

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
*Office of the Chief Technology Officer*



Fiscal Year 2016 Budget Oversight Hearing

Testimony of  
***Tegene Baharu***  
Acting Chief Technology Officer

Before the  
  
Committee Of The Whole  
  
Council of the District of Columbia

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Room 412  
John A. Wilson Building  
1350 Pennsylvania Avenue, NW  
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Good afternoon *Chairman Mendelson*, members and staff of the Committee of the Whole. I am Tegene Baharu, the Acting Chief Technology Officer for the District of Columbia. I am joined today by my colleagues Phil Peng, OCTO's Agency Fiscal Officer, and Tehsin Faruk, our Director of Strategic Investments. I am pleased to testify before you today on Mayor Bowser's fiscal year 2016 Budget, entitled "Pathways to the Middle Class". As Mayor Bowser recently testified before the Council, each agency plays a critical part in ensuring that District residents in all 8 Wards have the education, economic opportunity, public safety, neighborhoods, environment, and infrastructure they need to reach the middle class. OCTO's role in that strategy is to serve as the technical foundation for the District. OCTO does this by leading the strategy, deployment and management of technology for the District and its nearly 100 agencies. Mayor Bowser's fiscal year 2016 Budget submission will ensure that our agency and the entire government have the necessary staff and resources to help meet the administration's ambitious goals.

Achieving the critical objectives the Mayor has highlighted requires OCTO to support all District agencies, allowing them to focus on their core missions, ultimately creating pathways for the middle class. OCTO will focus on our mission to drive technology as we finalize and implement OCTO's strategic technology road map for the District. Under the Bowser administration, this strategy will create significant efficiencies through many initiatives including centralizing technology, aggregating and leveraging technology spend, and exploring new and nimble solutions, all aimed at driving efficiency and saving taxpayer dollars while strengthening our security posture. Now, I'd like to briefly describe our plans for the agency in the coming fiscal year.

Major OCTO Initiatives



OCTO's proposed FY 2016 budget underpins a technology roadmap designed to bring strategic investments in areas of smarter information technology delivery.

To set context for the budget, I would like to highlight a few of the many major initiatives OCTO will undertake in FY 2015 and into FY 2016:

OCTO is launching a technology innovation center "OCTOx" to pilot and solve for fresh start areas to include human services, public safety, and open government. This launch is in support of the Mayor's pathways to the middle class and vision for innovation. OCTOx will leverage industry best practices, private sector partnerships, and foster a culture of agency-centric design to support and drive technology innovation. The innovation center will be comprised of a nimble tiger team of technologists that will solve for the city's toughest challenges using quick-turn, agile methodologies to ensure rapid cost-effective deployment. Through this initiative OCTO will deliver private sector savvy yet cost effective solutions. The results are realized efficiencies, optimized processes, and clear financial value. Even in our early pre-launch phase, the technology innovation center has had several wins, one of which is the development and launch of an early warning system to detect challenges in city services based on open 311 data feeds. This near real-time solution provides unprecedented efficiency and targeted services for residents and associated District agencies like DPW. OCTO will drive a number of related innovative programs to include challenge.dc.gov to encourage an echo system approach to solving problems for District residents to include the civic and technology communities. Our technology innovation team will also lead efforts for OpenDC, revamping, and re-launching the District's portal for open data. The ability to drive and support the technology innovation center is



dependent on our FY 2016 budget remaining intact, which is nimbly designed to support critical on-going technology operations, for which a technology innovation center can be built on top of.

In addition to the technology innovation center, a few of OCTO's key FY 2016 initiatives include:

- Significant advancement in our security program to include the development of a threat assessment unit.
- The continuation of District-wide Data Center consolidation to achieve IT infrastructure consolidation and efficiency goals.
- The development and implementation of a Cloud-First, Virtualization-First strategy to offer next generation hosting services to District agencies; eliminating legacy systems and driving long-term technology advancements at a significant cost savings for the District.
- Setting a platform for consolidating and optimizing citywide IT operations through a range of activities including:
  - A policy overhaul.
  - Citywide CIO training and certification programs.
  - IT Spend dash-boarding.
  - On-going product development and aggressively competing and winning opportunities to in-source technology projects for the District.
  - IT standards development through an OCTO led Technology Review Board

The Technology Review Board is being piloted within OCTO and will be rolled out to 4-5 key agencies, and eventually will be leveraged citywide.



