

CLERK'S OFFICE  
**APPROVED**

Submitted by: Chairman of the Assembly at  
the Request of the Mayor  
Prepared by: Information Technology  
Department  
For Reading: May 11, 2010

Date: 5-25-10  
ANCHORAGE, ALASKA  
AR NO. 2010-151

A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING ONE MILLION NINE HUNDRED NINETY-TWO THOUSAND EIGHTY-FIVE DOLLARS (\$1,992,085) OF TAX-EXEMPT LEASE/PURCHASE AGREEMENT PROCEEDS TO THE INFORMATION TECHNOLOGY CAPITAL IMPROVEMENT PROGRAM (CIP) FUND (608), INFORMATION TECHNOLOGY DEPARTMENT, FOR TECHNOLOGY UPGRADES.

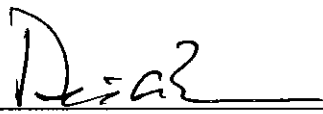
THE ANCHORAGE ASSEMBLY RESOLVES:

**Section 1.** That the sum of One Million Nine Hundred Ninety-Two Thousand Eighty -Five Dollars (\$1,992,085) is hereby appropriated to the Information Technology CIP Fund (608), Information Technology Department.

**Section 2.** That the source of funding will be one or more loans with a Tax-Exempt Lease/Purchase Agreement.

**Section 3.** That this resolution shall take effect immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this 25<sup>th</sup> day of May, 2010.

  
Chair

ATTEST:

  
Municipal Clerk

**Departmental Appropriation:**  
Information Technology                      \$1,992,085



# MUNICIPALITY OF ANCHORAGE

## Assembly Memorandum

No. AM 293-2010

**Meeting Date:** May 11, 2010

1 **FROM:** Mayor

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3 **SUBJECT:** A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE  
4 APPROPRIATING ONE MILLION NINE HUNDRED NINETY-TWO  
5 THOUSAND EIGHTY-FIVE DOLLARS (\$1,992,085) OF TAX-EXEMPT  
6 LEASE/PURCHASE AGREEMENT PROCEEDS TO THE INFORMATION  
7 TECHNOLOGY CAPITAL IMPROVEMENT PROGRAM (CIP) FUND (608),  
8 INFORMATION TECHNOLOGY (IT) DEPARTMENT, FOR  
9 TECHNOLOGY UPGRADES

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12 **BACKGROUND:** The Municipal Assembly passed A0 2008-5 authorizing a revolving  
13 Fifty Million Dollar (\$50,000,000) Tax-Exempt Lease/Purchase Agreement (Agreement)  
14 with KeyBank for the financing of various capital expenditures by the Municipality of  
15 Anchorage (MOA) on January 22, 2008. The purpose of the Agreement was to  
16 implement a cost effective financing alternative for the Municipality for the purchase of  
17 capital items, resulting in a more efficient use of Municipal funds. Tax-Exempt rates  
18 under the Agreement are expected to be less than the cost of funds for a tax-exempt  
19 bond issue. All draws or loans under the Agreement are subject to Assembly approval,  
20 regardless of the dollar amount. Alternatively, at the time of financing, the Public Finance  
21 and Investments Division and Purchasing Department will solicit other interested leasing  
22 entities for financing, based upon interest rate. The entity providing the lowest cost to the  
23 Municipality will be accepted.

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25 **CURRENT FINANCING:** The attached Assembly Resolution appropriates \$1,992,085 for  
26 three projects that, collectively, represent most of the capital project program for the IT  
27 Department for 2010. Projects are expected to be complete in the second quarter of  
28 2011.

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30 The attached resolution appropriates the lease proceeds to the Information Technology  
31 CIP Fund (608) and the IT Department.

