University of New Mexico

IT Cost Containment/ Process Improvement Initiative

Phase I:
Cost Containment Recommendations for FY12

Submitted to President David J. Schmidly
On March 1, 2011

by the

IT Cost Containment/ Process Improvement Team

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Preamble:
Objectives, Processes, and Principles

In December of 2010, Acting President Paul Roth formally commissioned the "IT Cost Containment/Process Improvement Initiative." Originally identified as one of the *Regents' Goals for the President for FY11*, Acting President Roth, in consultation with President Schmidly, determined that this initiative would be conducted as an offshoot activity of the President's Strategic Advisory Team, in coordination with UNM's Central IT office, and with Carolyn Thompson serving as process designer and facilitator. It was further determined that the first phase of the initiative would focus on identifying $2 million in IT cost savings to apply to the FY12 budget.

In consultation with EVP of Administration David Harris, the following parameters and assumptions were developed and given to the team to guide its work:

1. Savings could not involve simply offloading current expenses or costs to other departments.
2. Moneys already being saved due to departmental efforts could not be counted as part of the $2 million.
3. This could not be approached as a "capture" for reallocation, and must result in real savings.
4. Core services must be identified and preserved.
5. A parallel objective to saving $2 million would be to improve IT services throughout the University.
6. Due to the uniqueness of the hospital and patient care side of the University, UNMH would not be included in this initiative, and HSC in general may be excluded from certain elements.

These parameters were issued in addition to the budget guidelines that Acting President Roth announced in his Monday Morning Message to the campus community on November 15, 2010:

- *"There will be no further across the board cuts after the current 3.2% rescission.*
- *The process we will follow will be transparent, fair, and involve broad input and consensus building between administration, faculty, staff and students prior to the Regents adopting our budget plan – which will be widely distributed and discussed with all constituents.*
- *We will phase this program in over a three-year period,*
  and most importantly...
- *All final decisions will be driven by our values as a premier academic institution."*

The initiative was launched with an intensive three-day workshop in mid January, during which the Team members identified potential strategies for meeting this goal. Team members then spent several weeks conducting "due diligence" on the opportunities identified during the workshop to test and ensure that assumptions were viable and grounded by sound data.

It is important to note that during the time when the Team was conducting its due diligence work, Executive Leadership further asked the team to determine if savings beyond the $2 million might be

possible, given the potential that the budget shortfall for FY12 might reach as much as $28 million. The Team then redoubled its efforts to identify reductions and revenues that could meet this challenge, all the while remaining committed to doing as little harm as possible to the academic missions, as well as to the people whose work ensures that these missions are carried forth.

As UNM's Executive Leaders consider this report, the Team wants to point out that several of the recommendations involve *strategic* reductions to UNM's Central IT budget. The Team strongly believes that, should these recommendations be adopted, Central IT should not be subjected to further cuts to its budget for FY12.

The recommendations contained in this report are the result of the above-described directions, assumptions and processes, and are the culmination of six weeks of concentrated effort. The IT Cost Containment/Process Improvement Team presents these recommendations as a serious and strategic effort to assist in addressing the financial challenges being faced by our University. The Team looks forward to continuing its work over the next fiscal year, during Phase II of this initiative, to focus on improving IT services at the University of New Mexico.

Summary of Recommendations

Cost Containment/Revenue Generation Strategy	Overview	FY 12 Reduction Amount
Strategy #1 – Main campus purchases of computers and servers <$5k, computer hardware >$5k, and computer supplies	Negotiate greater purchasing discounts with vendors, further leveraging those discounts we already receive, and drive purchases through LoboMart. Then, a 10% surcharge will be placed on computer-related purchases from designated funding sources, which will be captured centrally. Direct cost increases to units will be mitigated by negotiated pricing reductions. Applies to Main Campus purchases on unrestricted accounts. Excludes HSC, Branches, and Agency accounts.	Computers & Servers: Central IT = $33,629 Main Campus = $252,371 Hardware: Central IT = $30,400 Main Campus = $129,600 Supplies: Central IT = $10,882 Main Campus = $115,118 **Total = $572,000**
Strategy #2 – Main Campus purchases of software	Similar to Strategy #1, the recommendation is to negotiate greater purchasing discounts with vendors on software, further leveraging those discounts we already receive, and drive purchases through LoboMart. Then, a 10% surcharge will be placed on purchases from designated funding sources, which will be captured centrally. Direct cost increases to units will be mitigated by negotiated pricing reductions. Applies to Main Campus purchases on unrestricted accounts. Excludes HSC, Branches and Agency accounts.	Central IT = $93,000 Main Campus = $97,000 **Total = $190,000**
Strategy #3 – Reduction of budgets allocated to IT-related training and travel	Reduce Central IT's training and travel budget – currently at $325,000 for FY11 – by $150,000 for FY12. Resources spent on IT-related training and travel by other units on Main Campus should also be carefully reviewed for possible reduction. A strategy for more effective coordination of IT-related training and travel should be developed during FY12 for implementation in FY13.	Central IT = $150,000 Main Campus TBD **Total = $150,000**
Strategy #4 – University-wide cell phone stipend program	Eliminate UNM-provided cell phones by moving to a stipend-only cell-phone program. This recommendation includes HSC and Branches.	**Total = $200,000**

