.Comm budget compared to national benchmark.
- b. DOT.Comm budget as a percentage of operating budgets compared to national benchmark.
- c. DOT.Comm budget as a percentage of revenues compared to national benchmark.
- d. DOT.Comm hourly rates compared to national benchmark.

**DOT.Comm Budget compared to National Benchmark:**

The DOT.Comm budgets for the City of Omaha and Douglas County are **\$5,389,718.00** and **\$3,792,594.00**, respectively. As can be seen in the following figure, these compare favorably with County/Metro Government in the nation.<sup>5</sup> Both are significantly below the national median of \$8.6 million.

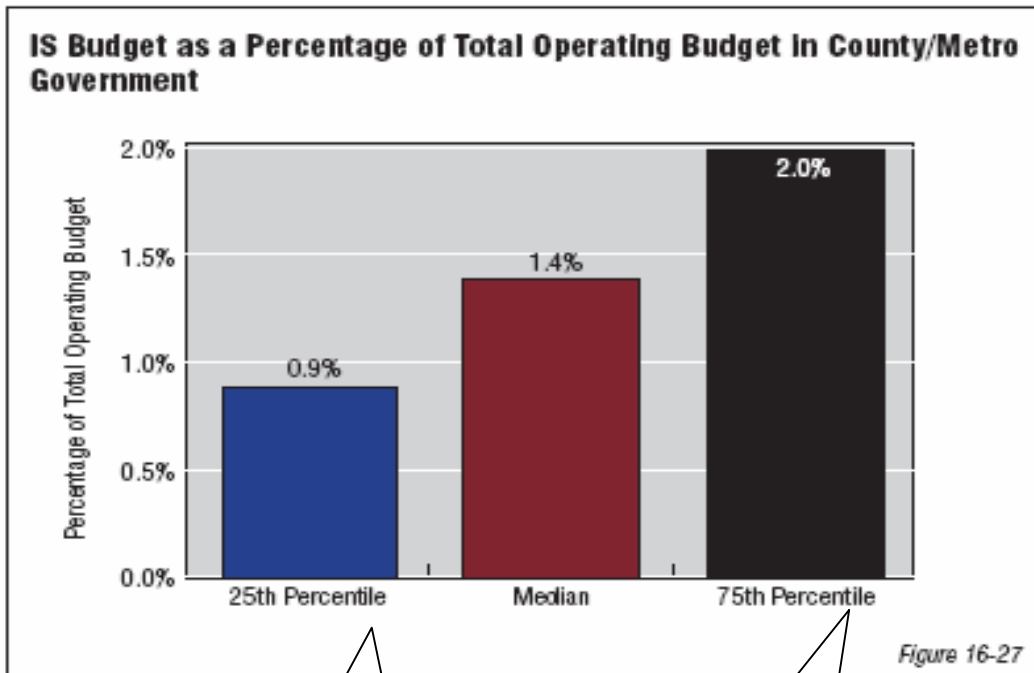


DOT.Comm budgets for City of Omaha and Douglas County

<sup>5</sup> Information Systems Spending and Technology Trends 2004/2005 Edition, Computer Economics Inc., p. 16-35.

**DOT.Comm Budget as Percentage of Operating Budget compared to National Benchmark:**

The DOT.Comm budget as a percentage of total operating budgets for the City of Omaha and Douglas County are **1.0%** and **3.3%**, respectively. As can be seen in the following figure, these compare favorably with all sectors in the nation.<sup>6</sup> The City is below the national median of 1.4% and the County is above the national median. However, as indicated earlier, the trend for the County growth rate has decreased from 11.2% to 4.58%. As this trend continues, the County should approach the national median every year.



