

DATA CENTER RELOCATION PROJECT OVERSIGHT REPORT FOR DECEMBER 2009 THROUGH MARCH 2010

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 percent 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 King County's wide area network (KCWAN) 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	11/12/08	Completed on schedule
Construction	04/10/09	05/15/09	Commissioning delay
Phased IT Equipment Installation	10/25/09	10/25/09	Completed on schedule
Phased Fiber Line Installation	04/06/10	04/26/10	Permitting delay
Decommissioning SMT	12/15/09	TBD*	See below*

* KC's rental obligation for SMT ended 12/31/09 when removal of IT infrastructure was completed. Cost negotiations with the landlord are continuing for removing mechanical and electrical systems.

▼ **BUDGET**

<u>Project</u>	<u>Budget Appropriations ¹</u>	<u>Expenditures thru 03/31/10 ²</u>	<u>% of Budget Expended</u>	<u>Forecast Cost at Completion ³</u>	<u>Forecast Balance at Completion</u>
FMD	10,756,213	10,752,693	100%	10,756,213	\$0
OIRM	8,174,416	6,420,118	79%	7,982,484	\$191,932
Contingency	1,368,821	804,830	59%	1,368,821	\$0
Total	\$20,299,450	\$17,977,641	89%	\$20,107,518	\$191,932

Notes: 1 - Includes Ordinance 16638. 2 - As reported in ARMS and IBIS accounting systems. 3 - Uncertainties exist.

▼ **ISSUES AND RISKS**

The cost to decommission the data center premises at SMT will be approximately \$190,000 higher than planned, requiring charges to the contingency project budget. Schedule and budget risks exist for installing the permanent secondary KCWAN fiber line because of a permitting delay. Certain labor and equipment costs are not included in the capital improvement budget; however, they are being tracked and approved by the Project Review Board (PRB).

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

April 22, 2010

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

The King County Auditor's Office was created in 1969 by the King County Home Rule Charter as an independent agency within the legislative branch of county government. Its mission is to promote and improve performance, accountability and transparency in King County government through conducting objective and independent audits and services.

Capital Projects Oversight Program – Tina Rogers, Manager

The Capital Projects Oversight Program (CPO) was established within the Auditor's Office by the Metropolitan King County Council through Ordinance 15652 in 2006. Its goal is to promote the delivery of capital projects in accordance with the council approved scope, schedule, and budget; and to provide timely and accurate capital project reporting.

CPO oversight reports are available on the Auditor's Website (www.kingcounty.gov/operations/auditor/reports) under the year of publication. Copies of reports can also be requested by mail at 516 Third Avenue, Rm. W-1033, Seattle, WA 98104, or by phone at 206-296-1655.

**ALTERNATIVE FORMATS AVAILABLE UPON REQUEST
CONTACT 206-296-1655 OR TTY 206-296-1024**

INTRODUCTION

This is the eleventh 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.

CPO oversight of this project was added to the King County Auditor's Office (KCAO) work 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. In addition to preparing written reports, we have provided two oral briefings to council regarding this project.

PROJECT STATUS UPDATE

Scope

No new scope changes have been considered since lease amendments were agreed to prior to construction. These amendments removed 3,982 square feet (sf) of office space from King County's premises and established a leased secondary KCWAN fiber line connection for 12 months pending completion of the permanent installation.

Schedule

There have been no schedule changes since the April 2009 report. The only schedule risk remaining concerns the permanent secondary fiber line installation, which was originally targeted for completion by April 6, 2010, but which is currently forecast for April 26, 2010. To avoid additional unanticipated project costs, this work must be completed by April 30, 2010 when the county's lease for the temporary secondary fiber line expires. As explained in the "Issues and Risk" section on the next page, the project team has developed a strategy to minimize the cost impact should installation of the permanent secondary fiber line be delayed beyond the lease expiration date.

Budget

The project budget is \$ 20,299,450 as summarized below. Through March 31, 2010, the project expenditures total \$ 17,977,641 or approximately 89 percent of the current appropriation total. The current cost forecast for the Data Center project at completion is \$ 20,107,518, which assumes that the entire contingency project budget will be used, with a \$ 191,932 balance remaining for the relocation project:

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

As summarized below, several budget issues or risks exist for the Data Center project. Based on the current forecast, these are not expected to cause the project to go over budget.