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33 The IT Department has identified the following capital improvement projects that require  
34 financing under the Agreement and approval by the Municipal Assembly.  
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**INITIATIVES:****Data Center Consolidation \$984,942**

**Project Purpose:** To reduce the overall computer room floor space required by the MOA by consolidating hardware, software, and data resources through virtualization and data consolidation. The consolidation includes removing servers from four Server Room sites and placing them into the Data Center virtualization environment. Once completed, the IT footprint at the Data Center will be reduced to 1/5<sup>th</sup> the current size occupied. The remaining space will be utilized by a joint project between the MOA, other government agencies and the Anchorage School District to occupy and share the environment of the Data Center. This project fully virtualizes the current server environment supported by the IT Department and is part of the IT technology roadmap to reduce cost and provide reliable and more efficient services.

**Project Description:** Purchase of hardware and software, cabling and power to complete the virtualization environment at the Data Center (wiring, power and server racks for new virtualization hardware and repositioning for Data Center renovation). Virtualization and relocation of four current site server systems to the Data Center.

**Expected Savings:** Over the next three years, the savings due to virtualizing the server environment is estimated to be \$2 million. The Data Center consolidation will allow us to avoid \$500,000 in required facility upgrades at the distributed sites where we will be removing services. In addition, reducing our footprint in the Data Center provides the MOA with leasable space within the Data Center estimated to be a possible \$220,000 annual revenue stream.

**Lifecycle Management \$373,000**

**Project Purpose:** This project will update the network equipment at the Emergency Operations Center, IT desktop hardware and software, and voice (phone) network hardware that are extended past their intended lifecycle. The implementation will deploy a pilot desktop virtualization environment, and will deploy the new Voice-over-IP phone system at the Permit Center.

**Project Description:** Purchase of replacement network, phone and desktop hardware and software.

**Expected Savings:** By maintaining systems within a lifecycle plan, the MOA avoids productivity loss due to failures. With desktop virtualization, the MOA is targeting hardware savings of over \$1.2 million over the five-year lifecycle of all desktops. Investing in the VOIP system allows us to decommission the old phone system PBX's at City Hall and the Permit Center, avoiding the cost of required upgrades to those systems of over \$400,000 over the next four years.

**Enterprise Server Upgrades****\$634,143**

**Project Purpose:** Update a 15-year-old existing IBM Enterprise Server tape library to new technology, reducing space and power consumption, and add an archiving solution to reduce financial data under active management, improving overall system performance. This project will archive several years of financial system data.

**Project Description:** Purchase PeopleSoft Archiving Software and new Tape Library hardware and services for installation; removal and disposal of existing tape library.

**Expected Savings:** The Tape System will pay for itself in lower maintenance, tape and power costs in less than five years. PeopleSoft Archiving is essential to keeping the current financial system operating efficiently and to ensure the ability to restore MOA financial data from tape in a reasonable timeframe. It will pay for itself in four years based on operating efficiencies, CPU charges and hard disk costs.

**DEBT SERVICE:** The term of the lease agreement will be up to five years. The IT Department will use the full length of the agreement and will pay the debt service from their operating budget.

**PRIOR FINANCINGS:** Prior financings under the KeyBank Agreement aggregates \$3,852,798. The outstanding balance as of April 1, 2010 is \$2,661,651.

**PROCESS:** The Municipality will continue to follow through with all procurement requirements under Anchorage Municipal Code Title 7 for the purchase of capital assets financed under the Agreement.

**TERMS OF THE LEASE AGREEMENT:** The terms of the KeyBank Agreement include:

- 1) No escrow fees in the case where an escrow account is necessary;
- 2) Selected loans under the Agreement can be prepaid at any time;
- 3) No prepayment penalty for early payoff of any loan; and
- 4) The tax-exempt interest rate for each loan will be fixed for the life of the respective loan.

**BUDGET INFORMATION DETAIL:****REVENUE**

<u>Account Number</u>	<u>Description</u>	<u>Amount</u>
608-0743-BP2010	Inv in Plant – Oper Contrib	\$1,992,085
607-0770-BP2010	Unrestricted Net Assets	(\$1,992,085)

1 **EXPENDITURE**

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3	<u>Account Number</u>	<u>Description</u>	<u>Amount</u>
4	608-1470-1000-BP2010	Labor-Charged to Capital	\$ 120,902
5	608-1470-3101-BP2010	Professional Services	355,556
6	608-1470-3814-BP2010	Costs of Issuance	4,689
7	608-1470-5411-BP2010	Computer HW Purch>1000	934,504
8	608-1470-5412-BP2010	Computer SW Purch>1000	<u>576,434</u>
9		Total Expenditures	\$1,992,085