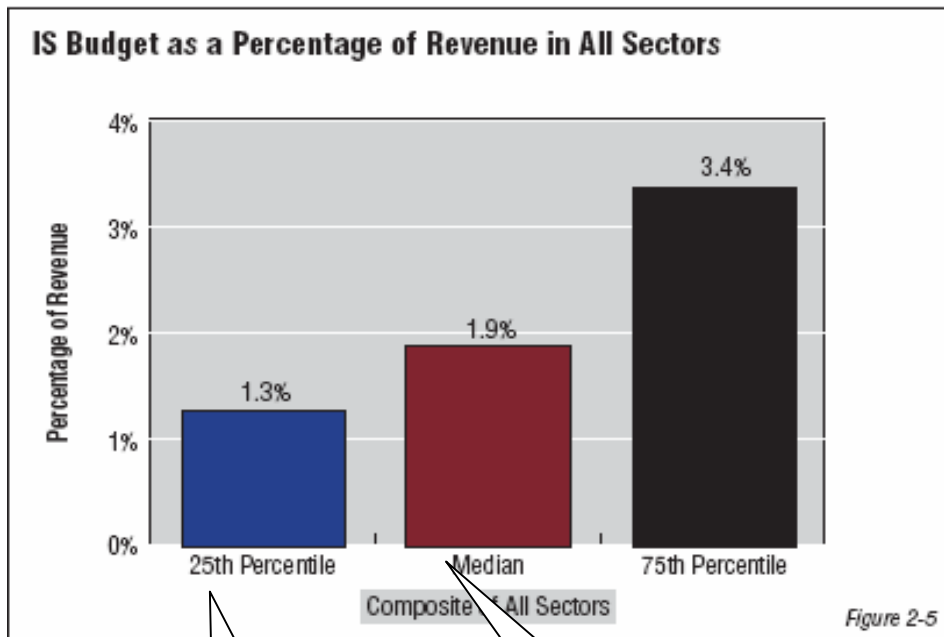
DOT.Comm budget as a percentage of operating budget for the City of Omaha: **1.0%**

DOT.Comm budget as a percentage of operating budget for Douglas County: **3.3%**

<sup>6</sup> Information Systems Spending and Technology Trends 2004/2005 Edition, Computer Economics Inc. p. 16-39.

### DOT.Comm Budget as Percentage of Revenue as compared to National Benchmark:

The DOT.Comm budget as a percentage of revenue for the City of Omaha and Douglas County are **0.94%** and **1.7%**, respectively. As can be seen in the following figure, these compare favorably with all sectors in the nation (A County/Metro sector chart was not available). Both, the City and County are below the national median of 1.9%.<sup>7</sup>



DOT.Comm budget as a percentage of revenue for the City of Omaha: **0.94%**

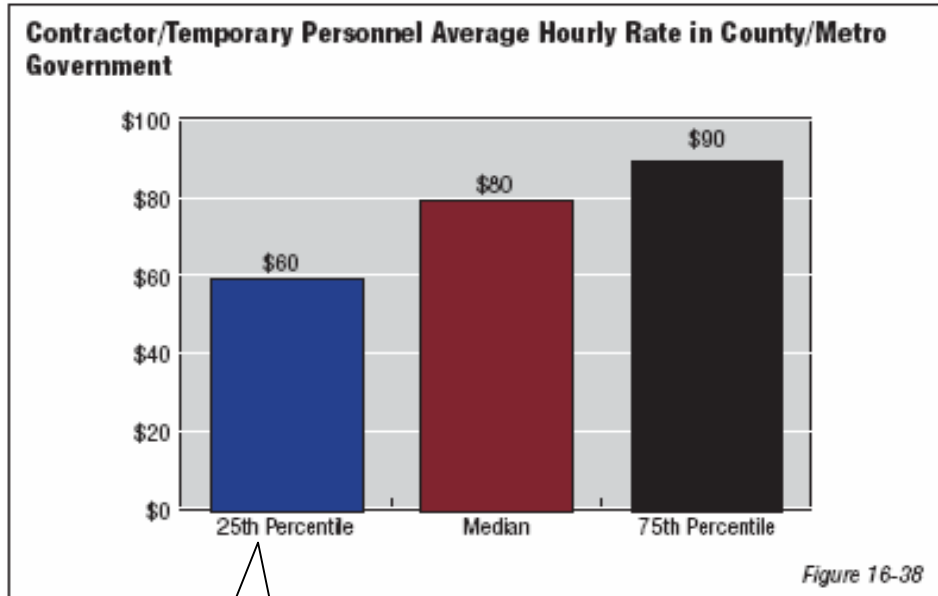
DOT.Comm budget as a percentage of revenue for Douglas County: **1.7%**

<sup>7</sup> Information Systems Spending and Technology Trends 2004/2005 Edition, Computer Economics Inc, p. 2-11.

