

**Overview and Initial Issues Identification
Department of Information Technology**

Staff: Martha Lester

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Expenditures/Revenues

	2011 Adopted Budget	2012 Endorsed Budget	2012 Proposed Budget	% Change 2012 Endorsed to 2012 Proposed
Expenditures by BCL				
Finance and Administration	\$6,020,000	\$5,985,000	\$6,152,000	2.8%
Office of Electronic Communications	\$6,447,000	\$6,489,000	\$7,144,000	10.1%
Technology Infrastructure	\$34,306,000	\$34,277,000	\$33,662,000	-1.8%
Technology Leadership and Governance	\$2,144,000	\$2,187,000	\$1,976,000	-9.6%
Total Expenditures	\$48,917,000	\$48,938,000	\$48,934,000	-0.0%
Total FTEs	195.0	195.0	189.3	-2.9%
Revenues				
General Subfund Support	\$4,274,000	\$4,338,000	\$4,150,000	-4.3%
Cable Fund	\$7,361,000	\$7,480,000	\$7,878,000	5.3%
City Agency Revenues - General Subfund	\$13,263,000	\$14,392,000	\$13,782,000	-4.2%
City Agency Revenues - Non-General Subfund	\$17,540,000	\$17,994,000	\$18,045,000	0.3%
Other	\$6,480,000	\$4,735,000	\$5,079,000	7.3%
Total Revenues	\$48,918,000	\$48,939,000	\$48,934,000	-0.0%

Introduction:

The Department of Information Technology (DoIT) is primarily an internal services department, providing communications, computer, telephone, radio, e-mail, website, and other services to City departments. It also operates seattle.gov and the Seattle Channel, oversees cable franchises, and manages technology outreach programs. DoIT is supported by funding from the General Subfund and other City funds, as City departments are charged rates or allocated costs for the DoIT services they use. DoIT is also supported in part by the Cable Television Franchise Subfund.

As shown in the table above, DoIT's overall total budget is essentially unchanged from 2012 Endorsed to 2012 Proposed. DoIT has eliminated two managerial positions in line with the Council's direction from last fall, and has trimmed several other positions and functions. In addition, some costs are shifted from the General Subfund to the Cable Subfund.

Note that looking beyond 2012, DoIT has several projects that will ramp up in coming years. One is the planned migration to Windows 7, which is budgeted at just \$100,000 in 2012 to plan for and begin the transition. The annual cost of this effort for 2013 through 2015 is estimated at \$1.4M to \$1.9M.

The Executive proposal to consolidate some City grant programs, including the Technology Matching Fund grant program, in a new Community Granting Division in the Department of Neighborhoods / Neighborhood Matching Subfund will be covered as part of the DON / NMF Issue Identification session on Tuesday, October 25.

Issues:

1. Cable Television Franchise Subfund

At DoIT’s department presentation on October 5, 2011, Councilmembers asked about cable franchise fees and the purposes for which they may be, and are, spent. This section provides information in response.

Franchise Fee: The City, by ordinance, imposes a franchise fee of 4.4% on cable television services. The Council raised the franchise fee from 4.2% to 4.4% a year ago. (The maximum allowable fee is 5.0%.) The fee applies only to cable television services, and not to other services (such as Internet) that may be provided by a cable company.

The cable companies operating in Seattle pay the fee to the City, and in turn collect it from each subscriber as an explicit line item on the cable bill. The revenue is deposited in the Cable Television Franchise Subfund (Cable Subfund), administered by DoIT. (The Subfund also includes some other monies specifically earmarked for particular cable-related purposes.)

Revenue: Cable franchise fee revenue to the City since 2001 is shown below. The higher revenues reflected for 2011 Revised and 2012 Proposed are due in large part to a Comcast rate increase at the end of 2010.

