



Privatization of ITS Infrastructure & Help Desk Services

Meeting the Demands of the City of Minneapolis

Introduction

Privatization is defined as the operation of a governmental function by a private company. This can mean contracting the operations of a governmental function to a private firm or selling the assets of a government organization to a private corporation. Privatization of IT services, such as those discussed in this document, has been a common trend within public sector organizations nationwide. During the past three years cities such as Chicago, Indianapolis, Tucson, and Memphis as well as state initiatives involving Texas, California, Connecticut, Delaware and others have implemented successful privatization efforts in outsourcing many of their ITS services. By 2002 it is projected that 60% of public sector organizations will outsource one or more of their ITS service areas.

Why Privatize IT Functions and Services?

A paradigm shift is taking place in the direction of information services within both private and public sector organizations. The shift involves a change in direction from a traditional focus on information technology to a focus on the delivery of information services. It is information management needs to be able to make business and management decisions. Information technology only provides a vehicle to store, transport and display information in the most expedient and secure fashion. Owning, installing and maintaining information technology assets can no longer be considered a "core business function" in the mix of information services provided by internal IS departments. This paradigm shift has resulted in privatizing, or outsourcing the so-called "break fix business" to private sector companies for whom this constitutes their primary and "core business". This, in turn, allows internal IS organizations to concentrate resources on becoming information brokers and to focus on the effective delivery of information services within the enterprise.

What is involved in the City of Minneapolis?

At present approximately 60%, or close to \$12 million per year, of the ITS operating budget is devoted to managing and maintaining the City's information technology, the "break fix business". This includes ITS' Information Technology Operations Division and Action Center, or help desk function. These functions currently provide 8X5 service, which is no longer adequate to support a 24X7 environment. Adding 24X7 support would involve an approximately 40% increase in annual operating costs. The operating costs include salaries of 29 FTE's and professional service expenditures for 19 contractors being used as staff augmentation. Also included are the costs for hardware and systems software maintenance, hardware and software leases and licensing fees.

Benefits

1. Cost Savings

Conservative estimates obtained from potential vendors and results achieved by other public sector organizations indicate that the City could potentially realize between \$2 to \$3 million annual savings through this initiative.



2. Cost Avoidance

Presently the City operates its IT infrastructure without a disaster recovery capability. We have one main data center facility that houses major and vital technology components. An alternate data center that would duplicate our main facility has been planned for many years, but no funding has been appropriated to implement this facility. It is estimated that the implementation cost is approximately \$4.5 million. This cost can be avoided through this initiative.

Our current data center facility is leased from the County. This lease expires at the end of 2005. The County has repeatedly asked for the space back and will not extend the lease. This requires a relocation of the data center to a not yet defined location. The cost for the relocation is estimated to be \$3.5 million, again a cost that can be avoided through outsourcing.

As mentioned previously, ITS support is currently offered on an 8X5 basis. There is great demand for 24X7 support, driven in part by the public safety departments (Police & Fire) and the City's e-government initiatives, which are moving more and more City services to the Internet. We estimate that ramping up to 24X7 service will add approximately 40% to the cost of staying in the "break fix business".

3. Additional Benefits

Technology and information access is becoming a way of life. ITS core competencies should be focussed on providing information, helping people improve the way they do business and how to use the technology resources they have available to them to accomplish their business objectives. A good analogy is that we all know we need and use electricity everyday, but just because we need and use it we don't have to own the power plant to be successful.

In a recent report by the Government Performance Project, it stated that one of the biggest single personnel problems for cities in the United States was a fast-growing shortage of trained technology workers.

Presently, we cannot hire the skill sets we need to run our operations at the current level of salaries. Because technology is such a dynamic environment, things are changing everyday. Our current training budgets can't keep up with the demand of technical skills and expertise that are required to provide services to our customers.

This dilemma has made it necessary to hire contractors to provide the services at a higher cost. Specifically, the present ITS staffing model for non-strategic technical services is at a 48% ratio of contractors.

As a deliverable and an outcome of an outsourcing contractual agreement:

- End-user customer satisfaction is increased as a result of the vendor providing 24X7 support and services that reinforce industry standard and high quality performance service levels



- Technology and business processes currently being utilized in the City shall be improved with the migration of the functions to the vendor
- Vendor will be responsible for cost containment, cost avoidance and currency of technology resources as a direct outcome of the contractual requirements
- ITS department productivity gains can be visible and realized as a direct result of 24X7 operating environment and transfer of non-strategic day to day support to the vendor
- The need to keep up with the latest in technology trends and the need for technology systems availability, scalability and increased network bandwidths will transfer out of the City to the vendor

The ITS Vision

The vision of the ITS department is to be a national leader by establishing a virtual City of Minneapolis that provides information and services to our citizens and constituents

*Wherever the information resides
Wherever the customer resides
Whenever the customer needs access
Without sacrificing security, functionality or quality services*

To accomplish this goal, the ITS organization needs to refocus and redefine its role and responsibilities away from managing technology to providing a higher level of strategic value to the business units within the City. As in the example of the power plant, technology companies know technology, it is their core business. Our core competencies will be focused on providing business analysis and information services to allow the City the best return on IS investments.

Conclusion

Gartner Group's research indicates that by 2003, 75 percent of IS organizations shall refocus their business direction and mission on brokering out day to day technical operations to technology experts. Organizations shall now concentrate on facilitating strategic business-driven opportunities through the utilization of technology resources.

It is my recommendation that ITS be directed to pursue the privatization, or outsourcing of its Technology Operations and Helpdesk functions described in this report.

Through outsourcing of non-core ITS competencies the following can be achieved:

- Annual operating cost savings of between \$2 to \$3 million
- Cost avoidance of cost involved in enhancing 8X5 to 24X7 support
- \$4.5 million cost avoidance involved in not having to install an alternate data center for disaster recovery
- \$3.5 million cost avoidance by eliminating the need to relocate the City's current data center at the end of the County lease for the centers space
- Improved "break fix" service levels
- Re-direction of ITS' focus away from technology on the delivery of business and information services