**DOT.Comm Hourly Rates compared to National Benchmark:**

The median cost of IS contractor personnel in County/metro agencies in 2004 is \$80/hour, as shown in the figure below. This drops to \$60 at the lower 25<sup>th</sup> percentile and rises to \$90 at the 75<sup>th</sup> percentile.<sup>8</sup>

DOT.Comm rates are \$55 and \$65 for programmer and analyst, respectively. Both are below the national average.



DOT.Comm rates are \$55 and \$65.

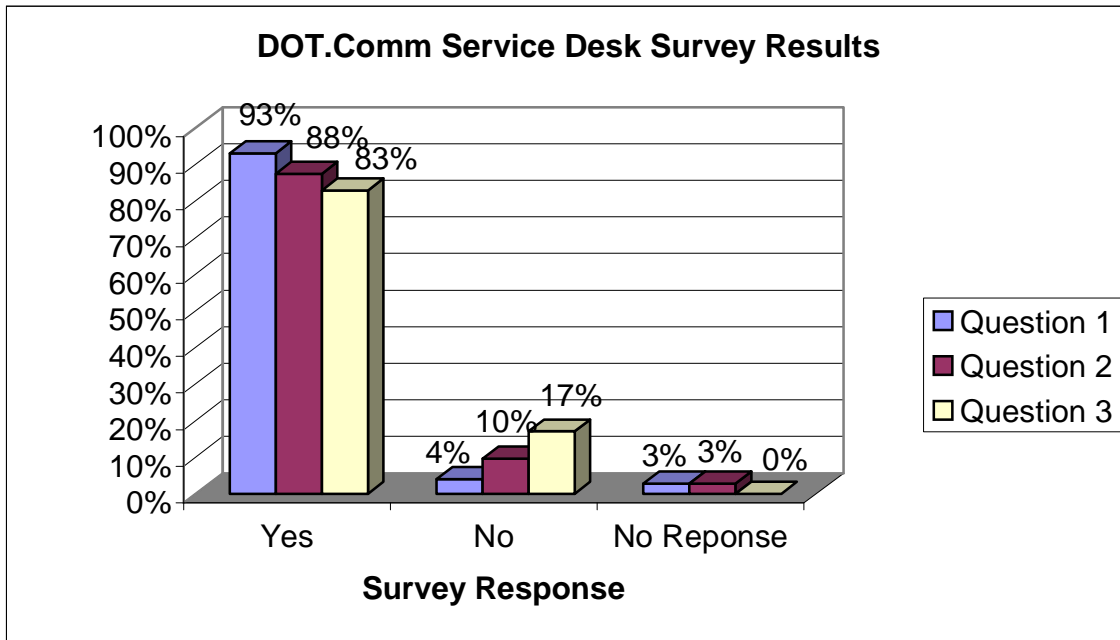
<sup>8</sup> Information Systems Spending and Technology Trends 2004/2005 Edition, Computer Economics Inc., p. 16-53.

## CUSTOMER SATISFACTION

Where have we been, where are we now, and where are we going as it pertains to the delivery of services to our customers?

As can be seen in the following table, customer satisfaction has improved significantly from C<sup>-</sup> to a B<sup>+</sup>. The City MIS and County IS scores were obtained from surveys performed as part of the Deloitte & Touche technology assessment conducted in 1999-2000. The DOT.Comm scores are derived from three questions in 680 surveys that were asked during the year starting in May 2004. The percent of responses that answered “Yes” is indicated after every question and is shown in the chart below. This data clearly indicates we are on the right track and services have improved.

