

DATA CENTER RELOCATION PROJECT OVERSIGHT REPORT FOR JULY THROUGH NOVEMBER 2009

CURRENT RISK RATING ▼ Attention is needed to address schedule and cost risks for decommissioning the prior data center site and completing the permanent secondary fiber line installation.



PROJECT DESCRIPTION

The Data Center Relocation Project will create a dedicated King County facility in leased space at the Sabey Data Center in Tukwila to replace the county's existing data center in the Seattle Metropolitan Tower (SMT). The new facility will house approximately 50% of the county's data network systems, with room for expansion. The Facilities Management Division (FMD) and the Office of Information Resources Management (OIRM) are managing project delivery. Build-to-suit, design-build, time and materials, and county-force delivery methods are being used.

PROJECT STATUS ● = No Current Concerns ▼ = Attention Needed ◆ = Corrective Action Needed

● **SCOPE**

The baseline scope includes: construction of 7,500 square feet (sf) of data center space, 580 sf of storage, and 3,982 sf of office space; installation of redundant fiber lines connecting to the county's wide area network core in downtown Seattle; installation of new or relocated IT network equipment; and data center staff relocation. The office space was removed from scope prior to construction to save \$1,322,318 in rent over the life of the lease

▼ **SCHEDULE*** (*See "Issues and Risk" section below)

<u>Milestone</u>	<u>Approved Schedule</u>	<u>Current Forecast</u>	<u>Comment</u>
Design	11/21/08	Complete	Completed on schedule
Construction	04/10/09	05/15/09	Actual date due to commissioning delay
Phased IT Equipment Installation	10/25/09	10/25/09	On schedule
Decommissioning SMT	12/15/09	12/22/09	Still under negotiation
Phased Fiber Line Installation	04/06/10	03/26/10	Permitting issues remain

▼ **BUDGET**

<u>Project</u>	<u>Budget Appropriations</u> ¹	<u>Expenditures thru 11/30/09</u> ²	<u>% of Budget Expended</u>	<u>Forecast Cost at Completion</u> ³	<u>Forecast Balance at Completion</u>
FMD	10,756,213	10,752,693	100%	10,756,213	0
OIRM	8,174,416	5,799,758	71%	8,174,417	0
Contingency	1,368,821	505,525	37%	1,368,821	0
Total	\$20,299,450	\$17,057,976	84%	\$20,299,450	\$0

Notes: 1 - Includes Ordinance 16638. 2 - Does not include encumbrances. 3 - Uncertainties exist.

▼ **ISSUES AND RISKS**

The cost to decommission the data center premises at SMT will be much higher than budgeted, requiring additional contingency fund use. Permitting delays and the use of a time and materials contract for installing the permanent secondary fiber line are creating schedule and budget risks. Certain labor and equipment costs are being paid for using funding sources outside of the capital improvement budget, and therefore are not reflected in the full cost of the capital project as currently reported.

For detailed information regarding this project, see the following pages.

January 15, 2010

King County Auditor's Office – Cheryle Broom, County Auditor

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Capital Projects Oversight Program – Tina Rogers, Manager

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INTRODUCTION

This is the tenth oversight report prepared for and submitted to council by the Capital Projects Oversight Program (CPO) on the status of the scope, schedule, budget, and risk for the Data Center Relocation project. We are reporting the risk level for the Data Center project as yellow, indicating that attention is needed to resolve schedule and budget issues.

Oversight of this project was added to the King County Auditor's Office (KCAO) work program under the Capital Projects Oversight (CPO) program in September 2008. Oversight is conducted through monthly meetings with the project team members from FMD and OIRM and representatives from the Office of Management and Budget (OMB). Information has also been obtained through site visits and direct contact with Data Center staff. We have provided two briefings regarding this project to council, the first to the Government Accountability and Oversight Committee on July 8, 2009, and the second to the Budget and Fiscal Management Committee on August 18, 2009.

PROJECT STATUS UPDATE

Scope

No new scope changes were considered during July - November. As mentioned in the December 2008 report, an amendment to the Data Center lease has been agreed to in principle with the landlord to remove 3,982 square feet (sf) of office space. This will result in \$1,322,318 in rent savings over the life of the lease but did not reduce the county's tenant improvement costs. The OIRM staff originally scheduled to occupy this office space utilized existing OIRM space in the Chinook Building instead. The remaining Data Center space, including workspace for the necessary on-site operators, was not altered by this scope change. The executive will notify council of the intent to modify the lease by separate letter.

