



**THE DOLLARS AND SENSE  
OF GOVERNMENT IT**

**BY PHIL BERTOLINI  
AND LYNN SONKISS**

Governments vary in their use of technology, in part because of differences in their IT governance. There is some confusion about what the term means, but the GFOA publication, *IT Budgeting and Decision Making*, provides a clear definition: “A system of management processes and structures that help steer and define how an organization operates through rules of engagement.” To make a case for IT, government officials must identify the concrete goals that the technology can accomplish. IT leadership can then prioritize and manage those projects while assigning accountability to their team.

Oakland County, Michigan, has a number of core governance processes that help in developing a solid business case and stakeholder review. Many business cases start with a project charter, which Oakland County calls a scope and approach (S&A) document. Leadership groups of customers and partners from like government functions review the S&A and then authorize it for an IT cost estimate. Once the project cost is estimated and an anticipated ROI is calculated, the leadership group authorizes the project to move forward and assigns a prioritization ranking in the IT master plan. These documents create the business plan, which — with supporting facts and figures — significantly improves communications about project expectations. In Oakland County, technology business cases are directly tied to the IT strategic plan, ensuring that the projects further the overall mission of the organization. Since a successful technological project requires strategic planning, tying projects to this type of plan provides the proper vision to help make sense of the *why* and the potential significant investment in technology.

A core function of a mature IT organization is providing governance to manage technology initiatives effectively. A core component of IT governance is project and portfolio management (PPM). A number of practices inform PPM, but in its simplest form, PPM is the process and framework for managing the organization’s technology initiatives. This includes meeting with key stakeholders to understand their business and their needs; understanding the overall needs of the organization; creating a project charter and managing

the resources according to the charter; and assessing and mitigating risks. Understand that implementation is a business change effort; set clear goals, scope and expectations from the beginning, and track progress, results, and scope throughout the duration of the project. Control project scope and minimize disruptions by managing change.

## BUILDING THE IT BUDGET

The next step is building the technology budget. Organizations must determine how to best account for their individual operational and capital technology budgets and determine the funding model to be used; there is no one approach that fits all. That said, the most meaningful and beneficial IT budgets are based on solid IT strategic plans, prioritization of technology investments, and strong governance structures.

IT professionals need to provide documentation that can be validated to verify performance — a business case that outlines the project and the benefits versus cost, factoring in risks.

As identified in *IT Budgeting and Decision Making*, key questions need to be answered when planning and budgeting for technology infrastructure. Elements to consider include creating a clear definition or policy on what defines a capital project and determining whether a charge-back model will be used, how the capital replacement program will be funded, how new business applications will be funded, how projects will compete for available funding, how fiscal uncertainty might affect planned infrastructure investments, and whether outsourcing makes sense.

As identified in *IT Budgeting and Decision Making*, key questions need to be answered when planning and budgeting for technology infrastructure. Elements to consider include creating a clear definition or policy on what defines a capital project and determining whether a charge-back model will be used, how the capital replacement program will be funded, how new business applications will be funded, how projects will compete for available funding, how fiscal uncertainty might affect planned infrastructure investments, and whether outsourcing makes sense.

Budgeting for IT requires planning for both capital and operational components. Capital budgets should be based on the organization’s long-term strategic plan. Typically, capital budgets include projections for 5 to 10 years. The capital budget plan should be prioritized and identify the funding source for each project. Capital projects should not be undertaken until a funding source has been identified for both the capital/implementation costs and the ongoing operational costs. Funding options for technology projects can include one or more of the following: user rates, grants, general fund appropriations, partnerships, and debt. Capital budgets should be reviewed and updated frequently, especially given the fast-paced technological environment.

## The Key Attributes of a Mature IT Organization

- **The Government's Perception of IT.** The government's perception of the IT organization can make or break its efforts. The goal of all organizations should be to use technology at the level that benefits it the most. From providing basic services to enlisting the entire stakeholder community, perception is everything.
- **Governance/Leadership Structure.** Governance structure is also a building block for successful technology organizations. Determining whether the organization is decentralized or centralized affects overall operational needs, and mature technology teams are led by CIOs.
- **Customer Service.** Customer service is what technology organizations are all about. Without the customer, there are no technology needs. Surveying satisfaction is a must for a successful technology organization.
- **Sourcing Structure.** Many technology organizations have concerns about using outsourced services, but strategic sourcing is a method mature IT organizations use to supplement their skill sets to ensure success. A fear of outsourced services removes a valuable tool.
- **Project/Portfolio Management.** Managing the portfolio effectively gives IT an advantage in delivering transparent, cost-effective services to the business units of government. A lack of project management could create duplication of efforts and inefficient use of financial resources. The need for PPM is determined by the maturity of the IT organization; one size does not fit all.
- **Business Cases.** Well-developed business cases are necessary at all levels of technology organizations. Documented business cases create the foundation for the project, denote the outcomes and expectations, illustrate the ROI, and, most of, all delineate the benefits of a project to the organization as a whole. Weak business cases lead to poor results.
- **IT Budgeting.** Funding models for technology come in many different shapes and sizes. Some fund IT through their general funds and others use a chargeback method. Both methods are acceptable, but as an organization moves toward a charge-back model, it tends to be more mature and treat its relationship with its partners like that of a private-sector business. The most important factor is that the technology and finance teams work together.