AREA	CITY MIS GRADE <sup>9</sup>	COUNTY IS GRADE <sup>10</sup>	DOT.COMM COMPOSITE GRADE <sup>11</sup>
USER SATISFACTION	C <sup>-</sup>	C <sup>-</sup>	B <sup>+</sup>



**Question 1:** Did we meet your needs in a friendly and courteous manner? 93%

**Question 2:** Do you feel our team members communicated effectively regarding the resolution of your issue? 88%

**Question 3:** Did we respond in a time frame that demonstrated the urgency of your issue? 83%

<sup>9</sup> City of Omaha/Douglas County Information Technology Assessment, July 6, 2000, page II-11.

<sup>10</sup> City of Omaha/Douglas County Information Technology Assessment, July 6, 2000, page II-22.

<sup>11</sup> DOT.Comm Survey from May 21, 2004 through December 31, 2004. This represents the average of all scores.

## SUMMARY OF ACTIVITIES

As part of its Strategic plan, DOT.Comm will transform from a function provider to a service provider. This changes the manner in which we present our services to our customers, as well as a change in the way our customers request services from us.

The manner in which this transformation is accomplished is through the ability to become a customer focused organization. This customer focus is best exemplified through the use of the client management approach. This approach assigns client managers to every customer and creates lines of communications between DOT.Comm and the users of our products and services.

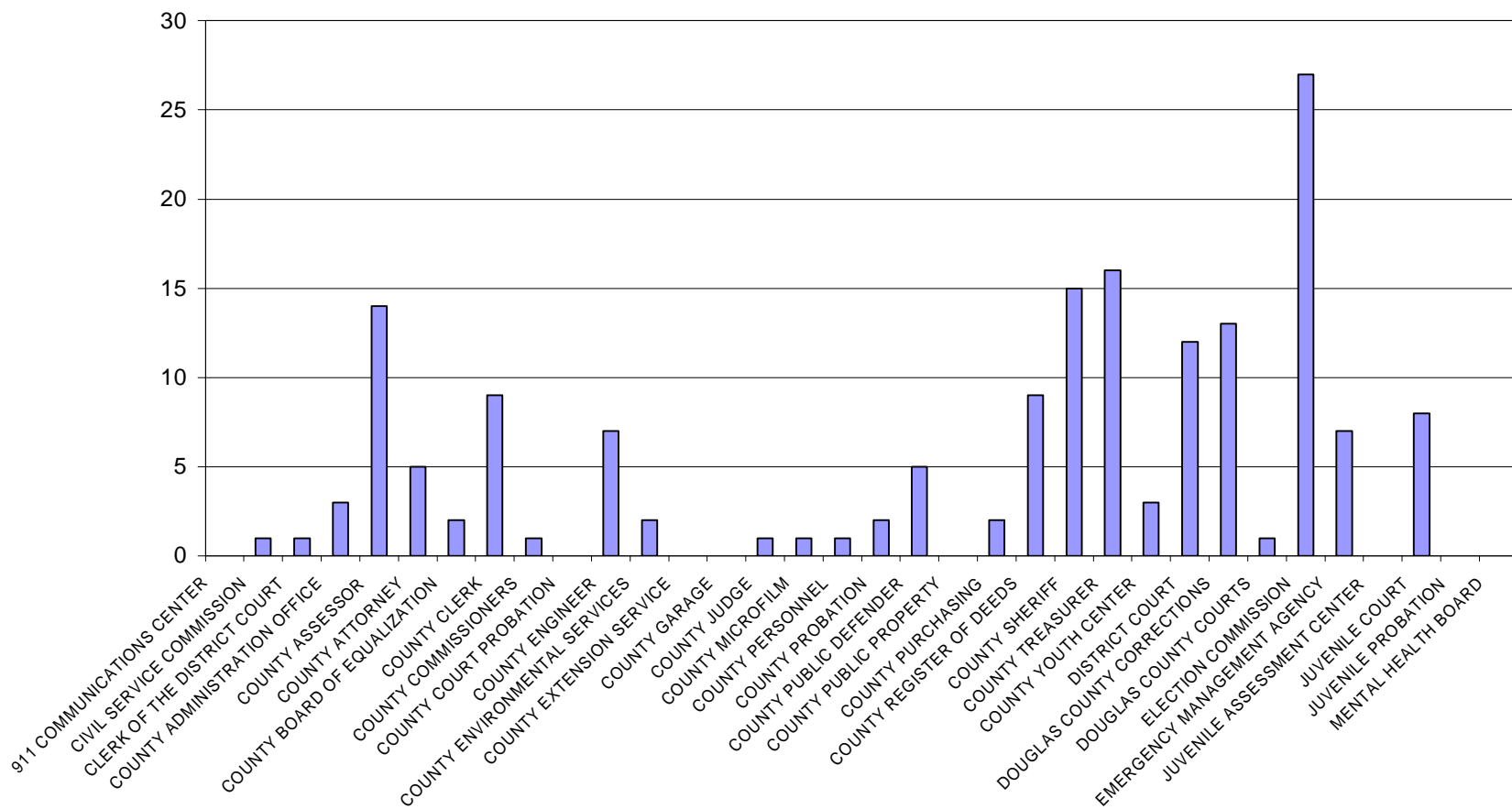
DOT.Comm supports a large and diverse customer base. The following table presents the number of customer locations, devices, logins, phones, and applications hosted and provide a sense of the size of the customer base supported by DOT.Comm. Customer locations represent sites where DOT.Comm maintains equipment and data and/or voice connections. Devices represent computer workstations and printers connected to the network. Logins represent authorized access to the Wide-Area Network and network services, such as E-mail, Internet access, remote access, and anti-virus protection. Phones/Faxes represent analog and digital service provided through a private branch exchange (PBX) and Local Exchange Carriers. Application Hosting represents the applications supported by DOT.Comm to include internally developed applications, as well as commercial off-the-shelf applications.