Cost Containment/Revenue Generation Strategy	Overview	Amount
Strategy #5 – Reduction of Central IT dues and memberships	Reduce Central IT's line item for dues and memberships for FY12. Dues for National Lambda Rail of $350,000 should not be cut, due to connection to the research mission.	**Total = $25,000**
Strategy #6 – Reduction of Central IT "miscellaneous" expenses	Reduce Central IT's budget for miscellaneous expenses for FY12. Amount recommended correlates with the amount already set aside by the CIO for potential FY12 budget reductions.	**Total = $275,000**
Strategy #7 – Reduction of Central IT marketing budget	Reduce Central IT's budget for marketing for FY12. The recommended reduction would not include reducing staff.	**Total = $50,000**
Strategy #8 – Reduction of IT-related contract and professional services	Reduce both Central IT and Main Campus expenditures for external IT-related consulting and services (i.e. web design, application consulting and development, hosting). While a direct reduction to the Central IT budget can be made to accomplish a portion of this, it is important to note that capturing the savings from Main Campus will require additional due diligence.	Central IT = $75,000 Main Campus = $25,000 **Total = $100,000**
Strategy #9 – Reduction in Central IT and Main Campus IT staffing through attrition and more thorough evaluation of hiring pause exception requests	Identify and review all Central IT and Main Campus E-class jobs that become vacant during FY12. Savings will be achieved through decisions to hold certain positions open for longer periods of time; to redefine duties moving toward a service center model; or to not fill certain positions at all.	Central IT = $224,000 Main Campus = $176,000 **Total = $400,000**
Strategy #10 – Redeployment of Central IT revenue	Redeploy some Central IT-generated revenues to address UNM's budget shortfall for FY12. Central IT at UNM is defined as an "internal services organization," meaning that it has and generates revenue to cover operational and capital costs from both internal and external sources. Central IT would manage this redeployment with a commitment to protecting the IT services and functions that serve the core missions of the University.	**Total = $1,000,000**
Total Recommended IT-related Reductions for FY12		**$2,962,000**

Discoveries and Issues that Emerged During the Team's Process

As the Team conducted its "due diligence" work to determine the validity and efficacy of potential IT cost containment and revenue generation recommendations, several issues and concerns emerged. Some of the most important discoveries exceeded the scope of the immediate IT initiative. The Team believes that many of these issues are systemic in nature, and, when strategically addressed, will result in process improvements and efficiencies that will greatly improve the ability of the University of New Mexico to deliver its core missions.

Centralized versus decentralized models for IT:

- What is the right balance of centralized and decentralized IT management and service delivery for UNM? This critical question was raised repeatedly during the Team's work. Phase II of the IT Cost Containment/Process Improvement initiative must address this question through comprehensive exploration of different models and their potential advantages and consequences, and with broad involvement of constituents throughout the campus community.

IT roles and responsibilities are not clear:

- IT management and service delivery is extremely distributed across campus, leaving many questions about who is actually responsible for what.
- Lack of clarity also creates the possibility that many IT services are unnecessarily duplicated on campus.

HR policy and system constraints:

- UNM's current approach lacks some of the nimbleness required for a 21st century flagship research university.
- The current system does not effectively support moving staff to where needs exist and efficiencies can be gained in a timely manner.
- Reclassification of employees can take months.
- A number of staff currently in the E class are reportedly not actually doing IT-related work.
- UNM is not positioned to move quickly to address the need for hiring staff to fill emerging critical skills positions.

Accounting, coding, and budgeting practices:

- Determining how much UNM actually spends on IT is virtually impossible, given our current accounting, coding, and budgeting practices.
- UNM is in serious need of a strategic budgeting system that will allow for longer-term planning, rather than the historical practice of planning fiscally for one year at a time.

Renewal and replacement of computer hardware:

- To date, UNM has no budgeting strategy for the renewal and replacement of computers and other technology equipment.

- The recent practice has been to use salary savings and other “scraped together” funds to replace outdated or worn out computers.

Training and travel budgets and expenditures:

- There is currently no consistent process for coordinating IT-related training between units on campus.
- After a campus-wide review of line-item spending for travel and training, it appears that President Schmidly’s request for a pause on all non-essential travel has been responded to by some units but not by others.

