Sourcing of Desktop Lifecycle Services

Business Case Summary

Prepared by

Partner Management and Infrastructure Solutions Practice
IT Branch, Corporate Services

Document Purpose

On June 10, 2013, the Desktop and Mobile Computer Hardware, Software and Related Services RFP (#924107) was on the Executive Committee Agenda. Council requested additional information relating to the insourcing of particular services which could impact the RFP. The Information and Technology Branch has prepared a summary version of the business case to explain the impact of insource and outsource decisions for these services.

In Fall 2012, the Information and Technology Branch had prepared a full business case covering all Desktop Lifecycle Services. This document is a summary of the original business case, focused exclusively on services that are being considered for insource. The original business case can be made available upon request.

Executive Summary

A desktop lifecycle services sourcing business case conducted by the Information and Technology Branch in Fall 2012 concluded that the insourcing of an additional three desktop lifecycle services out of twelve total services best meets business and financial requirements of the City. This recommendation results in a final state where seven of the twelve total services are insourced versus five outsourced.

It is expected that the proposed service delivery model would result in increased value to clients, increased client satisfaction with service levels and $126,100 in yearly operating savings (to be kept in operating budget for 2014 as contingency while services stabilize).

Introduction

Desktop Lifecycle Services include a total of twelve services. The following table outlines current versus proposed delivery models for these services. For ease of identification, services being considered for insourcing are highlighted with **boldface** and *italics*:

DESKTOP LIFECYCLE SERVICES	CURRENT	PROPOSED
1. Desktop Infrastructure Planning	Insourced	Insourced
2. Desktop Equipment Procurement / Purchasing	Insourced	Insourced
3. Installation of Initial Core Desktop Images	Outsourced	Outsourced
4. Asset Tagging	Outsourced	Outsourced
5. Coordination of Desktop Equipment Deployment	*Outsourced*	*Insourced*
6. Desktop Equipment Delivery to Client	Outsourced	Outsourced
7. Desktop Equipment Setup & Configuration	*Outsourced*	*Insourced*
8. Ongoing Desktop Maintenance and Software Installation	Insourced	Insourced
9. Desktop Environment Support (Break-fix)	*Outsourced*	*Insourced*
9a. Desktop Equipment Warranty Work	Outsourced	Outsourced
10. Desktop Equipment Refresh Coordination	Insourced	Insourced
11. Desktop Equipment Retirement	Outsourced	Outsourced

Analysis

The following analysis focuses exclusively on the services that are being considered for insourcing as a result of the business case performed by the IT Branch in Fall 2012:

- Desktop Service #5: Coordination of Desktop Equipment Deployment
- Desktop Service #7: Desktop Equipment Setup & Configuration
- Desktop Service #9: Desktop Environment Support (Break-fix)

Note: Throughout this document, the cost of Internal Staff are fully loaded per year (base salary, benefits, etc.) Additionally, top of the bracket dollars (maximum salary) are used for the purpose of all estimates.

Desktop Service #5: Coordination of Desktop Equipment Deployment

The Coordination of Desktop Equipment Deployment service includes:

- Confirmation of site readiness (already performed by internal staff)
- Identification and confirmation of the client's desktop hardware and software requirements
- Coordination between the requestor (client) and the delivery technician regarding the time and location of the deployment