CUSTOMER LOCATIONS	DEVICES	LOGINS	PHONES/ FAXES	APPLICATION HOSTING
308	3204	4697	4476	1011

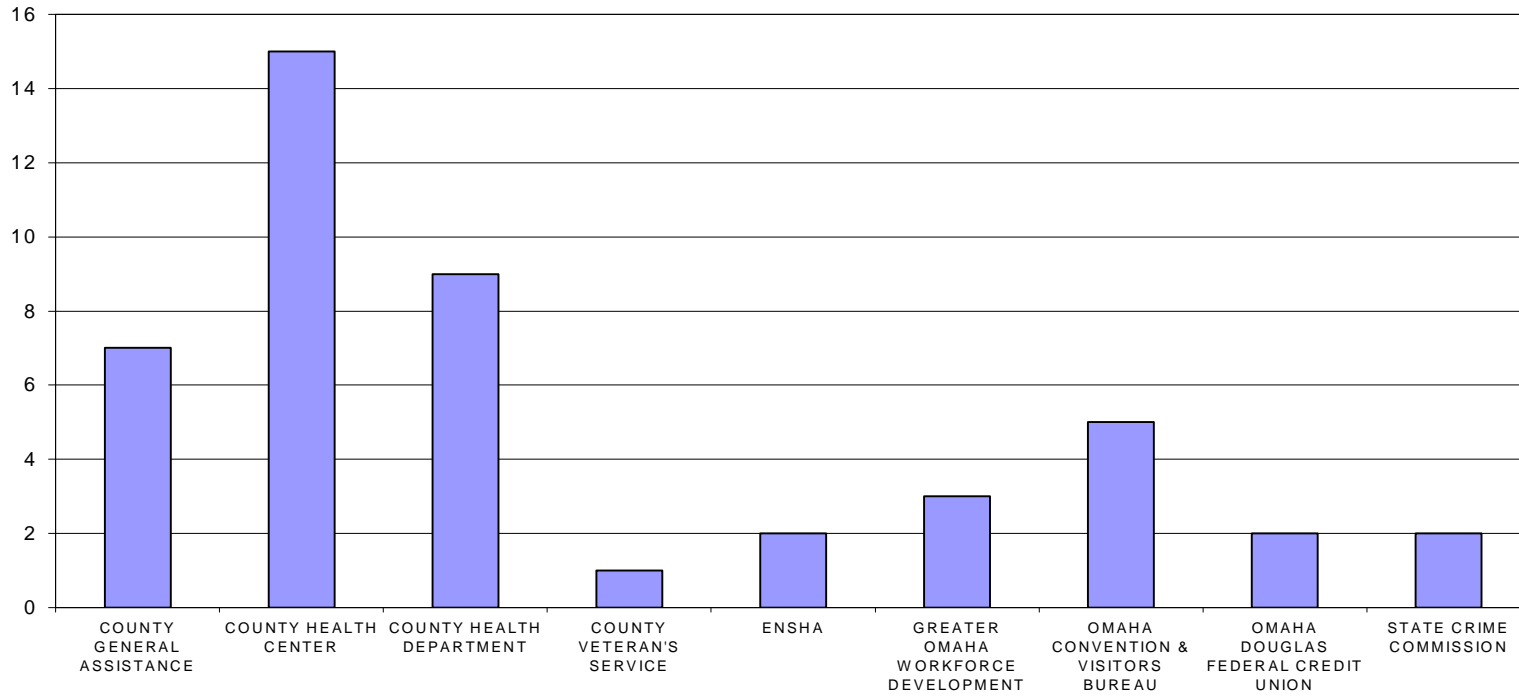
As can be seen from the accompanying activities charts, DOT.Comm supports a diverse customer base. The following charts summarize the initiatives during 2004. Business units are represented on the horizontal axis and the number of initiatives completed for the respective government business units are indicated by the vertical axis. As can be seen, county business units that engage the most services are the Election Commission, Treasurer, Sheriff, Health Center, Assessor, Corrections, Courts, Deeds, and Clerk. The Police, Library, Fire, and Finance are the largest city users of DOT.Comm services.

DOT.Comm offers products and services to over 62 business units. Douglas County and the City of Omaha each benefits from the delivery of over 500 initiatives in 2004. Initiatives included relocation support, process improvements within business units, acquisition and deployment of new technologies for criminal justice agencies, capital upgrades, repairs and improvements, and finally, support for legislative bills, elections, and the Board of Equalization.