Year	Franchise Fee Revenue	Fee
2001 Actuals	\$2,080,692	2.5%
2002 Actuals	\$2,792,556	2.5%
2003 Actuals	\$2,513,879	2.5%
2004 Actuals	\$2,484,775	2.5%
2005 Actuals	\$3,962,408	3.5%
2006 Actuals	\$4,464,712	3.5% / 4.2%
2007 Actuals	\$6,401,223	3.5% / 4.2%
2008 Actuals	\$6,387,087	4.2%
2009 Actuals	\$6,600,891	4.2%
2010 Actuals	\$6,902,322	4.2%
2011 Adopted	\$6,986,901	4.4%
2011 Revised	\$7,312,930	4.4%
2012 Endorsed	\$7,053,570	4.4%
2012 Proposed	\$7,422,624	4.4%

Policies for Use of Cable Subfund: There are no externally-imposed legal restrictions on what cable franchise fee revenue may be spent for. However, the City Council and Mayor adopted Resolution 30379 in 2001, establishing financial policies for allowable expenditures from the Cable Subfund, as follows (the complete language of these policies is in Attachment A to this paper on page 6):

- Operations of DoIT’s Office of Cable Communications;
- Seattle Channel operations and capital;
- Programs and projects that promote citizen technology literacy and access;
- Use of innovative and interactive technology to provide the means for citizens to access City services and interact with elected officials and decision makers; and
- Public access television.

Expenditures: For budgeting purposes, the share of DoIT’s expenditures that is paid by the Cable Subfund varies by function within DoIT. For example, the Cable Subfund pays 100% of the costs of the Office of Cable Communications and the Community Technology program, and nearly all the costs of the Seattle Channel. For the Citywide Web Team, costs are distributed to six funds and then the Cable

Subfund substitutes for all of the General Subfund share. For two other BCLs, costs are distributed among seven funds (standard six plus Cable Subfund), based on the percent of DoIT's Operating Fund revenues that come from each. And so on.

The Cable Subfund also contributes about \$174,000 per year toward computer labs, digital media, and tech support in community centers, and \$190,000 per year toward computers for public use in the Seattle Public Library.

As you may recall from last fall's budget discussions, in 2011 the Cable Subfund is for the first time paying a share of the costs of the City's e-mail system. DoIT analyzed City e-mail and found that 78% of e-mail is external to the City, including citizens accessing City services and interacting with City officials and staff. Based on this usage, DoIT and the City Budget Office (CBO) concluded that it was reasonable to use Cable Subfund revenue to pay \$538,000 per year, equal to 78% of the total budgeted cost for City e-mail. The Mayor had proposed a contribution of \$400,000 per year; the Council increased it to \$538,000 by using a portion of the new revenue from the increase in the cable franchise fee from 4.2% to 4.4%. This freed up an equal amount of General Subfund, which was spent on other Council priorities.

There are several new expenditures from the Cable Subfund reflected in the 2012 Proposed Budget, most notably the following items:

- Shares of additional existing staff in DoIT whose work is eligible for this funding source (\$89,000);
- One existing position in each of the Police and Fire Departments whose work is focused on those departments' websites (\$217,000); and
- The newly-proposed Mobile Enterprise Application Platform to allow seattle.gov website content to be accessible on mobile devices (\$200,000).

The proposed uses of the Cable Subfund in 2012 are as follows:

Amount	Use
\$4,895,462	Support to DoIT's Office of Electronic Communications BCL, including cable office, Seattle Channel, web support, and other activities
\$1,412,147	Support to DoIT's Technology Infrastructure BCL, including IVR (interactive voice response) system, web-portal, Internet security costs, and e-mail
\$564,669	Support to two other DoIT BCLs – Finance and Administration BCL, and Technology Leadership and Governance BCL
\$225,000	Technology Matching Fund grants (reduced from \$320,000 in 2011)
\$187,000	Public access television
\$177,035	Community centers (computer lab hours, digital media, tech support) (same as in 2011)
\$190,000	Public-access computers at Seattle Public Library (same as in 2011)
\$217,000	Police and Fire website staff positions (new expense for Cable Subfund for 2012)
\$200,000	Mobile Enterprise Application Platform (new project for 2012)
\$8,068,313	Total

Reserves and Fund Balance: DoIT maintains several "reserves" in the Cable Subfund. One reserve is for cash float and for unanticipated dips in cable franchise fee revenue (such as occurred in 2010). The amount reserved for 2012 is about \$1.2 million.

