

Telecommunications Services: Achieving Cost Savings and New Efficiencies

Submitted in Accordance with C.G.S. 4d-14

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Telcommunications

Having the right staffing levels and tools in place to properly manage and control telecommunication costs can yield significant monetary and operational benefits to the State. This report, submitted in accordance with C.G.S. 4d-14, presents recommendations and options to continue to effectuate cost savings and efficiencies in telecommunications.

DOIT contracts and bills for telecommunication services and equipment used by executive branch agencies. DOIT also assists agencies in the design and implementation of telecommunication systems. These two areas accounted for \$23.1 million in telecommunication spending in fiscal year 2006 alone.

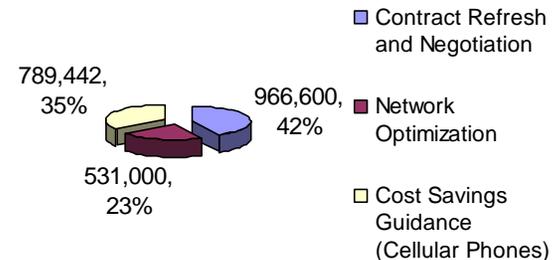
In fiscal year (FY) 2006, DOIT achieved \$2.28 million in telecommunication savings through three primary means – contract renegotiations, network optimization activities, and providing cost saving guidance to agencies.

Results from these activities support the case for long term investment in staff and a new telecommunication billing management system to pursue additional savings and efficiencies in telecommunication services and equipment management

DOIT's strategic focus remains on achieving savings through four savings vehicles -- keeping contracts current, expanding in-depth system consulting to agencies, providing more cost saving guidance to agencies and simplifying choices.

Continuing this approach requires increased staffing resources and more modern tools to manage the state's overall telecommunication infrastructure.

FY 2006 Telecommunication Savings

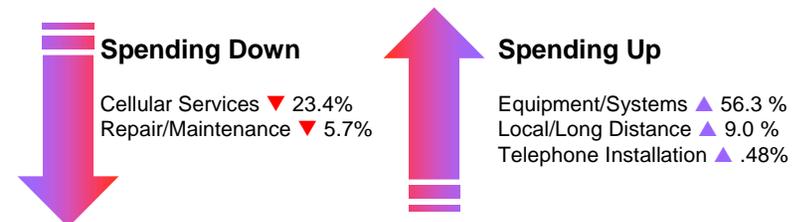


FY 2006 Telecommunication Spending Trends

FY 2005 \$22,197,046.60
FY 2006 \$23,123,897.09

Overall Spending Up 4.1 Percent

**Strategic Drops in "Consumption" Spending (Cell Phones)
Rises in "Investment" Spending (Equipment and Systems)**



Achieving Cost Savings and New Efficiencies

Keep Contracts Current

DOIT's Procurement and Communication Services Team renegotiated three out of six Network Services master agreements covering 14 product categories, resulting in \$531,000 in FY 2006 savings. The team also negotiated extension of reduced rates to the Connecticut Education Network, achieving an additional \$435,600 in annual, ongoing savings. Additional staffing is required to enable DOIT to refresh contracts more frequently in order to ensure continued savings to the State. We recommend master telecommunication contract renewals every three years and rate renegotiation every year. Four additional telecommunication technical specialists and an additional purchasing service officer will enable DOIT to achieve potential savings of up to \$740,000 per year, or 3.2 percent of all telecommunication spending, due to contract refresh activities.

Expand In-Depth System Consulting

In FY 2006, DOIT's Communication Services team, including just three telecommunication technical specialists, executed network optimization projects for ten agencies, resulting in \$321,218 in annual savings. Savings and efficiency opportunities outnumber DOIT staff resources to pursue them, with more than 600 locations statewide, 74 active projects and 22 projects on backlog each month. Four additional telecommunication technical specialists will enable DOIT to increase its work with agencies to achieve even greater savings, estimated between \$792,000 to \$2.02 million, per year.

Provide Cost Savings Guidance to Agencies, Simplify Choices

In FY 2006, DOIT worked with agencies to lower cellular telephone expenditures and achieved savings of 23.4 percent, or \$789,442. Monthly 4-1-1 costs were also lowered by 35 percent. DOIT estimates ten percent of these savings were directly attributable to advisements to agencies, including advisories to telecommunication officers, customer service newsletters with cost-savings tips, and other means. Additional staff alone would enable DOIT to provide more cost savings advice, and save an estimated two to five percent across all telecommunication spending categories, or between \$462,478 and \$1.06 million.

Keep Contracts Current

Case Study

Four Additional TTS's Will Enable Telecommunication Contracts to Be Kept Up to Date and Save the State Up to \$740,000 Per Year.

In FY 2006, DOIT Procurement and Communication Services staff embarked on an aggressive approach to ensure Network Services contracts were renegotiated regularly.

The team renegotiated three out of six Network Services master agreements covering 14 product categories, resulting in \$531,000 savings in FY 2006 alone. All six master agreements are scheduled to be renegotiated in the fall of 2006.

These accomplishments were achieved despite a concurrent 25.6 percent increase in procurement service workload, and without a corresponding rise in staffing resources as requested in the fall of 2005.

To sustain this progress, additional telecommunication procurement and communication services staff are essential. Cost of delays in re-competing, evaluating and awarding network services contracts far outweighs the costs of staff to prevent the delays.

The State lost nearly a decade of potential savings between 1994 and 2003/2004, paying 1994 prices for services procured nearly a decade later. Network services contract awards issued in 1994 were not replaced until 2003 and 2004.