Outsource Alternative	Insource Alternative
Benefits • Outsourcer staffing levels are not fixed and can be adjusted to meet service demand. • Dealing directly with equipment suppliers, outsourcers are aware of any exceptional supply circumstances that could impact service delivery, and therefore, they can modify the schedule by coordinating with the clients directly.	**Benefits** • A significant portion of the work is already being done by the City staff (site readiness). • More efficient to use local internal staff to communicate with internal clients. • Internal support staff are more familiar with the City's facilities - no delays due to research. • Using internal staff to perform the deployments means that vendors only need to know when and where to deliver the equipment. • Desktop environment requirements are identified using a process and tools maintained internally. • Based on surveys and received client complaints, the IT Branch believes that internal support staff would provide a more personalized and efficient service. These internal staff would get a better understanding of particular client needs which could feed into the IT Branch's vision and direction. • Provides a way into IT Branch for junior resources and succession planning for retiring staff.
Risks & Constraints • Outsourcers have limited knowledge of City business processes, challenges, peak periods, etc. • Communication challenges due to unfamiliarity with the City's environment could negatively impact service delivery. • Increased level of coordination, not only with business client, but also, with internal technical staff confirming site readiness. • Significant turnover of staff.	**Risks & Constraints** • Potential communication challenges between internal staff performing the deployments and the vendors technician delivering the equipment. • Training an internal support staff is the City's responsibility. • Coverage for Earned Days Off (EDOs), sick days, and vacation are the City's responsibility. • Internal staff salaries are normally higher than outsourced resources.

Staffing Requirements • Internal Service Lead / Escalation = 0.25 FTE • Contracted Service Lead / Escalation = 0.25 FTE • Contracted Client Services Scheduling = 1 FTE • Contracted Desktop Requirements Confirmation = 3 FTE	**Staffing Requirements** • Internal Service Lead / Escalation = 0.25 FTE • Internal Scheduling & Desktop Requirements = 4 FTE
Yearly Estimated Cost TOTAL SERVICE COST = $381,250 • Internal Service Lead / Escalation = $31,250 (0.25 FTE times $125,000 loaded cost) • Client Services Scheduling = $12,500 (Current service fee of $5 per deployment times 2,500 deployments per year) • Desktop Requirements Confirmation = $337,500 (Current service fee of $135 per discovery times 2,500 deployments per year).	**Yearly Estimated Cost** TOTAL SERVICE COST = $319,250 • Service Lead / Escalation = $31,250 (0.25 FTE times $125,000 loaded cost) • Junior Technical Staff = $288,000 (4 FTE times $72,000 loaded cost)

Recommendation

*** INSOURCE Coordination of Desktop Equipment Deployment ***

Internal staff coordinating directly with customers make sense, plus, internal staff are already involved in site readiness activities as well as client requirements identification and confirmation. Internal staff are more aware of the internal environment constraints such as contracts requirements, business schedules, internal standards and processes, etc.

IT's experience over the past several years has demonstrated that communication with internal business units is better handled using internal staff who are familiar with the City and the business environment. Since this service involves a lot of coordination, there will be an increased level of communication.

Additionally, recent reports from Human Resource have confirmed that there is a large contingent of IT infrastructure staff that is ready to retire within the next 3 to 4 years. There is currently no entry level positions (junior level) within IT infrastructure as these roles are currently outsourced. The new insourced positions will be filled with junior staff and used to train these staff to rejuvenate the infrastructure staff contingent through succession planning. This is also a great opportunity for the City to act as an excellent corporate citizen by demonstrating the City's support of technical training programs across the province.

Desktop Service #7: Desktop Equipment Setup & Configuration

Once the equipment has been delivered to the client's location, the following activities take place:

• Installation of software over and above standard core desktop image
• When requested, the client will be provided with general training on their new device as well as an introduction to the City computing environment (not currently performed by outsourcer)
• Update of asset tracking information
• Confirmation that requested equipment was received through client sign-off

Outsource Alternative	**Insource Alternative**
Benefits • Outsourcers staffing levels are not fixed and can	**Benefits** • Internal support staff have a better understanding