Course fee policy:

- While UNM has a course fee policy that is intended to regulate what course fees can and cannot be used for, this does not appear to be consistently applied as it relates to paying for technology.
- UNM currently has numerous IT fees (course and curriculum) with minimal coordination.

Areas of Opportunity for FY13

As the Team was conducting "due diligence" on ways to reduce IT spending for FY12, several ideas for greater efficiency and service improvement emerged that could not be thoroughly explored, given the short time frame for meeting the initial cost savings objective. A brief overview of potential opportunities to be included in "Phase II" of the IT initiative is provided below.

Service Centers

As part of a continuing process of rationalizing IT personnel throughout the University to realize salary savings, yet maintain or expand service that meets the needs of faculty and students, the IT Cost Containment Team identified the creation of IT service centers as a possible option. Especially when IT personnel are so unevenly distributed throughout the main campus, and particularly in Academic Affairs, service centers offer great potential to improve availability of, and access to, valuable IT services that otherwise are isolated in other departments or units in the organization. With a relatively modest start-up expense, service centers could be designed and staffed as attrition occurs in current positions. Cost savings could be realized through economies of scale, specialization of skills, and enhanced service provision. The real challenge would be in acknowledging the savings where they occur (although they are all captured by the institution as a whole), and developing a process to strategically reallocate resources within the University to the service centers. An additional requirement would be greater flexibility of the HR division's practices to allow for creative and speedy reallocation of human resources.

FastInfo

The UNM campus is currently using a multitude of tools to manage and track various aspects of customer support and incident management for IT. These include products such as Peregrine, HEAT, and FastInfo. Each product was chosen at the time of its implementation for its ability to meet specific needs in the support environment, but there were very few connect points between the tools. At the end of 2010, University Hospital, Health Sciences Library and Informatics Center, and UNM IT collaborated to improve the overall approach to IT support management. The result was the adoption of the best practice Information Technology Infrastructure Library (ITIL) framework, and the selection of the Cherwell Service Management tool for cross-campus IT incident management.

Cherwell Service Management is on schedule to replace both Peregrine and HEAT in FY12, offering significant advantages that go well beyond the capabilities of the previous tools. Replacement of FastInfo is not part of the original scope of the Cherwell implementation due to gaps in the Cherwell product in areas such as a searchable database of questions and answers, as well as online chat support. Both of these areas are under development in the Cherwell product. This creates the potential opportunity to consolidate the function of FastInfo into the Cherwell product as early as FY13, and this potential is targeted for further review. UNM IT currently pays approximately $115,000 per year for the FastInfo product.

Time Keeping

Human Resources, Payroll, Finance, and IT have teamed up to explore the costs and benefits of an institution-wide time reporting solution at UNM to supplement the current Banner process. As an existing partner on campus supporting University Hospital, the Bookstore, and Physical Plant, Kronos Inc., a leader in workforce management solutions, was invited to work with UNM on a detailed study of our environment. The preliminary analysis was completed in December 2010, and the resulting Business Assessment Report points to significant opportunities for business process improvement, efficiencies, and financial savings.

UNM is continuing to work on further "due diligence" to determine if a solution such as Kronos could be institutionalized to benefit our campus community. If UNM determines it is appropriate to proceed with an automated time reporting solution, and if funding is identified, the associated benefits could begin to be realized as early as FY 13.

Web Conferencing to Reduce Number of Meetings

Reducing the time and expense of traveling to attend the multitude of meetings held to conduct important UNM business is an area of opportunity. The Team believes that exploration and adoption of web conferencing technology could result in significant savings, as well as other benefits, including:

- Reduction of the direct costs of travel, potentially including airfare, mileage, hotel, meals, etc.
- Increased productivity, gained by eliminating travel time that can then be spent doing other important work.
- Improved disaster recovery services.
- Better quality of employee family life.

Email, Messaging, and Calendaring

The IT Cost Containment team believes that a move to a common Email, messaging and calendaring platform by most UNM units will save UNM money, as well as address the competitive need to be more strategic with this technology. Toward these ends, Central IT's Email, Messaging and Calendaring Task Force (EMCTF) is in the process of selecting an industry leader that can help UNM strategically leverage messaging and calendaring/scheduling across our foundational technologies. One of the driving forces toward a more vital vendor is to keep up with mobility required by UNM's constituency groups, including students and patients. Central IT's Project Selection Core Team is in the process of quantifying savings. Potential savings are identified in the following areas:

- Cost of licensing, depending on product selection.
- Cost of disk storage, presuming that the bulk of our students, alumni and retirees are moved to a "cloud" solution.
- Costs to administer the systems.
  a) Account provisioning and de-provisioning, assuming distributed controls.
  b) Distribution lists and list serves can be more automated, especially across units.
- Efficiencies in everyday activities that would be created through "ease of doing business" across the University. Employees would have greater portability of skills enabling them to move more fluidly between departments and roles. Coordination of resources would also be enhanced, especially as faculty adopt the platform.

