

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

00-364

SYNOPSIS -

AGENDA:

AUGUST 7, 2000

SUBJECT:

AGREEMENT WITH
NETGOV, INC. TO
PROVIDE WEB-
ENABLED
SERVICES

Since January, 1998, the City's Web site has provided useful services to our citizens. The absence of transaction-based functionality and interactivity has limited that usefulness and, therefore, has led to a current effort to redesign the site. We continue to face the lack of staff with the skills required to develop transaction-based applications for the Web. The costs to have these applications developed by a contractor are substantial and funds are not available.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

NetGov, Inc. (Stephen Goldsmith, Executive Chairman, Chicago, IL) has proposed a public/private partnership that would allow the City to increase the effectiveness of the services offered to its citizens via the Internet at a very limited cost. This agreement will establish Des Moines as a test, or "beta", site for web applications developed by NetGov. In return for this service, the City of Des Moines may make these services available to its citizens at a substantially reduced cost.

SUBMITTED BY:

MICHAEL
ARMSTRONG
INFORMATION
TECHNOLOGY
DIRECTOR

FISCAL IMPACT -

Year 1: \$0
Year 2: \$37,500 (See pricing discussion below)
Year 3: \$37,500 (See pricing discussion below)

(Funding from Information Technology Operating Budget)

RECOMMENDATION -

Approval.

BACKGROUND -

During the past two years, a number of companies specializing in

certain web-enabling government functions have come into existence. These companies, commonly known as "e-gov", or electronic government, have become increasingly active during the past six months.

The most common model is to offer on-line collection of parking tickets, permit applications, tax collections, or other fee-based services to be funded by charging a "convenience fee" to the user. Most of these firms focus on collections with only minimal attention to other functions that promote electronic democracy.

There are a number of problems with the business models presented by most of these firms. Two of these problems are of particular concern:

1. Most of the firms active in this business have little or no experience in local government operations. They also tend to have very little understanding of the nature of government or of the wide range of services local governments provide.

2. Convenience fee funding is not a realistic model for the overwhelming majority of governments, including Des Moines. In fact, if pressed sufficiently, most e-gov firms will admit that convenience fee offerings are "loss leaders". Their ultimate business model is based on services funded by the governments after an initial period. Every firm that we have interviewed has specified an "evaluation" after the first year, with the e-gov firm having the option of discontinuing the service unless the government elects to subsidize the electronic services. This obviously places the subject government in the position of apparently reducing services or funding the applications as service enhancements.

Information Technology has interviewed most of the e-gov firms that are active nationally. Most of the firms we have spoken with have fallen short of what we feel is desirable for Des Moines. The City has a limited transaction volume and would find it difficult to enter an arrangement that we know would become much more expensive after the initial period. If we are to embrace electronic government, we should look beyond the collection of fees and fines to other functionality that would lead us to true electronic government.

One of the firms we interviewed has attributes that are missing from most of the e-gov firms. This company, NetGov, Inc., is led by Stephen Goldsmith, former two-time Mayor of Indianapolis.

Indianapolis has been a pioneer in interactive web applications. Goldsmith, during his tenure as Mayor, led the development of "IndyGov.Org", a municipal site which has won numerous awards and which remains the standard for on-line functionality.

This firm differs from others in a number of ways:

1. NetGov principals have substantial experience in leading Web development projects in a local government environment.
2. NetGov technical staff performed the actual development of "IndyGov" applications, thereby demonstrating the ability to rapidly develop and implement electronic government applications.
3. NetGov places strong emphasis on functionality other than payment transactions.
4. NetGov has expressed willingness to tailor applications to fit the specific requirements of Des Moines, rather than simply offering a standardized suite of applications. In fact, their Phase I offering includes only one payment module. NetGov is willing to do the development work required to connect hosted applications to the City's databases as those databases are implemented.
5. NetGov has developed, and has made available to us, a set of implementation technologies and processes that demonstrate understanding of the role of multiple stakeholders in City operations.

NetGov has proposed that Des Moines become a pilot or "beta" site for the NetGov "Citizen Suite" applications. With this program, Des Moines would help develop and test applications for NetGov. (In fact, NetGov would like Des Moines to be the very first city to implement these applications.) Des Moines would be designated a "Charter City" and would receive substantial cost advantages immediately and in the future. As a Charter City, Des Moines would incur no development and installation costs for the Citizen Suite applications, or for any applications that are added to that group in the future.

The initial set of applications that we would pilot include:

1. Citizen Complaint/Service Request form (to be linked to City's Customer Service System)

2. Events Calendar

3. Parking Ticket Payment (to be linked to City's parking ticket system)

4. "Narrowcasting". This feature would allow direct communication with citizens, via e-mail, based on criteria that the citizen provides. For example, if a citizen expresses interest in matters relating to Sherman Hill, any communication related to that topic, including Council materials could automatically be sent to that citizen via e-mail. This feature alone would seem to justify the cost of the service.

We would incur some costs, particularly after the first year. These costs would come in three areas:

1. Narrowcasting will be charged at \$.075 per message. This charge will be applied during the first year only if the number of messages sent exceeds 100,000. It will apply to all messages thereafter. The City can control these costs by judicious use of this function, including, if necessary, temporary suspension of the service to meet fiscal constraints.

2. A maintenance fee of \$30,000 will be charged during years two and three.

3. Custom development of interactive applications that are not a part of the Citizen Suite will be negotiated separately.

These costs may be reduced somewhat by sharing proceeds from convenience fees. While it is unlikely that convenience fee proceeds will be sufficient to completely offset these costs in the immediate future, the proposed agreement will provide a reasonable time to build usage and provide a revenue stream that could eventually make these applications self-supporting. These costs are substantially less than we would pay a local developer to Web-enable these functions or to hire someone with the skills required to do so.

I strongly recommend that the City of Des Moines enter into a development or "beta" agreement with NetGov to develop the Web-based capabilities discussed herein. I feel that the services provided by NetGov are distinct from those offered by other e-gov companies and that their business model is an appropriate fit for our requirements. NetGov's willingness to customize applications and provide functionality that is unique to the City of

Des Moines will avoid the disintermediation that weakens governance.

NetGov has expressed interest in working with a consortium of local governments and agencies. We have discussed this issue in the most general terms. There would be additional cost involved and that would be a matter for future negotiation.

NetGov offers to have the initial applications implemented and available for testing within 4-8 weeks of the contract date, with access provided to the public in not more than 90 days. I recommend that Council approve the proposed agreement and that implementation begin as quickly as possible.

Attachment