
INFORMATION TECHNOLOGY FINANCE
TASK FORCE REPORT

CITY OF MINNEAPOLIS
FEBRUARY 2, 2007

Background – Statement of the Problem

The demand for information services and technology solutions at the City of Minneapolis is increasing faster than the budget to support them.

The enterprise continually needs IT improvements that benefit the organization as a whole. These enterprise improvements include business intelligence, increased internet bandwidth, spam filtering, and Enterprise Information Management (EIM). Departmental business plans have identified hundreds of opportunities to improve efficiency and customer services. An overwhelming majority of these involve technology.

The BIS operating budget is funded from the Intergovernmental Services Fund, which receives revenues from cost allocations to departments and fees for service. Enterprise capital funds through the CLIC process help finance key new enterprise and department IT needs. City departments with new technology needs pay for them out of their operating budgets or grants on a “pay-as-you-go” basis.

During the late 1990’s and early 2000’s, the City made significant capital investments in IT through a Strategic Information Systems Plan (SISP). However, from 2004 to 2006, five-year capital funding levels previously approved for multi-year projects dropped by 67%, or \$9.7 million. As a result, departments are largely paying for IT projects with their operating funds.

In addition, BIS fixed-cost obligations increase at a higher rate than the budget. These obligations include maintenance contracts and software license fees to support enterprise and department business applications.

Currently there is no venue within the City’s structure to secure sustainable funding for new enterprise needs. As a result, the BIS operating budget, which is intended to fund the ongoing support of the City’s IT operation, is tapped to fund these improvements. This severely impacts the department’s ability to support existing business applications and infrastructure.

Recognizing that more collaborative and creative approaches are needed to address these issues, BIS invited department stakeholders and representatives from external organizations to join in forming an Information Technology Finance Task Force. The objective of the Task Force was to provide advice on creating a sustainable process for shared decision making and funding of IT enterprise needs.

Task Force Members

Pat Born, Chief Financial Officer, City of Minneapolis

Steve Cawley, Associate Vice President and CIO, University of Minnesota

Rocco Forte, Assistant City Coordinator/Director Regulatory Services

and Emergency Preparedness, City of Minneapolis

Bill Hoffman, Director, Public Policy and Government Relations,

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Dan Huberty, Executive Director, Solutions and Architecture – Data Centers, Unisys

Karl Kaiser, Assistant City Coordinator/CIO, City of Minneapolis

Thomas Somers, Senior Program Analyst, CenterPoint Energy

Mike Sowada, CEO, VISI/Digital North

Darin Zielsdorf, Business Banking Manager, Wells Fargo

Recommendations

Over the past five months, the Task Force developed recommendations for a sustainable funding model for technology at the City. It explored the issues, reviewed best practices research, and made recommendations that are focused on a governance structure that will enable more transparent, informed, and cost-effective decision making on IT investments and new tools for providing sustainable funding.

Recommendations by the Task Force are focused on three major interrelated areas: governance, funding, and planning. In brief, the Task Force recommendations are to:

- Establish an IT governance structure for the City.
- Create an IT strategic plan for the City.
- Improve funding models for IT enterprise projects.

The following describes in more detail the issues that the Task Force addressed, key success factors identified by the group, and their recommendations.

IT Governance

City department and enterprise leaders do not have a forum for building a shared direction for IT (Information Technology) and making informed decisions on major projects. In order to use IT resources effectively, these leaders need to reach consensus on important IT decisions that will have a significant short- and long-term impact on the City's ability to successfully execute its strategies.

BIS also needs a venue for gaining consensus from leaders on how IT costs should be funded. Without this venue, enterprise infrastructure improvements, such as increased internet bandwidth, have been funded out of the BIS operating budget. Since these costs are not part of the BIS operating budget, undue pressure is put on application and other support services that are included in the operating budget.

A strong IT governance model is a key differentiator between companies that get the most from their investments in IT and those that don't. IT governance is the act of making strategic decisions around IT investments, including how decisions are made, who makes the decisions, who is held accountable, and how the results are measured and monitored. Since most IT investments are really business investments with a technology component, joint accountability between IT and business executives is crucial.

An effective governance structure requires an active and effective IT executive committee comprised of business and IT executives from constituent organizations. The executive committee must consider important issues around IT investments and make decisions to approve or reject projects and changes not only within their respective business environments but also for the organization as a whole. These decisions must be based on well documented business cases and lessons learned from post-project implementation audits.

Key success factors for an IT governance structure

1. Clearly define charter and success criteria.
2. Create decision making groups with clear roles, responsibilities, and authority.
3. Prioritize projects based on solid business cases.