The Team wants to note, however, that academic units whose research focuses on these technologies may need to retain their curriculum-required systems. A process for determining exceptions should be developed.

Web Design and Related Services

"Due diligence" revealed that web design, website updating and maintenance, and related activities, are being conducted independently in units throughout the University. Often, this highly-distributed practice results in inconsistent – or no – application of University-approved graphic standards, and lesser-quality products. The IT Cost Containment Team also believes that a more coordinated approach could lead to cost savings, as well as quality improvement. "Phase II" of the IT Cost Containment/Process Improvement Initiative should include a more complete analysis of web design at UNM, leading to the creation and adoption of a more cost-effective and quality-driven model.

Detail of Recommendations

Strategy #1 – Main Campus Purchases of Computers and Servers <$5k, Computer Hardware >$5k, and Computer Supplies

Strategy Description:
The recommendation is to negotiate greater purchasing discounts with vendors, leverage discounts we already receive, and drive purchases through LoboMart. Then, a 10% surcharge will be placed on computer-related purchases from designated funding sources, which will be captured centrally. Direct cost increases to units will be mitigated by negotiated pricing reductions. This strategy applies to Main Campus purchases on unrestricted accounts only, excluding HSC, Branches, and Agency accounts.

Projected Savings:

Category	Main Campus Projection FY12	Central IT Projection FY12	Total FY12
Computer Supplies	$115,118	$10,882	$126,000
Computers and Servers < $5,000	$252,371	$33,629	$286,000
Computer Hardware > $5,000	$129,600	$30,400	$160,000

Approach:
Main-campus, non-contract and grant indices will be assessed a 10% surcharge on purchases of computer supplies, computers and servers <$5000, and computer hardware >$5,000. To help mitigate the impact of this surcharge, we will work to better communicate the availability of discounts that have been negotiated with vendors accessible through LoboMart. In addition, we are actively engaged in working with vendors on additional discounts that can be communicated to and passed along to departments. The recommendation includes consideration of phasing out the surcharge amount over the next 3 years, going from 10% in FY12, to 5% in FY13, to 2.5% in FY14, and finally ending in FY15.

Due Diligence Method:
The subcommittee assigned to investigate the potential savings in campus IT spending evaluated spending trends for computer supplies, computers and servers < $5,000, and computer hardware >$5,000, from FY08 to FY11, grouped at the college level. The Team used FY10 as the base year for determining the anticipated spending in FY12. To offset the financial impact to departments, information was gathered on campus discounts with major UNM computer and computer supply vendors. In addition, strategies were formulated and discussions have begun with vendors on approaches to obtaining further discounts. Additional “due diligence” has begun in the key area of managed print services as it relates to printer and toner cost savings potential. The Health Sciences Center and Branch Campuses, as well as Agencies, were removed from the calculation due to the request of the UNM President to be sensitive to the clinical mission of the HSC, as well as funding formula variations with the HSC, Branch Campuses and Agency accounts.

Potential Consequences/Concerns:

1. The increase in costs may deter departments from making non-critical IT purchases in FY12, at the same level of spending which was identified in FY10, which could result in the required funding level from the surcharge program not being achieved.
2. Failure to stay current with technology updates may impact the ability of mission-critical units to perform their duties at their fullest potential.
3. The 10% amount for the surcharge assumes that units around campus will take better advantage of the discounts UNM has already been able to negotiate with vendors, and that additional discounts can also be negotiated. If these assumptions do not prove true, then adopting this strategy will result in some cost shift to individual units.

Strategy #2 – Main Campus Purchases of Software

Strategy Description:
Strategy Description: Similar to Strategy #1, the recommendation is to negotiate greater purchasing discounts with vendors on software, leverage discounts we already receive, and drive purchases through LoboMart. Then, a 10% surcharge will be placed on purchases from designated funding sources, which will be captured centrally. Direct cost increases to units will be mitigated by negotiated pricing reductions. This strategy applies to Main Campus purchases on unrestricted accounts, excluding HSC, Branches and Agency accounts.

Projected Savings:

Category	Main Campus Projection FY12	Central IT Projection FY12	Total FY12
Computer Software	$93,000	$97,000	$190,000

Approach to the Strategy:
Main Campus, non-contract and grant indices will be assessed a 10% surcharge on purchases of software. To help mitigate the impact of this surcharge, we will work to better communicate the availability of discounts that have been negotiated with vendors. In addition, we are actively engaged in working with vendors on additional discounts that can be communicated to and passed along to departments. Finally, we will continue to review software purchases for duplication with existing software licenses purchased by UNM. The recommendation includes consideration of phasing out the surcharge amount over the next 3 years, going from 10% in FY12, to 5% in FY13, to 2.5% in FY14, and finally ending in FY15.

