

# State of Washington Agency Total Cost of IT Ownership Assessment

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Project Kickoff

Prepared for: State of Washington

**GARTNER CONSULTING**

Engagement: 330002417

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## Agenda

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- 8:00 – 9:00 Overview Presentation (project objectives and overview)
- 9:30 – 5:00 Breakout Sessions
  - Review ownership cost models, workbook data elements and definitions in sessions following this presentation
  - Choose one of two tracks for breakout sessions:
    - Applications
      - 9:30 – 12:00 Support & Maintenance
      - 12:00 – 1:00 Break
      - 1:00 – 3:00 Development Projects
      - 3:00 – 5:00 ERP Systems
    - Infrastructure
      - 9:30 – 10:30 Servers & Mainframe
      - 10:30 – 11:00 Storage
      - 11:00 – 12:00 Desktop
      - 12:00 – 1:00 Break
      - 1:00 – 2:00 Help Desk
      - 2:00 – 4:00 Data Networks
      - 4:00 – 4:30 Voice Services
  - We are repeating this exact program over the next two days.

## Objectives

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- OFM established the following engagement objectives using Gartner benchmark models and definitions:
  - Collect and report the total cost of ownership of IT for reporting agencies.
  - Compare reporting agencies' total cost of ownership, cost structure, and productivity levels.
  - Contrast the sum total of reporting agencies to similar organizations in terms of size and technical characteristics.
  - Identify areas of risk and opportunities for improvement.
  - Use these models to start tracking the impact of changes made to improve performance.

## Support for Agencies

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- OFM has been trained and will begin weekly “Office Hours” to assist as agencies research and complete workbooks.
- The support team from OFM includes Scott Bream, Larry Dzieza, Debbie Kendall and Loren Kylo. Your first point of contact is Karen Barrett.
- If necessary, OFM will escalate your questions to Gartner for clarification or guidance as you proceed. Write to: [tcohelp@ofm.wa.gov](mailto:tcohelp@ofm.wa.gov)
- Details about how to access this help are printed in your "**Get Started**" packet from OFM, and posted to a Web page set up for this engagement.
- Navigate to <http://ofm.wa.gov> and look under the “**What’s New**” banner.

## The TCO Assessment is a tool to help identify cost optimization opportunities

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### Database differences between average and best performers (*Gartner Cost Database*):

Overall	38% difference in cost
Mainframe	35% difference in cost per installed MIPS
Unix server	62% difference in cost per server
Wintel server	32% difference in cost per server
Storage	44% difference in cost per TB
Desktop	22% difference in cost per device
Help Desk	33% difference in cost per handled contact
Wide-Area Data Network	43% difference in cost per device
Local-Area Data Network	51% difference in cost per active port
Wide-Area Voice Network	27% difference in cost per minute
Voice Premise Technologies	34% difference in cost per active extension
Application Development	53% difference in cost per function point
Application Support	55% difference in cost per function point
SAP	45% difference in cost per named user and 36% per concurrent user