New Contracts Increase Savings, Efficiency

New Router/Switch Contract Secures Product Discounts in Excess of 40 Percent

The state relies on more than 700 routers and more than 6,000 switches to provide connectivity to state facilities. In FY 2006, DOIT competitively bid and awarded a statewide contract for such equipment. The contract secured product discounts in excess of 40 percent and replaced three older contracts. It leveraged the State install base, resulting in increased functionality, lower costs, and improve management of the state network.

The new contract obviated the need for the state to exercise optional extensions of the three prior contracts, a practice DOIT seeks to minimize if not eliminate entirely wherever possible.

New Telephone Equipment Contracts in Process, To Replace 1994 Contract

In FY 2006, DOIT completed evaluation of a statewide RFP for purchase, installation, and maintenance of telephone, cabling, and peripheral. Systems to replace a contract that has been in place since 1994.

In FY 2006, 54 agencies spent \$4.02 million on such products and services.

The contract includes all equipment and services to provide voice, data, and video cabling; telephone and peripheral systems including voice mail, call accounting, and paging systems. The resultant contract will apply to over 600 state agency locations, and be available to municipalities and political subdivisions.

Expand In-Depth System Consulting

Case Study

Expanding In-Depth System Consulting Can Yield An Additional \$792,000 - \$2.02 million in Savings

DOIT is responsible for state telecommunication infrastructure planning and assisting state agencies in acquiring and implementing such systems and services (C.G.S. 4d-5).

DOIT has just three Telecommunication Technical Specialists (TTS's) to provide these services across an increasingly complex infrastructure spanning more than 600 locations and facilities across the state.

In addition to playing lead roles in telecommunication contract refresh teams, as detailed on the previous page, they manage agency projects, provide strategic advice and planning for telephone and network system needs, and identify and execute cost-saving measures

Savings and efficiency opportunities outnumber DOIT staff resources to pursue them. Each month, DOIT's TTS team carries an average of 74 active projects, receives eight new project requests, and has an average of 22 projects on backlog or on hold.

Four additional TTS's will expand examination and analysis of agency systems, and achieve significant project savings.

Optimization Projects Yield \$756,818 in Savings

In FY 2006, DOIT executed network optimization projects for 10 agencies, resulting in \$321,218 in ongoing annual savings.

The agencies, a mix of small (4), medium (3), and large (3), collectively employ 5,619. **Average savings per employee was \$57.16 per employee, per year.**

On the individual agency level, savings per employee range from \$38.69 to \$654.30 per employee per year.



Network optimization activities included

- Determination of Optimal System Configurations, Product and Services
- Identification of Excess Costs and Equipment
- Upgrading from Analog to Digital Services.

Identification and removal of an unused data circuit saved one small agency \$3,537 per year, or more than \$95 per employee.

In one medium-sized agency, savings realized from network optimization paid for the cost of their telephone system upgrade within nine months.



The TTS team also realized an additional **\$435,600** in ongoing, annual savings through negotiation of an extension of reduced rates from the existing network services contract to the **Connecticut Education Network.**

Increase Cost Saving Guidance, Simplifying Choices

Case Study

Additional FTE's Can Help Achieve Between \$462,478 and \$1.06 Million in Estimated Savings

Better management reporting tools, access to statistical data, and additional staff are essential to the regular dissemination of cost savings guidance and strategies to customer agencies.

Using existing and limited resources, DOIT's cost-savings guidance activities in FY 2006 yielded significant savings in the targeted areas of cellular phones and 411 cost reductions.

To expand on these successes, additional resources are required. They include replacement of the antiquated Telecommunication Billing Management System, which is limited in its ability to generate data necessary to conduct automated spending analyses to issue regular, customized recommendations to agencies.

Additional focus on and monitoring of telecommunication spending and trends would enable DOIT to devise additional tools and recommendations for lowering costs.

These activities are estimated to have the potential to achieve savings of between \$462,478 and \$1.06 Million per year – or between two and five percent of annual telecommunication spending.

Cell Phone, 4-1-1 Costs Targeted in 2006, Savings of Nearly \$800,000 Achieved



In FY 2006, DOIT worked with agencies to lower cellular telephone expenditures.

Communications and reminders were issued on the importance of moving low-volume cell phones to lower costs plans, or removing such phones from service altogether.

These efforts, combined with overall lower contract rates, yielded savings of more than **\$789,442** in FY 2006.

Of the 60 agencies for which DOIT has both FY 2005 and FY 2006 data, 41, or 68%, showed lower cellular phone costs than in FY 2005 as follows:

- Savings greater than \$100,000 – 2
- Savings between \$10,000 and \$40,000 – 10
- Savings between \$5,000 and \$10,000 – 4
- Savings between \$2,000 and \$5,000 – 10
- Savings less than \$2000 – 15

4-1-1 Costs Targeted, Costs Reduced 35 Percent

Since April 2005, DOIT began promoting the need to cut down on 4-1-1 calls. Aggressive outreach efforts and provision of alternative directory lookup resources online has resulted in a 38 percent decrease on average monthly calls to 4-1-1 and a 35 percent decrease in average monthly 4-1-1 costs.

Staffing Request

5 New Full Time Employees (FTE's)

- Four Telecommunication Technical Specialists \$435,162 (excludes fringes)
- One Purchasing Service Officer (PSO 1) \$ 71,321 (excludes fringes)

Total FTE Costs: \$ 506,483

These staff additions would augment existing staff and work specifically and facilitate the following objectives to achieve the following estimated savings in state telecommunication expenditures:

- Keep Contracts Current \$739,964.71
- Simplify Choices, Increasing Guidance for Agencies \$462,478 to \$1.06 million
- Expand In-Depth System Consulting \$792,000 to \$2.02 million

Estimated Gross Annual Savings: \$1,994,442 - \$3,919,964

Net Estimated Annual Savings to State: \$ 1,487,959 – \$3,413.481