Due Diligence Method:
The subcommittee assigned to investigate the potential savings in campus IT spending evaluated spending trends for computer software, from FY08 to FY11, grouped at the college level. The Team used FY10 as the base year for determining the anticipated spending in FY12. To offset the financial impact to departments, information was gathered on campus discounts with major UNM software vendors. In addition, strategies were formulated and discussions have begun with vendors on approaches to obtaining additional discounts and to utilize existing software agreements to offset the need for other software purchases. The Health Sciences Center and Branch Campuses, as well as Agencies, were removed from the calculation due to the request of the UNM President to be sensitive to the clinical mission of the HSC, as well as funding formula variations with the HSC, Branch Campuses and Agency accounts.

Potential Consequences/Concerns:

1. The increase in costs may deter departments from making certain software purchases in FY12, which could result in the required funding level from the surcharge program not being achieved.

2. Failure to stay current with software updates may impact the ability of mission-critical units to perform their duties at fullest potential.
3. Failure to purchase software updates may create compliance issues with software licensing agreements.
4. The 10% amount for the surcharge assumes that units around campus will take better advantage of the discounts UNM has already been able to negotiate with vendors, and that additional discounts can also be negotiated. If these assumptions do not prove true, then adopting this strategy will result in some cost shift to individual units.

Strategy #3 – Reduction of Budgets Allocated to IT-related Training and Travel

Strategy Description:
The recommendation is to reduce the Central IT training and travel budget – currently at $325,000 for FY11 – by $150,000 for FY12. Resources spent on IT-related training and travel by other units on Main Campus should also be carefully reviewed for possible reduction. A strategy for more effective coordination of campus-wide IT-related training and travel should be developed during FY12 for implementation in FY13.

Projected Savings (recurring vs. one-time):
Central IT: $150,000 (non-recurring)
Main Campus to be Determined

Approach to the Strategy:
The savings are recommended as a one-time cut to the Central IT budget for travel and conference fees. In order to make these savings sustainable, the entire Main Campus could take a more conservative approach to travel. During FY11 and FY12, we recommend UNM explore implementing the new Banner Travel Module, centralizing purchases of air travel and reviewing best practices of other University travel programs and policies. For example, see the Indiana University website at http://www.indiana.edu/~travel/.

Due Diligence Method:
Large amounts of detail were reviewed from the Central IT actual expenditures for FY10 and the Team agreed the cut could be tolerated for one year only. The Team attempted to review the Main Campus-wide IT related training and travel, but the data were not specifically identifiable in the short time-frame of the IT Cost Containment initiative. The Team did review total travel expenditures by level 3 organization (College or VP level) for FY08, FY09 and FY10. The Main Campus total expenditures for travel and training, not specifically IT related, have decreased 10.85% from FY08 to FY09 and 9.72% from FY09 to FY10. Central IT travel decreased 2.84% and 6.07% respectively. (Specifics can be found in separate appendix document.)

Potential Consequences/Concerns:
Central IT Executives expressed the need of their staff to stay current in the rapidly moving technology environment and are concerned this strategy will reduce their ability to provide services and maintain functionality to campus. Additionally, Central IT staff may be at a disadvantage compared to non-Central IT staff and others on campus who participate in IT-related training, since this cut is initially only recommended to apply to Central IT.

Strategy #4 – University-Wide Cell Phone Stipend Program

Strategy Description:
As a potential cost-savings for the University, employees that require a cellular phone in order to perform their duties may, with approval of their Dean or Director, receive a monthly reimbursement from the University for business usage of their personal cell phone, within approved limits. Essentially, UNM would not issue cell phones to employees and would instead reimburse employees for business usage by issuing a monthly stipend of $30, $50 and $100 plans. The approved reimbursement amount must be justified by business requirements that necessitate the use of a cellular phone to perform official University business.

Projected Savings (recurring vs. one-time):
$200,000 total savings as follows:

Main Campus: $180,000 (recurring)
Central IT: $20,000 (recurring)

Approach to the Strategy:
UNM IT would no longer issue cell phones to employees for business usage. Each employee who has a need to carry a cell phone for UNM business reasons would be required to turn in their existing cell phone and set up a personal contract with a local cell phone provider. The employee with approval of their Dean or Director would participate in a "stipend program" to reimburse them for UNM business usage. Basically, UNM IT would get out of the business of issuing and administering cell phones and UNM employees who have a "business need" would enter into a personal contract with a local cell phone provider and get reimbursed.