4. Make meaningful decisions on competing projects, including which projects are go and which are on hold.
5. Focus on big system/enterprise solutions and the potential for consolidation and shared services efforts between departments and other jurisdictions.
6. Review post-project implementation audits. Post-project audits should be completed to determine whether expected results are being achieved.
7. Oversee regular reporting on projects (long range perspective is needed).
8. Implement portfolio management to improve the support and use of enterprise applications and reduce redundant applications.

IT Governance Recommendation

Based on the discussions of the Finance Task Force, it is recommended that the City establish an IT governance structure with the mission to maximize the business value derived from IT investments while managing risk. The governance structure is organized in three tiers:

- Business Advisory Group: 5 to 10 division level business managers. This group is currently in place.
- Executive Committee: 5 voting members, including the City Coordinator as chair and four department heads. Non-voting members include the CIO and the Chief Financial Officer.
- Information Services (IS) Policy Working Group: City Council Members supported by the CIO and the City Coordinator.

These groups will be charged with responsibilities that are intended to enable a transparent and systematic decision making process:

- Business Advisory Group
 - Prioritize projects that meet size and scope thresholds and make recommendations to the Executive Committee on approval or rejection using strategic objectives set by the Executive Committee and business case guidelines
 - Identify and recommend to the Executive Committee opportunities for business process improvements and information technology integration, sharing, and consolidation between departments
 - Define and articulate IT requirements using department business cases
 - Inform and influence IT project and budget decisions made by departments
- Executive Committee
 - Review and approve the strategic technology plan
 - Recommend IT strategic priorities, policy, and spending levels to the Mayor and City Council
 - Review and approve major enterprise and department projects recommended by the Business Advisory Group
 - Prioritize IT capital requests to the Capital Long–Range Improvement Committee
 - Oversee the implementation of major projects and review post-project implementation audits
- IS Policy Working Group
 - Provide policy direction on IT enterprise initiatives such as eGovernment, Enterprise Information Management, and mobile computing
 - Refer major information technology investment requirements to City Council Committees
 - Review the results and recommendations from post-project implementation audits

IT Planning

It is essential that the City establish a strategic foundation for the IT governance structure to achieve its mission of maximizing the business value derived from IT investments while managing risk. BIS must take a leadership role in developing and using an IT strategic plan to guide departments in developing their long-term IT resource plans as part of their business plans. On an ongoing basis, annual department business plans and the BIS business plan should complement each other in achieving business plan objectives.

Key success factors for IT planning

1. BIS must take a leadership role in setting the future direction for information technology so that the City's IT governance structure can achieve its strategic priorities.
2. Using department business plans as a starting point, the City must develop an IT strategic plan for the city as a whole and all departments to use to guide technology projects over a five-year period.
3. In developing an IT strategic plan, take an enterprise view and assess specific strategies that will enhance provisioning of information services for the City. By leveraging this enterprise approach to utilizing the technology, the City and its constituents can maximize the value of the IT investments to ensure the most effective and efficient delivery of services through allocation of IT resources to the highest priority initiatives.
4. The IT strategic plan should be business driven with annual review and updating, thereby providing long-term direction while maintaining relevancy.
5. Use City-wide IT strategic planning as a foundation and driver for the annual business planning and budgeting process.

IT Planning Recommendation

- Create a strategic plan that articulates business driven IT strategies. The strategic plan should build upon and support department business plans. The IT strategic plan should address strategies in enterprise infrastructure, migration to shared services, business process management (BPM) to frame and automate work, eGovernment, business intelligence, mobile technology, outsourcing, security, and Enterprise Information Management (EIM).

IT Funding

Governance is an essential tool in smarter management of enterprise and department IT costs. The Task Force recommends that the City's governance structure explore and implement funding models that provide consistent and predictable funding to meet department and enterprise needs.

The Finance Task Force recommendations are not about spending more on IT but spending smarter. The success factors and recommendations that follow are intended to provide the City with a more rational decision-making structure for undertaking major projects as well as bridge the gap in funding for enterprise needs.

Key success factors for IT funding

1. Provide incentives for departments to come together on cross department projects. Savings could be passed along as rewards to departments.
2. Explore centralizing IT spending to better manage costs, reduce redundant efforts, and create a pool of funds for projects.
3. Value based decision making on spending levels is "valuable," helping governance, buying credibility, and raising important organizational questions.

4. Never lose sight of total number of projects and dollars. Never lose sight of what you have going on in relation to top priorities.
5. Benchmarking helps identify potential problems.
6. Valid procurement benchmarks could be used to ensure that vendors are supplying products and services at competitive prices.

IT Funding Recommendations

- Designate a share of the City's operating budget to the governance structure for prioritization and approval of enterprise and key department initiatives.
- Through the governance structure, obtain agreement with departments to share the cost of enterprise improvements similar to the "pay-as-you-go" project funding model.
- Encourage departments to reserve funds for replacements and upgrades that will be required to their business applications within five years.