Other reserves in the Cable Subfund hold money earmarked for particular purposes. The proposed *uses* of the Cable Subfund in 2012 exceed forecast *revenue* because DoIT will draw down three reserves by a total of about \$700,000 – the arts programming funds provided by Comcast (which are being spent over the ten-year life of the current Comcast franchise agreement), a capital grant from Comcast for the

Seattle Channel, and Youth Civic Involvement funding. Note that the arts programming funds will not stretch as far as originally forecast due to lower-than-anticipated interest earnings. DoIT is working on options for spending the remaining cash in this reserve but will not have a specific plan in place until it develops its 2013-2014 budget.

After subtracting these reserves, DoIT forecasts that the Cable Subfund's *unreserved* fund balance at the end of 2012 will be about \$674,000.

Longer-Term Outlook for Cable Subfund: DoIT has estimated Cable Subfund revenue and expenditures through 2015. Based on this analysis, DoIT estimates that the 2015 year-end unreserved fund balance in the Cable Subfund will be about \$219,000.

Future expenditures include continuing most existing programs funded from this source. A key demand on the Cable Subfund in coming years will be ongoing upgrades for the Seattle Channel technology, including the move to High Definition provided for in the CIP beginning in 2013. Due in large part to this upcoming Seattle Channel cost, DoIT anticipates that the Cable Subfund support for the Police and Fire web positions is not fully sustainable beyond 2012. DoIT plans to conduct an annual review of the Cable Subfund to determine what it can support each year.

2. Staffing for Proposed Advisory Panel for the Seattle Channel (“Channel Panel”)

Councilmember Harrell proposes to create an advisory panel to review and make recommendations to the Seattle Channel on programming decisions. Attachment B (pages 7 to 8) is Councilmember Harrell's memo describing the intent of the panel and how it would function. The panel would only be advisory, and would not have any decision-making authority.

Proposed legislation to create the panel has not yet been prepared; legislation will likely be drafted later this year for Council review in December or January. However, a few issues are listed below under “General Issues,” followed by a short discussion about the costs of staffing the panel for consideration during the Council's budget deliberations. If Councilmembers are interested in creating this panel, you could decide to identify funding, as part of the 2012 budget, to cover staffing costs.

General Issues: As you consider later this year or early in 2012 whether to create a “Channel Panel,” you may want to consider issues including the following (some of which are addressed in Councilmember Harrell's memo). You need not resolve these issues now.

- Clear understanding of the existing problems or challenges that the panel is intended to address;
- Pros and cons of different approaches to address identified problems or challenges – e.g., ongoing advisory panel vs. shorter-term, ad hoc committee;
- Review of the Seattle Channel's existing principles, objectives, and policies for programming (<http://www.seattlechannel.org/aboutus/policy.htm>);
- Lessons learned from prior efforts related to the Seattle Channel (e.g., December 2001 report of the Seattle Commission on Electronic Communication; Resolution 30722, adopted in November 2004, establishing a “Community Production Opportunity Program” to expand diverse programming on the Seattle Channel; February 2005 City Auditor Report titled “Review of Seattle Channel Programming and Scheduling Practices”);
- Roles of different PEG (Public, Educational, Government) cable channels (e.g., Seattle Channel as a “Government” channel vs. the new “Seattle Community Media” public access channel as a “Public” channel);
- Strategies to maintain the Seattle Channel's independence from the Mayor and City Council (mentioned in Councilmember Harrell's memo);
- Types of “balance” that the Seattle Channel should strive for (e.g., providing opportunities for

differing viewpoints on a particular topic; inviting journalists and others from diverse racial, ethnic, and other backgrounds to be panelists or guests on programs; cablecasting both programming about City government and programming about communities, culture, etc.); and

- How the input of a panel that may meet only six times per year would be integrated into the detailed Seattle Channel operations necessary to ensure round-the-clock programming 365 days a year.