- Completing the build out of our citywide enterprise IT Software licensing and governance office within OCTO. This will ensure enterprise centralization and identify cost savings for the District through eliminating under utilized or unused licenses.
- The development of citywide performance tools such as our newly launched automated frontburner reports. OCTO's recently launched eFrontburners are providing the executive branch an electronic and citywide view of critical issues, projects, accomplishments and staffing needs. This new tool eliminates paper, printing and hours of productivity while affording District-wide transparency, accountability and efficiency.
- The technical support and enablement of critical programs in the Mayor's pathway to the middle class to include Affordable Housing through DCHousingSearch.org. OCTO will work collaboratively with appropriate agencies to coordinate on data input to proceed with implementation.

These initiatives are a small representation of a comprehensive technology roadmap. OCTO's short and long term initiatives are part of the required ongoing operational functions that OCTO's budget supports.

### Summary of the Proposed Operating Budget

Under the Mayor's proposed operating budget, OCTO's gross budget would increase from \$100.0 million in FY2015 to \$107.2 million in FY2016, a 7.2 percent growth. The budget includes:

- \$61.3 million in local funds.
- \$114,000 in federal grant funds.
- \$14.1 million in special purpose revenue funds, and;



- \$31.6 million in Intra-District funds.

OCTO's FY 2016 budget reflects the citywide theme of being effective, efficient, accountable and transparent.

### Local Budget

OCTO's FY 2016 proposed local budget is \$61.3 million, a \$5.0 million or 8.9 percent increase over its FY2015 approved budget of \$56.27 million.

There are five major factors that account for the proposed changes:

**1. Support for Mayoral initiatives** - The Agency's proposed budget includes \$500,000 to anchor the Mayor's commitment to innovation and bolstering Digital DC. \$400,000 of that is to fund personnel services and the remaining \$100,000 is to support contractual services. The funding will allow OCTO to launch and conservatively support the technology innovation center, OCTOx.

**2. Personnel services cost adjustments** - The proposed local budget includes \$1.3 million to account for cost of living, the transfer of an attorney from the Office of the Attorney General, and the reinstatement of a one-time salary lapse from the approved FY15 budget.

**3. Operating impact of capital** - The proposed local budget includes \$5.3 million to cover the operating impact of capital projects to account for the cost of staff, software licenses, equipment maintenance, and contractual services to maintain major capital improvement projects undertaken in the last several years. The following areas account for the allocation of the operating impact of capital:



- \$2.1 million or 39% for Citywide Application Modernization
- \$2 million or 38% for Information Communications Technology Modernization,  
and;
- \$1.2 million or 23% for Citywide IT Security Modernization

It is mission critical for the agency to continue supporting on-going maintenance in support of the significant technology investments that the City has been making over the last decade. This ensures OCTO can execute on its mission to continue to provide a ubiquitous, reliable and secure environment for the District.

**4. Technical adjustment for IT assessment** – An increase of \$1.97 million is proposed to cover increased costs associated with the citywide IT assessment program.

**5. Agency-wide cost saving initiatives** - The proposed local budget includes the result of an aggressive exercise, which resulted in the reduction of \$4.7 million from the original budget. OCTO reviewed our organizational structure and business processes and realigned resources to drive efficiency. Through this cost savings initiative OCTO eliminated 9 vacancies, saving the District \$1 million. Additionally, OCTO administered a combination of spending adjustments, renegotiated maintenance contracts, streamlined programs resulting in operational efficiencies totaling \$3.5 million. This is inline with the administration’s focus on efficiency and accountability.

#### Non-Local Budget

The agency’s proposed non-local funds would increase by \$2.0 million. The increase is due to new and expanded OCTO services. Expanding our services will continue to be a major OCTO focus and



in line with the agency's strategy to aggressively compete in order to bring additional independent and federal agencies into OCTO's portfolio.

As we explore cloud and virtualization options for the city, OCTO services and our intra-District funds will increase as the long-term technology spend for the city will decrease. This will be the result of decommissioning legacy systems and the investment in newer more nimble technology hosting and delivery options.