Due Diligence Method:
A sub-group of experts, including staff from Financial Services and Central IT, assisted the Team to conduct due diligence on this strategy. The sub-group looked at all UNM-issued cell phone plans and related cost information, monthly spending by UNM Departments, and costs if UNM were to go to a stipend program using percentages based on actual usage data and average monthly minutes used. Also, procedures were presented based on the current "pilot" program that is ongoing in Financial Services.

Potential Consequences/Concerns:
Termination fees from our vendors may be assessed; therefore there may be transition costs related to the program. The cost model for Blackberry Enterprise Service could possibly change because UNM no longer receives the subsidized licensing from the vendors. Potential impacts will need to be assessed in regards to non-exempt employees on the stipend plan. For example, does this imply the employee is on-call if they get after hours calls on their cell phone resulting in overtime pay, etc. Most technical support for cell phones will no longer be available on campus to help integrate devices with email and calendaring.

Strategy #5 – Reduction of Central IT Dues and Memberships

Strategy Description:
Reduce spending on Central IT Dues and Subscriptions for FY12

Projected Savings (recurring vs. one-time):
Central IT: $25,000 (one time)
Campus IT: $0

Approach to the Strategy:
IT budgets were reviewed to identify opportunities for savings. The Team did not look at campus spending on IT-related dues and subscription. UNM's purchasing system does not track this data, and spending in departments for IT is fragmented into many budgets, rather than collected in a central departmental budget for IT.

Due Diligence Method:
The team reviewed all of the planned expenditures for dues and memberships in the Central IT budget. Of this, the largest expenditures were for membership fees associated with UNM's participation in the national research networks. This includes National Lambda Rail ($350K/year), Internet2 ($46.6K/year), and the Quilt ($16K/year). The Team deliberated the value of these memberships and drew conclusions. First, national high speed networking is core to our mission as a research university and therefore should be preserved. Second, the services we receive through these memberships enables UNM to sell services at the Albuquerque Gigapop, with estimated revenue at >$600K this coming year. Third, these memberships have helped drive down the cost of our commodity internet services from $19.50/mb to $5.00/mb.

Once these dollars were excluded, $36,000 was left in this category, of which IT agreed to cut $25,000.

Potential Consequences/Concerns:
Educause is a good example of IT's spending in this category. The consequence of reducing/eliminating spending for a membership of this type is that information on best practices would be harder to ascertain, and potentially lead to "reinventing the wheel" as technology changes. Staff has less opportunity to network with peers and gain insight and experience. Therefore, some improvement efforts will be less effective or slower. Additionally, Central IT staff may be at a disadvantage compared to non-Central IT staff and others on campus who have membership in IT-related professional organizations, since this cut is initially only recommended to apply to Central IT.

Strategy #6 – Reduction of Central IT "Miscellaneous" Expenses

Strategy Description:
Collect the reserve that Central IT has accumulated in anticipation of across the board cuts.

Projected Savings (recurring vs. one-time):
Central IT: $275,000 (one time)
Campus IT: $0

Approach to the Strategy:
Assuming that there will be no across the board cuts, this money is available to contribute to the target for reductions.

Due Diligence Method:
As many executives across the University have done, the CIO has "centralized" dollars that are effectively used as working capital to fund equipment "renewal and refresh" and other necessary hardware and software upgrades and purchases. Additionally, the CIO has been sweeping vacancy savings as attrition occurs in the organization. Part of these dollars had been moved to a reserve account that could be used for anticipated cuts. This balance is available, and represents $275K.

Potential Consequences/Concerns:
As with many units, the constant erosion of dollars to backfill personnel is taking its toll on remaining employees as they take on additional duties and work longer hours. IT will continue to absorb the cuts by protecting current operations and slowing down upgrades and projects as possible. It should be noted that if cuts beyond those recommended by the Team are passed along to Central IT, this unit does not have additional funds set aside to cover them.

Strategy #7 – Reduction of Central IT Marketing Budget

Strategy Description:
Decrease spending in the category of Planning and Communications for IT.

Projected Savings (recurring vs. one-time):
Central IT: $50,000 (one time)
Campus IT: $0 (one time)

Approach to the Strategy:
The CIO agreed to cut $50,000 in expenditures of the $315,275 budget in Planning and Communications.

