Northern Illinois University
Division of Information Technology

Fiscal 2016 Budget Submission: July 28, 2015
Executive Summary

The budget plan for the next fiscal year addresses a key theme inherent in any turnaround situation: the need to create the best value proposition by aggressively managing expenses and redeploying resources to areas that are institutional priorities.

Three years ago in FY12, the university engaged consultants to assist us in determining our actual and total cost of providing IT services. Their final estimate came to $31.3M annually, substantially more than any budget we've submitted from the central IT division. It is, however, a good approximation of what NIU has *actually* spent in FY12 and all succeeding years. Earlier this year, the Division of Information Technology (DoIT) engaged in a first-level approximation of what it costs to provide IT services and our own estimates came to $32.6M. (See Appendix I).

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Indeed, the Division has been trapped for years in a mismatch between income and expense: we have been encouraged and approved to submit unbalanced budgets where "budget" exceeds "expense" and "expense" exceeds "income." For example, our approved FY15 budget included planned income of $23.2M and planned expenditures of $28.8M: an approved, but negative balance of $5.5M.

By the end of FY15, we reduced headcount by $930K despite higher service volumes and the rollout of multiple new services. We also lost expected income because the Division of Finance stopped payment on $1.6M of committed funds. One could say we had performed admirably because we underspent our planned expenditures by $6M, but in actuality, we still overspent our planned FY15 income by $3.4M.

More troubling than the historical habit of submitting negative budgets is the institutional acceptance of dubious financial practices. These include the acceptance of prepayment for services, externalization of required funding sources, willful ignorance of our own internal cost bases, and a lack of visibility into our own finances.

Accounting for all of these factors, we will deplete our cash reserves by the end of FY16 if we remain in our current state.

In a world where our starting budgets are not balanced and where we externalize essential costs, DoIT has unrealistic revenue forecasts, relies on other units to fund our unplanned and often unannounced capital equipment refresh, perpetuates a contorted accounting structure that does not give managers a fair chance to manage a budget they can call their own, promulgates fictitious rate structures, and suffers inside a financial reporting environment that can be described as inadequate at best.

At the end of FY15, the Division has no refresh capacity for our enterprise PeopleSoft infrastructure, the central telephone switch, the wired network, the wireless network, high performance computing, multimedia production, or a disaster recovery environment. We are underfunded in refresh for institutional security controls, storage used by functional departments, storage used by enterprise systems such as PeopleSoft, backup systems and server environments. We have drawn down our reserves by $6M in the last three years and absorbed groups that are systematically underfunded by at least $510K/year. Accounting for all of these factors, we will deplete our cash reserves by the end of FY16 if we remain in our current state.

Yet there is hope.

DoIT has a plan that will address every issue listed above over time. The remainder of this document describes the actions needed to balance the DoIT budget.

The Division of Finance had previously set a pro forma $28.7M starting point for our FY16 planned expenses. Recognizing that this starting point only represents a fraction of the total cost of delivering central IT services, our budget proposal achieves a **13% reduction** down to $24.9M in these pro forma FY16 planned expenses. Moreover, we estimate $25.7M in FY16 planned income. The remainder of the costs that are present in our budget submission spreadsheets, but which are not in the pro forma figures, are described in sections below where we ask for reinstatement of central funding, relocation of salary expenses, and centralization of distributed IT expenses in a number of areas.

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For the first time, this budget addresses the structural imbalance between our income and expenses and begins to address the systematic underfunding of capital equipment. The unaddressed portion of capital refresh is baked into proposed rate models that would begin in FY17 and be annually reviewed by the Division of Finance.

This entire proposal is predicated on the presumption that the internal DoIT reorganization will happen nearly immediately. Without the new structure, it will be impossible to fulfill the internal needs of the Division while meeting the constraints of Finance and the expectations of this institution.

Thank you for the chance to submit this proposal. I am personally gratified to see a more rigorous financial approach and look forward to working with you to create an ongoing process for addressing unplanned expense or budget adjustments.

Respectfully,

Brett Coryell
Vice President for Information Technology and Chief Information Officer