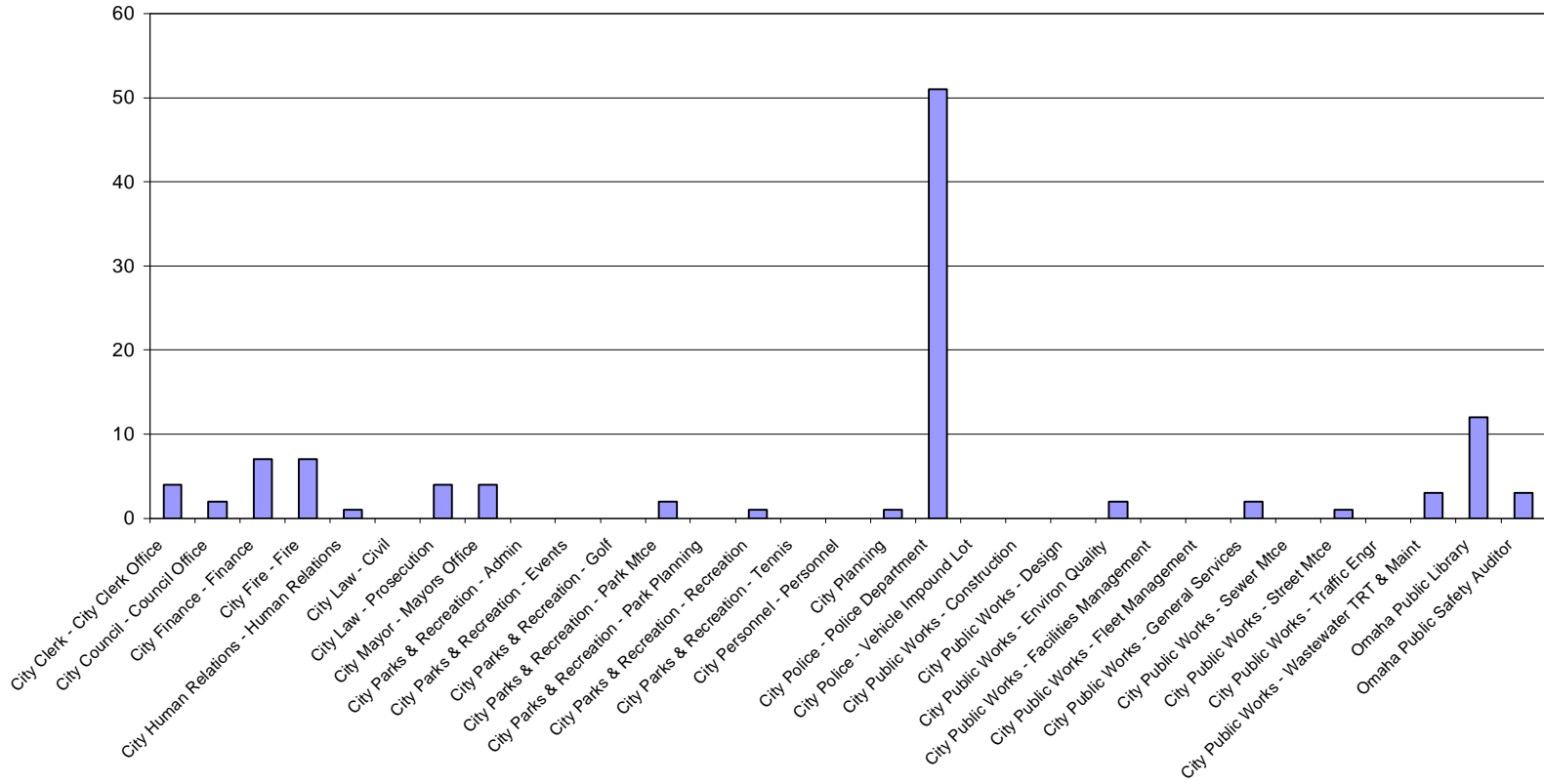
## 2004 COUNTY ACTIVITIES



### 2004 COUNTY ACTIVITIES



### 2004 CITY ACTIVITIES



## COSTS OF OPERATIONS

(Unaudited)

The following information is provided for information purposes only. The accounts have not undergone an audit by an independent accounting firm.

Revenues reflect the reconciliation efforts by DOT.Comm to adjust revenues to manage the funds from the City and County and to ensure they have sufficient funds to purchase DOT.Comm services.

This report reflects expenses exceeded revenues by \$348,265.00. The primary factor that contributed to this deficiency was a significant shortfall in actual revenues from forecasted revenues of over \$570,241.

DOT.Comm Board of Directors requires an independent consulting firm conduct an external audit for fiscal year 2004. Results of that audit will be made available upon completion in 2005.

### Revenues

Infrastructure	\$	4,755,291
Platform Services		6,363,643
Professional Fees		681,888
Miscellaneous		1,118
Grant Revenue		115,647
Total Revenues		<u>11,917,587</u>

### Expenditures

Personnel Expenses	\$	7,759,224
Professional Fees		146,844
Information Technology Contract Services		1,315,974
Maintenance		817,337
Voice Communications Services		772,757
Data Communications services		523,434
Computer Parts, S/W, Accessories		438,990
Rent, and leased agreements		143,016
Furniture and Fixtures		5,983
Other Supplies		75,042
Interest on Notes Payable		10,632
Professional development		49,710
Insurance		55,792
Utilities		1,601
Miscellaneous Disbursements		15,820
Depreciation		133,696
Total Expenditures		<u>12,265,852</u>

Excess (Deficiency) of Revenues over Expenditures	\$	(348,265)
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