Estimated Staffing Costs: Such a panel would need staff support from DoIT. DoIT identifies some of the likely staff tasks to be initial formation of the panel, annual recruitment, ongoing meeting activities, special issues community meetings, and miscellaneous costs. With the limited information currently available about the full body of work involved in staffing a panel, DoIT estimates it would take close to 0.5 FTE at the level of Strategic Advisor 2 or Manager 2 to develop policy, and be able to understand the complexity of Seattle Channel programming and operations issues including contracting requirements, technical scheduling, and policy development. DoIT estimates the fully-loaded cost of a 0.5 FTE position to be \$60,000 to \$80,000.

3. Explore Ways to Reduce Information Technology Costs Citywide

During Bill Schrier's presentation about DoIT's budget on October 5, Councilmember Burgess asked Mr. Schrier if there were ways to dramatically lower Information Technology (IT) costs in the City. This might be achieved through consolidating or centralizing IT functions across City government, or providing for more uniformity across departments, or other strategies. Such an inquiry may be appropriate as a Statement of Legislative Intent (SLI).

Mr. Schrier suggested the City could pursue an approach similar to one conducted by Microsoft for King County in 2008 at no cost to the County. This study reviewed current standard practices in a variety of IT categories, compared them to industry averages and leaders, identified and analyzed opportunities for improvements, and quantified the value and return on investment of those improvements.

According to DoIT staff, a comparable study for the City of Seattle could be performed by Microsoft (at no cost to the City), or a Microsoft study could be combined with an expanded study conducted by a third party vendor of Microsoft (at a cost of \$100,000 to \$200,000). A Microsoft study alone would address the following standard parameters: desktop operations / administration, server operations / administration, and some security / networking. A third party vendor could supplement those topics and allow for an expanded scope including areas such as cloud services / storage and applications. DoIT recommends the broader approach, both using the Microsoft study and also hiring a third party vendor to provide analysis on additional topics. DoIT estimates that a study could begin as soon as desired and could be completed in four to six months.

Attachment A

Resolution 30379 (adopted August 20, 2001) – Financial Policies
Exhibit D – Cable Television Franchise Subfund

CITY OF SEATTLE CABLE TELEVISION FRANCHISE SUBFUND OF THE GENERAL FUND

Introduction

On January 20, 1996 the City entered into cable television franchise agreements with Seattle area cable providers. These agreements called for new franchise fees as compensation for the right to locate cable in the public right of way. On July 1, 1996 the Council created the Cable Television Franchise Subfund in the General Fund to receive these franchise fee revenues and account for their expenditure.

Fund Structure

Policy 1. Creation of Subfund: A new Subfund in the General Fund, entitled Cable Television Franchise Subfund, is hereby created. [Ord. 118196]

Policy 2. Creation of Account: A new account, known as the Community Television Account, shall be established within the Cable Franchise Subfund of the General Fund. [Ord. 120214]

Expenditures

Policy 3. Expenditures from Subfund: Cable franchise revenues shall be used for the following purposes:

1. Funding for the Office of Cable Communications, including administration of the Cable Customer Bill of Rights and the Public, Education, and Government Access costs that the City is obligated to fund under the terms of its cable franchise agreements.
2. Support for the City's government access TV channel(s), including both operations and capital equipment.
3. Programs and projects that promote citizen technology literacy and access, including related research, analysis and evaluation.
4. Use of innovative and interactive technology, including the Internet and TV, to provide the means for citizens to access City services and easily and meaningfully interact with their elected officials and decision makers. [New Policy]