• Outsourcers are familiar with installing ad hoc software, updating asset tracking, as well as customer sign-off in the current environment. • Outsourcer has the ability to preload some ad hoc software after performing initial core image installation at their warehouse versus onsite.	of the City's environment and our clients' needs. • Internal support staff will perform quality assurance on the services and equipment delivered by the procurement outsourcer. • Internal support staff will provide general training and an introduction to the City's computing environment (new service) • The City will be able to maintain client familiarity by having control over turnover. • Provides a way into IT Branch for junior resources and succession planning for retiring staff.
Risks & Constraints • The software installation and distribution processes are changing. Staff visits to install ad hoc software will no longer be required as of 2014. • Important service with direct customer contact that can impact customer satisfaction negatively if not carefully monitored and maintained. • External contractors will not have the same level of familiarity with the needs of City staff, mainly due to a high staff turnover rate. • Must minimize the number of applications installed locally, at the client's desk. Outsourcer can do some of this at their sites after performing initial core installation, but a more effective way of dealing with this issue is the use of a client self-service portal integrated with a software distribution tool (a solution that is being developed and will be managed by internal staff).	**Risks & Constraints** • Minimal space available to act as a warehouse to pre-load or pre-configure software. • Training the FTE is the City's responsibility. • Coverage for Earned Days Off (EDOs) sick days, and vacation would become the City's responsibility. • Must minimize the number of applications installed locally, at the client's desk. Outsourcer can do some of this at their sites after performing initial core installation, but a more effective way of dealing with this issue is the use of a client self-service portal integrated with a software distribution tool (a solution that is being developed and will be managed by internal staff).
Staffing Requirements • Internal Service Lead / Escalation = 0.25 FTE • Contracted Service Lead / Escalation = 0.25 FTE • Contracted Delivery / Install Technician = 1 FTE • Contracted Configurations and Asset Updating = 2 FTE	**Staffing Requirements** • Internal Service Lead / Escalation = 0.25 FTE • Internal Desktop Setup & Configuration and Asset Tracking = 2 FTE
Yearly Estimated Cost TOTAL SERVICE COST = $118,750 • Internal Service Lead / Escalation = $31,250 (0.25 FTE times $125,000 loaded cost) • Asset Tracking and Client Sign-off = $12,500 (Current service fee estimate of $5 per device times 2,500 deployments per year) • Add-on Software Install Costs = $75,000 (Current service fee of $30 per device to install additional software)	**Yearly Estimated Cost** TOTAL SERVICE COST = $175,250 • Service Lead / Escalation = $31,250 (0.25 FTE times $125,000 loaded cost) • Junior Technical Staff = $144,000 (2 FTE times $72,000 loaded cost)

Recommendation

*** INSOURCE Desktop Equipment Setup & Configuration ***

As mentioned in the previous service recommendation, there is a large contingent of staff that is expected to retire within the IT branch over the next 3 to 4 years. These permanent positions can be used for succession planning, and to demonstrate the City's support of technical training programs across the province.

The IT branch cannot provide the necessary warehouse space required to store desktop equipment, however, services that require this space are part of the services that the IT branch has decided to keep

outsourced.

Additionally, tools are currently being implemented to enable client self-service as it relates to Add-on software requests. Once these tools are operational, the requirement for onsite client visits for ad hoc software installations will be dramatically reduced and most of these request will be dealt with from a central control centre.

Desktop Service #9: Desktop Environment Support (Break-Fix)

The first line of support is provided by Inside Information over the telephone or email. The second level of support is provided by Inside Solutions using remote desktop control tools. In the event that an issue cannot be resolved remotely, the problem is handed to Desktop Break-Fix, which is currently outsourced. These problems mainly deal with software issues, computer moves and break-fix issues that do not involve warranty. When the problem is hardware related and is covered by warranty, it is forwarded to the City's procurement outsourcer to resolve. Otherwise, the problem is handled by break-fix outsourcer.