Another scope change involves leasing a temporary AboveNet fiber line connection through the landlord for 12 months instead of nine months as originally planned. This connection is needed to provide redundant access to the county's wide area network (KCWAN) core in downtown Seattle while the installation of the county's permanent secondary KCWAN fiber line is being completed. A nine-month lease was anticipated when the project budget was developed; however, the minimum lease term available was 12 months. The additional three months required will cost \$ 536,089 and is being charged to the project contingency budget. A lease amendment has already been executed between the landlord and the county for this work.

Schedule

There were no schedule changes during July - November. All remaining server relocations were successfully completed on schedule during this time period and the mainframe data migration was accomplished without issue as scheduled on November 15, 2009.

The only schedule risk remaining concerns the permanent secondary fiber line installation, which is targeted for March 26, 2010, but has been facing permitting delays. This work remains uncertain, because the county had to change the planned installation path due to City of SeaTac restrictions regarding aboveground wiring. Because of SeaTac's restriction, the county and the City of Seattle decided last week to reroute the installation path to avoid SeaTac's jurisdiction, which means the county spent approximately \$20,000 on an aborted effort. Because the new path is wholly within King County's boundaries, the project team does not anticipate any permitting delays and without further unforeseen delays, they are confident that the March 26, 2010 target will still be met.

Budget

The project budget is \$ 20,299,450 as summarized below. Through November, the project expenditures total \$ 17,057,976, or approximately 84% of the current appropriation total. The current cost forecast for the Data Center project at completion is \$ 20,299,450, which assumes that all contingency funds will be used:

Project No.	Project Name	Project Scope	Appropriations To Date
395657	FMD Data Center Relocation	Tenant Improvements	\$10,756,213
377219	OIRM Data Center Relocation	IT Infrastructure, Networking Equipment Purchase and Relocation; Data Center Staff Relocation	\$ 8,174,416
377220	OIRM Data Center Contingency	Contingency Budget	\$ 1,368,821
Total			\$20,299,450

Several budget risks remain for the Data Center project. These are discussed in the "Issues and Risks" section below. The executive's supplemental funding request for 2009 already mentions that additional funding may be required to complete the permanent secondary fiber line installation work:

Issues and Risks

1. The Decommissioning Cost for SMT Will Exceed the Budgeted Amount

Summary: Although the project budget includes \$ 3,270 for the county's cost to restore the prior data center premises to their original condition per the lease, the actual cost will be significantly higher. The decommissioning budget was based on the landlord's original plan to continue using the premises as data center space, which meant only minimal restoration work would be necessary. Since then, the landlord has decided to use the data center as office space, which substantially increased the scope of work necessary to restore the premises, all of which the county is liable for. FMD's Real Estate Services section and the landlord have reached agreement on a revised scope

reducing the county's potential cost, but the price negotiation will not be completed until later this month. Additional use of contingency funds will be necessary and this has been approved by the project oversight committee. The county's monthly rental obligation officially ended on December 31, 2009 as planned.

Issue Status: Open. CPO staff will continue to monitor FMD's efforts to reduce the cost to decommission the SMT premises. We will include the final amount agreed to in our next report.

2. The Installation Schedule and Cost for the KCWAN Permanent Secondary Fiber Line Is Uncertain

Summary: The largest remaining work item for the Data Center project is for installing the KCWAN permanent secondary fiber line, which is scheduled for completion by March 26, 2010. The county has contracted with the City of Seattle for this work. As mentioned above, the county recently learned that the City of SeaTac will not allow aboveground wiring. Because of this, the project team decided last week to modify their installation pathway so that it is wholly within King County's boundaries. Because this means that permitting can be expedited, the project team is confident that they will still be able to meet the March 26, 2010 installation target. Should installation be delayed beyond April 2010, then the county will have to continue leasing a temporary secondary fiber line through the landlord. This will cost \$ 118,408 for each full or partial month installation is delayed, including a 3% escalation charge for the month-to-month contract involved.