Issues and Risks

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

Summary: As reported previously, although the project budget includes \$ 3,270 for the county's cost to restore the prior data center premises to their original condition as required by 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. FMD's negotiation with the landlord is continuing, but they have already taken several steps to minimize the county's potential cost, including negotiating a reduced scope and obtaining independent bids for the work. The landlord has also agreed to let the county complete the restoration work ourselves if a mutually acceptable price is not reached. The county's monthly rental obligation officially ended on December 31, 2009 as planned.

Issue Status: CPO is continuing to monitor FMD's efforts to reduce the cost to decommission the SMT premises. Additional use of contingency funds will be necessary, and PRB authorized spending up to \$ 167,220 for this work during their January 20, 2010 meeting. As of March 2010, King County has been invoiced \$ 108,463 for the decommissioning work already completed by the landlord. We will include the final amount agreed to in a future oversight report once this information is available.

2. The Installation of the Permanent Secondary KCWAN Fiber Line Is Behind Schedule

Summary: The installation of the permanent secondary KCWAN fiber line was originally scheduled to be completed by April 6, 2010, but this has been delayed through April 26th. This work must be completed by April 30th when the county's Abovenet lease for the temporary secondary KCWAN fiber line will expire. The Abovenet lease can be extended on a month-to-month basis at a cost of \$ 117,000 for each full or partial month required. The project team has obtained approval from the executive's contingency review committee to spend up to \$ 120,000 to extend the Abovenet lease for an additional month if needed.

The installation of the permanent secondary fiber line is being completed under a time and materials contract with the City of Seattle, which creates an inherent cost risk because there is no dollar cap. The project budget allows \$ 1,839,866 for the permanent secondary KCWAN fiber line installation, including \$ 459,966, or 25 percent, for contingency. Thus far, the City of Seattle has billed the county \$ 418,074 for this work.

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

Issue Status: In order to avoid extending the lease, OIRM has identified a short-term secondary fiber alternative that they believe will cost approximately \$ 5,000 to implement should it be needed. Because we have not yet received any details, CPO cannot assess the adequacy or risk of OIRM's revised approach. We will evaluate once additional information becomes available.

The project team continues to monitor the City of Seattle's progress in meeting the installation schedule. The KCWAN installation costs for the primary fiber line came in less than estimated in the project budget, giving the project team confidence that their cost estimate for the permanent secondary fiber line will be sufficient. CPO will continue to monitor the status of the permanent secondary fiber line installation and the effectiveness of the project team's coordination efforts until all work is completed.

3. The Full Cost of the Data Center Relocation Will Be Included in the Closeout Report

Summary: As detailed in our last report, both FMD and OIRM are charging certain project support costs to operating budgets rather than to this capital project. These costs were not included in any of the budget requests for this project, although comparable support costs have been included in the budgets for other capital improvement projects.

Issue Status: Open. We have discussed project accounting with FMD and OMB and encouraged them to include all of the costs involved in completing a given project in the project budget. All operating costs (in kind) have been tracked and reported to PRB. We will capture these costs for the data center in our closeout report.

RECOMMENDATIONS

We have no new recommendations regarding this project. Our previous recommendations are provided below:

1. Schedule for Completing Permanent Secondary KCWAN Fiber Line

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

Status: Open. As stated in our last report, the project team had to modify the installation pathway for the permanent secondary fiber line after learning that the City of SeaTac would not permit above-ground wiring. The new pathway is completely within King County's boundaries, enabling above-ground wiring, but the installation schedule remains at risk. As explained in the "Issues and Risks" section above, the project team is working on an alternative to mitigate the cost of any schedule delay.

2. Project Cost Accounting

We recommended in our previous report 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, we requested 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.

Status: Open. The project team reported to us that the project costs we questioned are being charged to other funds consistent with existing policies and procedures. These costs are being reported in the "Data Center Monthly Monitoring Report" submitted to PRB. We plan on summarizing all such costs in our closeout report in order to provide a total view of the project expenditures.

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.

DISTRIBUTION

Government Accountability and Oversight Committee

cc: Metropolitan King County Councilmembers
Dow Constantine, King County Executive
David Martinez, County Chief Information Officer, Office of Information Resource Management
Caroline Whalen, County Administrative Officer, Department of Executive Services
Dwight Dively, Director, Office of Management and Budget
Tom Bristow, Chief of Staff, King County Council
Kathy Brown, Director, Facilities Management Division
Marilyn Cope, Principal Legislative Analyst, King County Council, Government Accountability and Oversight Committee
Mark Melroy, Senior Principal Legislative Analyst, King County Council, Budget and Fiscal Management Committee