Due Diligence Method:
Each budget line was identified and discussed. The major expense is for salaries, benefits and supplies for an IT Planner and a Communications Specialist. The investment in this area was made to increase IT's ability to plan and communicate across campus, which has been an historic criticism. While communication has improved, the question of affordability was debated. In the end, there was a preference to preserve jobs and to take a look at the other expenses in this function. About $87,000 of that balance was already reviewed by account codes for dues and marketing and travel/training, and about $185,000 for the two salaries. This leaves just under $50,000 which is used for materials and employee time related to student orientation, welcome back days, etc., for sponsoring Cyber-Infrastructure Day and Tech Days, as well as room rentals for meetings (IT Agents). The team concluded that it was appropriate to suspend activities for the year and use virtual means of communication. As a result, the CIO offered the balance of the funds in this category, or about $50,000.

Potential Consequences/Concerns:

1. Unless corporate sponsorship is obtained for certain events, these will be cancelled for this year, decreasing venue opportunity for faculty and IT support staff to present, share and plan their work resulting in less coordinated and less effective resource utilization.
2. Utilization of central assets could go down if the campus becomes less aware of offerings.
3. Communicating to campus about any outages or disruptions in IT services could diminish and become less effective. Closer partnering with and reliance upon UNM Communication and Marketing will be needed to ensure that this does not occur.
4. Central IT has determined that "Tech Days" that provide University-wide training will be canceled if this recommendation is adopted.

Strategy #8 – Reduction of IT-related Contract and Professional Services

Strategy Description:
Reduce spending on external contract and professional expenses.

Projected Savings (recurring vs. one-time)
Central IT: $75,000 (one-time)
Main Campus: $25,000 (one-time)

Approach to the Strategy:
Central IT identified $75,000 of one-time savings that could be reduced in FY12. It is believed that Main Campus IT professional expenses may include significant web consulting, both web design and content generation. For FY10, main campus expenses for web design functions were collected from the Spend compass Portal, which totaled $339,085. Given this report, it is recommended that $25,000 (7.4%) could be reduced from the overall campus FY12 budget with better coordination of web development efforts.

Due Diligence Method:
Contract and professional service expenses were extracted for fiscal years 2008, 2009, 2010, and 2011 (through 12/31/10) for central IT. For FY 2008, 2009, and 2010 these averaged $671,000. Account codes considered to be contract/professional services include 63T0 and 69Z0. Indices falling under Level 3 organizations AAB and ADJ were included, with exception of Banner ERP project indices. Only payments made to external vendors were included.

Potential Consequences/Concerns:
Central IT initiatives will be slowed down, either to wait for consulting dollars where specialized expertise is needed, or to wait for an employee's skills to build.

No strategy has been identified for capturing the $25,000 from Main Campus. Ideas for lowering the unit cost of web services include establishment of a web services center, issuing an RFP for a better price from a limited set of vendors who would comply with standards, and revisiting job descriptions and rates based on what kind of web work is performed. Spending for web consulting includes everything from technical support to aesthetic design (look and feel) to content generation (writing stories or generating visual images). It is not understood at this time how campus spending on web services is allocated among these activities, and it is not understood how many of these services could be provided less expensively within UNM.

Strategy #9 – Reduction of Central IT and Main Campus Staffing through Attrition and More Thorough Evaluation of Hiring Pause Exemption Requests

Strategy Description:
Reduce expenditures on IT personnel campus-wide by $400,000

Projected Savings (recurring vs. one-time):
Central IT: $224,000 (recurring)
Main Campus: $176,000 (recurring)

Approach to the Strategy:
The savings represent 2.58% of the total labor cost (excluding fringe) paid from unrestricted, non-F&A sources of $15.5 million on Main Campus, excluding HSC and Branches. The amount of $224,000 for Central IT represents 2.52% of its $8.9 million salary expense, and the amount of $176,000 for Main Campus represents 2.65% of its $6.6 million salary expense. There is an extremely uneven distribution of IT personnel throughout the non-IT level-3 units on Main Campus, and consequently these budget savings should not, and quite possibly could not, be achieved with across-the-boards cuts. The target savings can be achieved through attrition, understanding that attrition does not always occur in the areas that can best absorb the loss of staff and/or skills. It is crucial that appropriate processes be developed to review the current allocation of IT personnel in light of the unanswered questions about the most effective ways to deliver IT services, e.g. decentralized, centralized, or a combination. Personnel savings can be realized with flexibility to develop service centers, shared resources and accommodating HR policies for re-organization and re-classification.

Due Diligence Method:
All Level 3 Deans, Vice Presidents and Directors were contacted during the "due diligence" process and their input will continue to be critical when considering the development of this strategy as we move forward. There was a clear expression of their desire to maintain IT personnel in Level 3 units and sub-units, and the opinion that those people dedicated to the research and instructional missions of the University should be protected and possibly expanded in a future strategic reallocation of IT personnel resources. Finally, a review of salary expense data revealed an uneven distribution of IT personnel.