### Summary of the Proposed Capital Budget

Under the Mayor's proposed capital budget, two of OCTO's capital projects would receive funding for FY16. They are:

- \$6 million for the District of Columbia Government's New Data Center Build-Out and;
- \$1.3 million for the District of Columbia Government's City Wide IT Security program

According to Gartner, a 2015 multi-industry report highlights that technology organizations are investing a 9 percent year-over-year (YoY) increase in non-operational (capital) technology investments to meet the demands of innovation and strategic business alignment to gain long term success. This means that the average YoY technology budgets increase by 9 percent from 20 percent in 2014 to 29 percent in 2015. The study also confirms that our Mayor's vision for the role technology plays is in line with that of top performing leaders, who seek to drive innovation using technology, resulting in overall stronger business performance and long-term sustainability and efficiency.

In support of the Mayor's initiatives and budget, it is critical that OCTO not only maintains the existing critical technology infrastructure, but that we build a platform to initiate new capital initiatives in FY 2017 and beyond to enable long-term and large-scale return on investment. OCTO's ability to



reach beyond operational excellence and into a posture of innovative change can only be built on a platform that is going to deliver the necessary security and infrastructure requirements of an urban city with our unique density.

In conclusion the agency's proposed budget is structurally balanced and adequate to meet OCTO's increased service demand and will allow the agency to deliver the essential technology services in support of the District government.

I would now like to discuss the questions raised at the agency's performance oversight hearing for which follow-up was requested; 1) the Microsoft Settlement and 2) OCTO's term employees.

First, I'd like to address the Microsoft settlement. Our analysis of events leading to the Microsoft settlement led to significant improvements at OCTO and cost mitigations for the District. In 2014, when Microsoft exercised its "true-up" right and the audit yielded an initial liability estimate of \$8.8 million, OCTO took immediate action on several fronts. OCTO then named a new Software Licensing Director (SLD) who immediately cut off other agencies' ability to obtain licenses without OCTO's knowledge and approval. In collaboration with the OCTO General Counsel, the SLD conducted an in-depth analysis of the contract and the audit results and negotiated the liability down to \$5.489 million. Additionally, OCTO is piloting software that will permit us to conduct centralized software license management. These actions are not only corrective to prevent overages, but proactive - to audit, detect, aggregate and remove licenses that are not utilized, where the District could be owed millions of dollars.

Lastly, I'd like to discuss our term employees. OCTO has both intra-District and locally funded term employees. There are a number of reasons for this, to include OCTO's shared services model. Our model is a charge back model that ensures our nimble posture and that project specific employees



funded through other agencies are in flexible term positions to enable high performance and fiscal alignment to the appropriate agency program. The majority of our term employees are primarily in the areas of IT ServUS, Server Operations and DC-Net. The risk of losing project specific intra-District funding keeps our term employee base high. Under my leadership, in FY 2015, OCTO will undergo a comprehensive Human Capital Management exercise that looks to understand, and wherever possible, convert the maximum number of contract and locally funded term employees, in addition to ensuring we are reviewing and right-sizing contract employee functions and rates regularly. OCTO is however committed and inclusive of term employees ensuring they are challenged and supported in career development objectives through our performance management programs. OCTO also prides itself on the retention of all talent to include term, full time employees and contractors by providing a high-performance environment and access to cutting-edge technology on top of a diverse and thriving culture, one where an employee's status isn't evident.

The resources allocated to the agency in the Mayor's proposed fiscal year 2016 budget will be critical in achieving our mission and helping to grow and preserve the middle class. I have had the benefit of the council's support for the past 14 years during my OCTO tenure. Now as CTO, under the leadership and support of Mayor Bowser, and inline with higher-than-ever expectations of District agencies, residents, businesses and visitors, I am asking for your continued support. With your support OCTO can not only continue to operate efficiently and effectively, but ensure a path where OCTO can become an integral staple in innovation. Chairman Mendelson, staff and members of the Committee of the Whole, you have been key allies and we thank you for your time and consideration.

Thank you for the opportunity to testify today and I look forward to answering any questions the Committee may have at this time.