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11 THE ADMINISTRATION RECOMMENDS APPROVAL OF THE RESOLUTION  
 12 APPROPRIATING ONE MILLION NINE HUNDRED NINETY-TWO THOUSAND  
 13 EIGHTY-FIVE DOLLARS (\$1,992,085) OF TAX-EXEMPT LEASE/PURCHASE  
 14 AGREEMENT PROCEEDS TO THE INFORMATION TECHNOLOGY CIP FUND (608),  
 15 IT DEPARTMENT, FOR TECHNOLOGY UPGRADES.

16

17 Prepared by: Gail Turner, Acting Director, IT Department

18 Concur and Fund Certification: Lucinda Mahoney, CFO

19 607-0029-BP2010 \$1,992,085

20 (Lease Agreement Escrow)

21 Concur: George J. Vakalis, Municipal Manager

22 Respectfully submitted: Daniel A. Sullivan, Mayor

**Content ID:** 008935**Type:** AR\_FundsApprop - Funds Approp Resolution

A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING ONE MILLION NINE HUNDRED NINETY-TWO THOUSAND EIGHTY-FIVE DOLLARS (\$1,992,085) OF TAX-

**Title:** EXEMPT LEASE/PURCHASE AGREEMENT PROCEEDS TO THE INFORMATION TECHNOLOGY CAPITAL IMPROVEMENT PROGRAM (CIP) FUND (608), INFORMATION TECHNOLOGY DEPARTMENT, FOR TECHNOLOGY UPGRADES.**Author:** pruittns**Initiating Dept:** Finance**Date Prepared:** 4/16/10 9:25 AM**Director Name:** Lucinda Mahoney**Meeting Date:** 5/11/10**Public Hearing Date:** 5/25/10**Public Hearing Date:**

<b>Workflow Name</b>	<b>Action Date</b>	<b>Action</b>	<b>User</b>	<b>Security Group</b>	<b>Content ID</b>
Clerk_Admin_SubWorkflow	5/7/10 10:03 AM	Exit	Nina Pruitt	Public	008935
MuniManager_SubWorkflow	5/7/10 10:03 AM	Approve	Nina Pruitt	Public	008935
MuniManager_SubWorkflow	5/6/10 4:47 PM	Checkin	Nina Pruitt	Public	008935
OMB_SubWorkflow	5/6/10 4:35 PM	Approve	Cheryl Frasca	Public	008935
Finance_SubWorkflow	5/6/10 12:15 PM	Approve	David Ryan	Public	008935
FundsAppropWorkflow	5/6/10 11:09 AM	Checkin	Nina Pruitt	Public	008935
FundsAppropWorkflow	5/6/10 11:08 AM	Checkin	Nina Pruitt	Public	008935
OMB_SubWorkflow	5/6/10 10:48 AM	Reject	Marilyn T. Banzhaf	Public	008935
Finance_SubWorkflow	5/5/10 3:13 PM	Approve	Lucinda Mahoney	Public	008935
Finance_SubWorkflow	5/5/10 11:40 AM	Checkin	Nina Pruitt	Public	008935
Finance_SubWorkflow	5/5/10 8:33 AM	Checkin	Nina Pruitt	Public	008935
FundsAppropWorkflow	5/4/10 10:32 AM	Checkin	Nina Pruitt	Public	008935
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Finance_SubWorkflow	5/3/10 10:30 AM	Reject	Nina Pruitt	Public	008935
Finance_SubWorkflow	4/28/10 4:36 PM	Checkin	Nina Pruitt	Public	008935
Finance_SubWorkflow	4/16/10 9:50 AM	Checkin	Nina Pruitt	Public	008935
Finance_SubWorkflow	4/16/10 9:30 AM	Checkin	Nina Pruitt	Public	008935
FundsAppropWorkflow	4/16/10 9:29 AM	Checkin	Nina Pruitt	Public	008935