Potential Consequences/Concerns:
Personnel reductions, even through attrition, hold the potential to be damaging to the core instructional and research missions of the University, if they are not well planned. However, there appears to be potential for strategic reallocation of human resources to achieve the required salary savings. Further work must be done to assess the balance between localized service provision and centralized or regional provision.

Strategy #10 – Redeployment of Central IT Revenue

Strategy Description:
Central IT at UNM is defined as an "internal services organization," meaning that it has and generates revenue to cover operational and capital costs from both internal and external sources. The recommendation is to redeploy some of these Central IT-generated revenues to address UNM's budget shortfall for FY12. Central IT will manage this redeployment with a commitment to protecting the IT services and functions that serve the core missions of the University.

Projected Savings:

Central IT Projection FY12	Central IT Projection FY13	Central IT Projection FY14
$1,000,000	$500,000	$500,000

The $1,000,000 redeployment would be for FY12 only. Thereafter, $500,000 would be redeployed on an annual basis through FY14.

Approach to the Strategy:
Central IT is funded through a combination of established rates that are charged to internal and external customers for the delivery of specific services, in addition to a base funding allocation. The revenue generating services includes:

Storage and Backups	Engineering Services	Voice Services
Server Rack Co-location	Bandwidth Usage Fee	Intrusion Alarm Services
Virtual Hosting Services	Giga Pop Membership	Cabling Infrastructure installation
Hosted Windows Services	Network Port Fee	Classroom Tier 1&2 Support
Active Directory Migration	Branch Campus Support	Service Design
Data base Management	Web Migration Services	Work Station Management Services
Network Monitoring	Hardware Maintenance Services	Software Distribution

Revenues generated from these services are used to cover the cost of operations, payment of IT debt, equipment replenishment, startup cost recovery (i.e. Giga Pop), and support of IT strategic initiatives. Some of the recent strategic initiatives include the enterprise Microsoft licensing agreement, enterprise Symantec licensing agreement, enterprise applications support, and Branch Campus network standardization upgrade.

IT will redeploy $1,000,000 in FY12, and $500,000 in subsequent years, by rethinking the approach to delivering service to campus. In the near term, this will likely mean the restructuring of key service delivery components to improve efficiencies, slowing or deferring capital outlay for equipment and infrastructural replacement programs, and slowing or delaying planned strategic initiatives. Central IT will manage this redeployment with a commitment to protecting the IT services and functions that serve the core missions of the University. A change in rates for key services that are currently provided to campus is not planned to meet this commitment. IT is, however, committed to working with the

appropriate administrative offices on performing a long term assessment of the rate structure and funding methodology for providing core technology services to campus. IT is anticipating that a detailed analysis and rate recommendation will be complete in preparation for FY14 budgets.

Due Diligence Method:

In order to make a substantial contribution to the campus wide IT cost containment effort, IT completed a high-level analysis of revenue structure, service, and approach, as well as existing and planned financial commitments. A key component of IT's ability to meet this commitment is the final payment on certain debt service obligations that will be completed in FY12, and rethinking how IT can deliver on commitments that were planned with these funds in future years. Additional evaluation is required to identify the specific changes needed, but IT is committed to redeploying the identified dollars while minimizing the impact to campus.

Potential Consequences/Concerns:

1. Managed life extension of platforms and network equipment creates a greater risk for critical system failures.
2. IT strategic initiatives will be slowed down, and the benefit to campus will take longer to realize.
3. The slowing down of Branch Network and Platforms standardization will complicate institution-wide support approaches.

Concluding Thoughts

The IT Cost Containment/Process Improvement Team began work in mid January with the charge to identify $2 million in IT savings for FY12. As the severity of the potential reduction in state support to higher education became clearer during the legislative session, the Team was asked to strive to exceed the original objective. The Team did so, identifying a total of $2,962,000 in savings to recommend for consideration by UNM's Executive Leaders for the next fiscal year.

Achieving this objective was not an easy task. Team members, who were selected for their diversity of experience and knowledge, worked hard to understand one another's perspectives, explore opinions, seek data to support ideas, and ultimately to identify common ground. While differences of opinion certainly remain, they are in most cases better understood and respected in the spirit of collegiality and service to UNM's Core Missions. In the end, this was truly a team effort that has resulted in the crafting and submission of this report.

In closing, the members of the IT Cost Containment/Process Improvement Team would like to express appreciation to all of the members of the other task forces and teams who have been working so diligently over the past few months to find ways to address UNM's financial challenges. None of these efforts have been easy. However, if all of the struggle and challenge can somehow result in learning, collaboration, and a renewed sense of shared purpose, then the potential exists for the University of New Mexico to emerge from these financial difficulties as a stronger institution.

- Respectfully submitted by the IT Cost Containment/Process Improvement Team
  March 1, 2011

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