Common cost components for technology projects include planning, hardware, software, training, and labor/installation. Larger or more complex projects may require the organization to hire outside expertise to help with the implementation and teach the organization how to operate and maintain the technology. The government might also need external resources to provide temporary staffing for routine duties, allowing staff to concentrate their efforts on specific project tasks. The importance of training cannot be overemphasized, although it is one of the most overlooked and underfunded components of IT. Training is necessary if the organization is to use its technology to the fullest degree. If users, including technical support staff, functional support staff and end users, are not properly trained, ROI is reduced and value to the organization as a whole is diminished.

Ideally, operational budgets should also be established for multiple years, or at least use a high-level forecasting model. Good budget development isn't something that happens once a year; it requires frequent review and updates. Oakland County finds that a "rolling" multi-year budget that is monitored and adjusted throughout the year results in a good decision-making environment. Common operational budget components include salary and benefits, professional services for supplemental staffing, software licensing and maintenance, hardware maintenance, routine upgrades, training, e-commerce costs, and network/cyber security.

Funding for technology requires careful consideration. As indicated above, some jurisdictions fund these projects from the general fund, and others use separate proprietary funds. Charge-back rate models vary from simple allocations based on a few key statistics (e.g., number of computers or number of service hours provided) to more complex rate scenarios that charge separately for multiple, more detailed, cost pools.







In either case, rates should include both direct and indirect/administrative overhead costs. If separate proprietary funds and charge-backs are used, they need to be easily understood so as not to discourage the use of technology. A simple but equitable rate model lends itself to a more efficient rate update process, compared with something more complicated. That said, given the constant innovations inherent to technology, the rate model must be reviewed and updated periodically to account for changes in cost pools or IT services delivered. And finally, the customers using the technology need to understand what goes into the rates. Considerable “behind the scenes” costs factor into technology rates, and they aren’t always readily apparent (e.g., network infrastructure and cyber security).

## CONCLUSIONS

Striving to be better at service delivery leads to successful outcomes. Technology has become an integral part of everything government does in providing service to its citizens, so governments must be able to understand why a technology is needed and how the project should be financed — this provides the foundation for successful services. Simply ask *why* before doing the *what*. ■

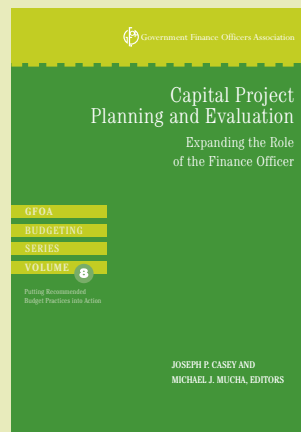
---

**PHIL BERTOLINI** is deputy county executive/chief information officer for Oakland County, Michigan. **LYNN SONKISS** is the county’s manager of fiscal services. The authors would like to thank L. Brooks Patterson, the county executive of Oakland County, for his sponsorship of county tech initiatives.

*This article references the GFOA publication, IT Budgeting and Decision Making: Maximizing Your Government’s Technology Investments, by Shayne Kavanagh and Phil Bertolini (Chicago: Government Finance Officers Association, 2009).*



Government Finance Officers Association



VOLUME

8

## A Budgeting Series Book

A well prepared capital budget is necessary for successfully planning, funding, and implementing capital projects, but the process of recognizing capital needs and the creation of a capital plan occurs long before the development of the annual budget. Finance officers have an opportunity to contribute valuable insight at all stages in the capital planning process and help local governments make capital project investments that align with long-term service goals, objectives, and strategies.

With *Capital Project Planning and Evaluation: Expanding the Role of the Finance Officer*, the GFOA takes a practical approach to capital project planning. Focusing on common essential projects for small and mid-size local governments, this eighth volume of the GFOA Budgeting Series provides finance officers enough information to become “educated consumers” of capital projects and to become active participants in the capital planning and evaluation process, including needs assessment, project planning, project evaluation, and project implementation.

order online  
@  
www.gfoa.org

GFOA Publications