Outsource Alternative	Insource Alternative
Benefits ● A clear service level agreement is in place regarding service provided by the outsourcer. ● Service costs are clearly defined and can be easily calculated. ● There is little supervision required by City staff as long as there are no service escalations. ● Outsourcers staffing levels are not fixed and can be adjusted to meet service demand. ● One full time City employee provides day-to-day onsite VIP support to City councilors, however, the current outsourcer provides a backup staff in the event that the internal staff is away or unavailable.	**Benefits** ● The IT Branch would have more control over the provision of all internal desktop services resulting in highly available, sustainable services provided in a more secure manner. ● Ongoing experience and knowledge gained by staff working with particular business areas will improve planning efforts and customer satisfaction. ● Increased / enhanced collaboration between customers and IT Branch. ● Better communication and working relationships with other IT service teams. ● An internal team will be able to proactively respond to technology decisions or changes. ● Less finger pointing when issues arise as staff will be part of one team. ● Provides a way into IT Branch for junior resources and succession planning for retiring staff. ● Some internal staff (2 identified) are currently involved in the support of the desktop environment.
Risks & Constraints ● Potential security concern by having outsourced staff dealing with information on the client's desktop and within the client's work area. ● Issues with finger-pointing when it is not clear if a service component belongs to the procurement outsourcer, the outsourced break-fix provider or an internal IT support team. These issues result in delays and frustration for clients, and IT costs. ● Frequent turnover of outsourced staff mean loss of City experience and information, which directly impacts customer service and satisfaction. ● The City has no control over the level of technical expertise or experience of outsourced staff, which often results in client dissatisfaction. ● Desktop problem trends more difficult to identify due to split of desktop service responsibilities.	**Risks & Constraints** ● New Desktop Service staff will need to be trained for all desktop device types and software products common to the City. Training the FTE is the City's responsibility. ● The number of staff required for desktop support and the PC Refresh process will have to be determined, hired and trained before 2014. ● Coverage for Earned Days Off (EDOs) sick days, and vacation would become the City's responsibility.

● The vendor has little communication with customers unless there is a problem.	
Staffing Requirements ● Internal Service Lead / Escalation = 0.5 FTE ● Internal Environment Support = 2 FTE ● Contracted Service Lead / Escalation = 1 FTE ● Contracted Desktop Environment Support = 5 FTE	**Staffing Requirements** ● Internal Service Lead / Escalation = 0.5 FTE ● Internal Desktop Environment Support = 7 FTE

Yearly Estimated Cost
TOTAL SERVICE COST = $803,100
● Internal Service Lead / Escalation = $62,500 (0.5 FTE times $125,000 loaded cost)
● Internal Intermediate Technical Staff= $220,000 (2 FTE times $110,000 loaded cost)
● Contract, based on historical data = $520,600
    ● Standard Desktop Support for approximately 7,010 desktops at $5.65 per desktops/month
    ● Thin Client Support for approximately 141 devices at $4.52 per system/month
    ● Ad hoc City Hall backup support at $41.10/hour
	Yearly Estimated Cost
	TOTAL SERVICE COST = $682,500
	● Internal Service Lead / Escalation = $62,500 (0.5 FTE times $125,000 loaded cost)
	● Internal Intermediate Technical Staff= $220,000 (2 FTE times $110,000 loaded cost)
	● Internal Junior Technical Staff= $360,000 (5 FTE times $72,000 loaded cost)
	● Travel and Insurance Budget = $40,000 (For various site visits)

Recommendation

*** INSOURCE Desktop Environment Support (Break-Fix) ***

Based on their experience with desktop support over the past three years, some clients have approached the IT branch to request their own desktop support resource. These clients are willing to pay for the resource as long as they are assured that the resource will be dedicated to them, in order for the resource grow more knowledgeable with their business unit. To be successful in providing one centralized shared set of desktop services, the IT Branch needs to improve direct client services by using resources that are familiar with the environment and that clients become familiar with.

This recommendation leads to the creation of a new support unit within the IT Branch. The City needs to create entry level positions for junior staff so that it can groom people for future positions within the IT Branch. The City's workforce is aging and key staff will be retiring in the coming years. The creation of these positions should allow the City to plan for the transition and lessen the impact of retiring staff.