The permanent secondary fiber line is being completed on a time and materials basis, which creates an inherent cost risk when there is no dollar cap. The project budget allows \$ 1,839,866 for this work, including \$ 459,966, or 25%, for contingency.

Due to the permitting delay and the cost uncertainties associated with unlimited time and materials contracts, the executive's July 15, 2009 request for 2009 supplemental funding mentioned that additional funds may be required during 2010 for the secondary fiber work.

Issue Status: Open. The project team is working closely with the City of Seattle to manage the installation schedule and they are confident that the installation target will be met. The KCWAN installation costs for the permanent fiber line came in less than anticipated in the project budget, giving the project team confidence that their estimate for the secondary line will be more than sufficient. CPO staff will continue to monitor the status of this work through project completion.

3. The Full Cost of the Data Center Relocation Will Be Difficult to Determine

Summary: Both FMD and OIRM have elected to charge certain project costs to operating or equipment funds rather than to this capital project. This will make it difficult to determine the actual cost of completing the Data Center Relocation effort:

- OIRM elected to exclude all labor costs for the "Data Center Program Relocation Program Manager" from the project budget because this person was an FTE already included in OIRM's operations budget. According to the December 16, 2008 funding release request submitted to the Project Review Board, these costs were estimated at \$ 300,269 over the life of the project. Excluding the relocation program manager, OIRM's budget for staff labor costs for this project is \$1,005,030, of which \$ 719,134 was expended through November 30, 2009.

- OIRM also elected to accelerate the scheduled replacement of the county's mainframe computer by several months instead of relocating the existing mainframe to the new data center location. This decision was made, based on the advice of the relocation consultant, to avoid the risk that the existing mainframe would be damaged during the move. OIRM elected to purchase a refurbished mainframe for approximately \$ 220,000 instead and to charge this cost to their equipment replacement budget. This decision was approved by the Project Review Board. In addition to avoiding the relocation risk, replacing the mainframe early minimized system downtime and offers an operational cost advantage since the refurbished mainframe is less costly to maintain than the older mainframe it replaced.
- FMD elected to exclude some project management costs from the capital project after final acceptance of the tenant improvements. These include the labor costs for the supervisory project manager accountable for the Data Center project. We do not believe these costs are significant since the supervisory project manager position does not play a direct role in managing the relocation effort. FMD also elected to stop charging the labor costs for the senior project manager assigned to the project beginning in May 2009, because their project management budget has been exceeded. Because FMD's role has largely been limited to project reporting since May, we do not believe these costs are significant.

Issue Status: Open. We are discussing these accounting practices with the project team and are encouraging their correction so that the full cost of completing the relocation effort is reported. At a minimum, we will attempt to capture these costs so that they can be included in our closeout report for the Data Center project.

RECOMMENDATIONS

We have one existing and one new recommendation regarding this project:

1. Schedule for Completing Permanent Secondary KCWAN Fiber Line (Existing)

We recommended in our June 2009 oversight report that the project teamwork more proactively with the City of Seattle to secure the Seattle City Light permits necessary to install the permanent KCWAN fiber line.

Status: The project team decided to completely change the installation path for the secondary fiber line last week after learning that the City of SeaTac will not permit above-ground wiring. Because the rerouted installation path is wholly within King County's boundaries, the project team is anticipating that the necessary permits will be expedited and all work will be completed on schedule. We are requesting that the project team provide an updated costs assessment for this pathway adjustment and a map indicating the new pathway to the auditor's office for our records.

2. Project Cost Accounting (New)

We recommend that the project team review all project costs charged to other funds for consistency with existing policies and procedures and report back to us. In the event that no changes to the project accounting are warranted, then we request that the project team provide a summary of all such costs so that we can include this information in a report of the total cost for completing the Data Center project.

ACKNOWLEDGEMENTS

We appreciate the collaborative efforts of FMD, OIRM, and OMB in providing for effective oversight of the Data Center Relocation project consistent with council intent. This report was prepared by a team from the King County Auditor's Office, including Ron Perry, Tina Rogers, and Tom Wood. Should you have questions or comments on the report, please contact Tom Wood, Capital Projects Oversight Analyst or Tina Rogers, Capital Projects Oversight Program Manager.

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