Additionally,

5. Funds from the Community Television Account shall be used solely for the purposes of supporting the operations and capital needs of public access television, including payments to the Designated Access Manager for services provided under its agreement with the City. [Ord. 120214]

Revenues

Policy 4. Revenues to Subfund: Revenues from the Cable Franchise Fee shall be deposited into the Cable Television Franchise Subfund. [Ord. 118196]

Fund Balance/Fund Management

Policy 5. Retention of Interest Earnings: In accordance with applicable state law and City investment policy, the Finance Director shall invest all funds received and held in the Community Television Account, and any interest earnings from such investments shall be deposited in this account and used for the purposes set forth in this section. [Ord. 120214]

Attachment B



Legislative Department Seattle City Council Memorandum

Date: October 17, 2011
To: Martha Lester
From: Councilmember Bruce Harrell
Subject: Seattle Channel Advisory Panel (“Channel Panel”) Intent and Details

Purpose and Intent

The intent of the legislation to create a new Advisory Panel for Channel 21 (“Channel Panel”) is to allow segments of the public (i.e., neighborhoods, small businesses, labor leaders, environmental and educational advocates, communities of color, youth and high school students, LGBTQ community members) the opportunity to help determine how we allocate resources and provide programming on Channel 21.

Notwithstanding the fact that Channel 21 has been recognized for the services it provides, many members of the community have provided feedback regarding the relevance of its programming and whether the public has any input into the process. This legislation should entail a public discussion regarding how current decisions are made relative to programming and resources and how those decisions reflect the expectations of Seattle’s entire community. The goal of the Channel Panel will be to increase inclusiveness in the process of programming, such that it can result in being more inclusive and relevant to all communities. An example of increased inclusion on the Channel Panel will be the involvement of youth, high school students and college students relative to civic engagement and issues that affect their community.

Functions, Duties and Responsibilities

The Channel Panel should consist of nine members who represent the unique and diverse composition of Seattle. The members should reflect the rich diversity of opinions in Seattle and the members should also have background with media content, entertainment, arts and social media. The Channel Panel could be comparable to a Board of Directors that will assist in making programming decisions, allocations of programming resources and oversight relative to whether Channel 21’s products and services reflect the needs of the Seattle community. All programming decisions will continue to be based on content and will be independent from the Mayor and the City Council. The Channel Panel is intended to be a standing Panel and will report to the Council Committee that oversees Channel 21.

Membership

Five Panel members will be appointed by the Mayor and Four by the Council. All members will be confirmed by the Council. The Mayor will appoint the odd numbered positions, beginning with position # 1 and the Council will appoint the even numbered positions beginning with position #2.

Panel members will serve without pay, but may be reimbursed for reasonable expenses for attending meetings.

The term of the appointment of members to the Panel shall, in general, be three years, except that at the inception of the Panel, Positions #1, #2, and #3 shall be appointed for a term of one year and Positions #4, #5, and #6 shall be appointed for a term of two years. This will allow for staggered appointments of three Panel members each year thereafter, thus ensuring a degree of continuity of Panel membership. A member whose term has expired will continue to serve until a successor has been confirmed by the Council.

Upon the dismissal, resignation, or incapacity of a member of the Panel, the appointing authority for that position may appoint a replacement to serve the remainder of the member's term without confirmation by the Council.

Meetings

The Panel shall establish its own rules for meeting attendance, quorum, meeting frequency, etc., except that the Panel shall meet at least six times in any 12-month period. Meetings shall be open to the public, except that meetings or portions thereof may be closed if RCW Chapter 42.30 would have allowed it to be closed had the Panel been subject to that law.

The minutes of Panel meetings and proceedings and Panel findings and recommendations shall be made public.

Structure for Creation

This panel will be created by ordinance.