Moving forward, this new support team will own issues through to their completion, limiting communication issues that have been prevalent with the multi-vendor environment in place today.

Outsourced staffing levels are not fixed and can be adjusted as needed to meet service demand. For this reason, the Desktop and Mobile Computer Hardware, Software and Related Services RFP includes a section regarding professional services which allows the IT branch to bring in additional desktop support assistance as required to assist with busy periods such as large moves or evergreening activities.

Concerns expressed about the loss of knowledge or expertise that vendors provide to the City are minimal. The knowledge of tools outside of City standard is normally available from vendors for free as they are willing to spend the time demonstrating the tools as they are trying to get the City to commit to the purchase of these tools; however, the RFP's professional services section also allows IT to bring in particular expertise

for a fee when required.

Summary Financial Analysis

The following table outlines the total yearly cost of providing the three above services under each delivery model (outsourced versus insourced services):

Services	Outsource Alternative	Insource Alternative
Coordination of Desktop Equipment Deployment	$381,250	$319,250
Desktop Equipment Setup & Configuration	$118,750	(*)$175,250
Desktop Environment Support (Break-Fix)	$803,100	$682,500
TOTAL	**$1,303,100**	**$1,177,000**

(*): Please note that this insourced service provides an additional service relating to training of staff receiving new equipment.

The variance is **$126,100** in favor of insourced services.

Internal Staff Training and Implementation Approach

It is very important to note that much of the expertise regarding the the City's information technology infrastructure lies with internal staff that have, on average, over 15 years experience with the City. These staff members not only understand the City's technical environment, but they also understand how the technology is applied and used by the business because they were involved in implementing the solutions.

Contractors and external service providers are used primarily to bring in additional temporary resources when internal staff cycles are not available, or more importantly, to bring in generic expertise and knowledge of tools that are not present at the City. These external service providers assist the internal staff who understand how the tools will be applied to the City's environment.

As previously mentioned, the desktop infrastructure is going through significant upgrades and changes over the next 10 to 12 months. Contractors and vendors were involved in bringing in the expertise regarding these tools that are used throughout the industry, but not available as of yet within the City. Information Technology Branch's overall approach to training is to obtain knowledge and training before implementing new tools or services, so that our internal staff can design the computing environment collaboratively with the external experts, learn throughout this process, and then implement the solutions using external support only if necessary. The same approach will be used for the new insourced Desktop Services.

Permanent staff that will later fulfill insourced roles will be brought in to participate in the desktop upgrade projects full time, ensuring that staff are trained with the latest tools used by the City and understand the vision behind the projects. A transition period has been built into the Desktop Procurement RFP to ensure that service disruptions are not experienced during the transition from outsourced services to insourced services, which will happen progressively along with the desktop infrastructure upgrades. By the time these upgrades are completed, resources providing the insourced services will be completely familiar with the new desktop environment, while outdated technology knowledge will be phased out along with the outsourcers.

The junior staff contingent that we are planning to hire will report to, and be coached by, the more senior staff. It should be noted that this pretty much reflects the current situation where the outsourcers use the expertise of the internal staff while troubleshooting issues or while facing serious challenges.

Finally, it is important to note that internal IT staff have a designated coach who assists them in preparing career plans and training plans. These are reviewed/revised yearly to ensure alignment with the overall City and IT Branch direction, and requests for training are reviewed and approved based on this overall alignment and fit.

Conclusion

The merits of this proposal are not based solely on cost savings. The IT Branch truly believes that insourcing key client facing services will enhance service levels provided and improve client satisfaction. Internal staff will have a better understanding of the City's environment including particular business areas and how they operate (peak periods, business drivers and needs, etc). These staff will be able to build relationships with customers and gain insights that will enhance the IT Branches effectiveness when it comes to our strategy and planning work and make us a more effective partner with all City Departments.