## Analysis Scope

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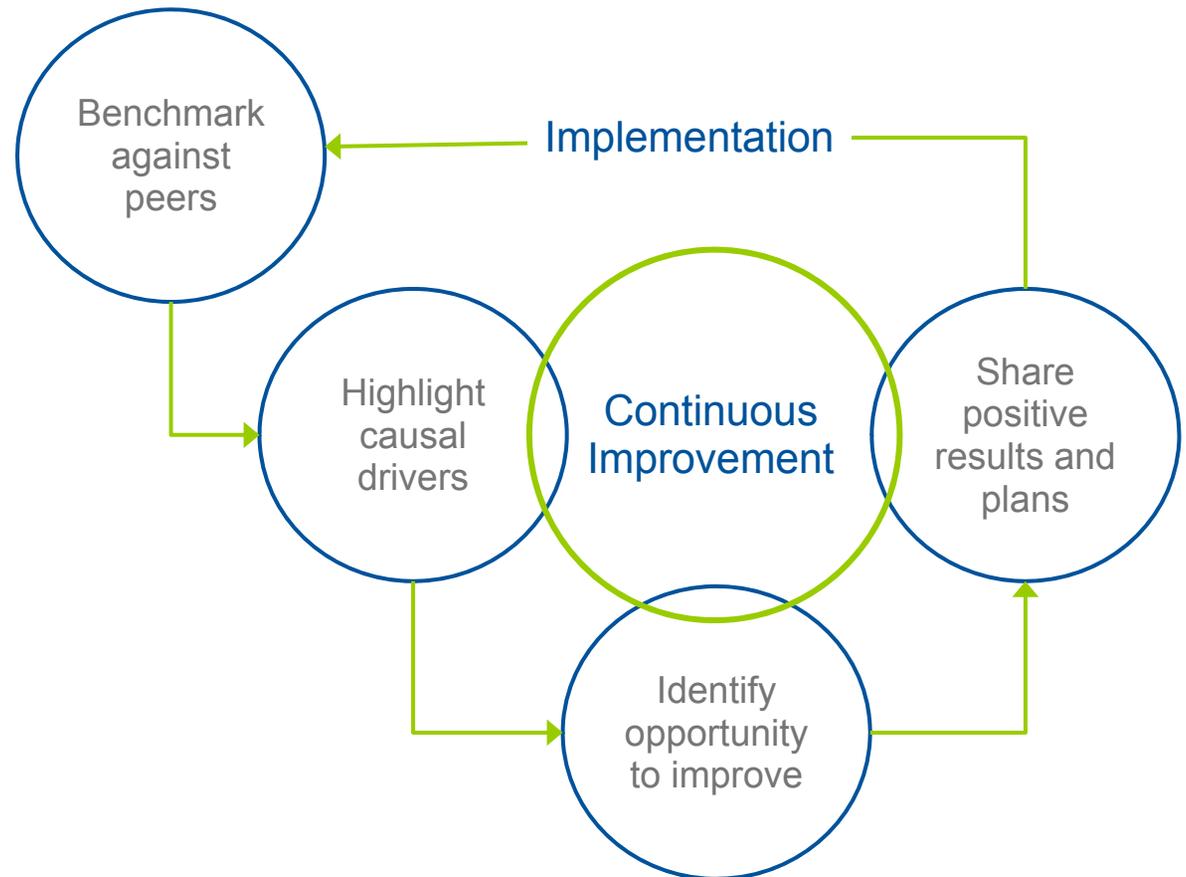
- The scope of this analysis is state-wide IT spending by 41 executive branch agencies
- Time frame for the study is fiscal year ended June 30, 2011
- Functional Areas within the scope of the analysis include:
  - Applications Development & Support
    - Application Development
    - Non-ERP Application Support
    - ERP Support (e.g., SAP, Oracle Financials, PeopleSoft)
  - Infrastructure
    - Mainframe Computing
    - Midrange Computing (Unix, Wintel, Linux and iSeries Servers)
    - Storage Management
    - Client and Peripherals (Desktop)
    - IT Help Desk
    - Data Networks (LAN, MAN, WAN and Internet Access)
    - Voice Services (Voice Premise and Wide Area Voice)

## Gartner Approach

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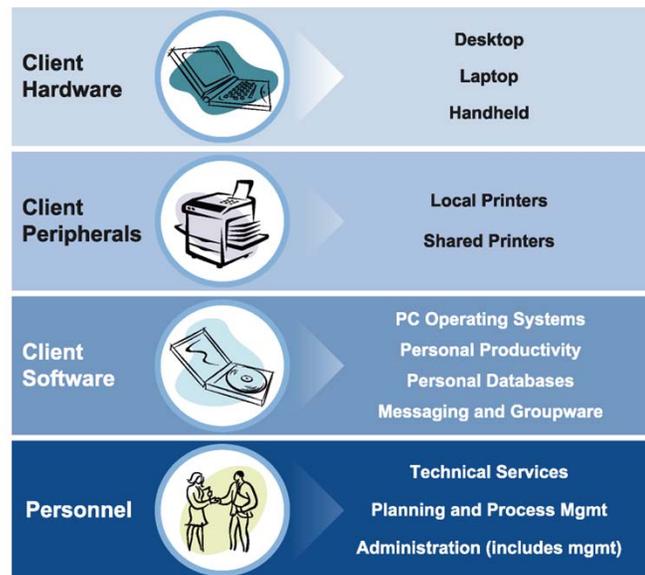
## Benchmarking Rationale

- Benchmarking against peers provides insight
- Causal drivers are highlighted for positive results and challenges
- Improvement opportunities are identified
- Following implementation, the environment is benchmarked again to evaluate results and identify the next round of opportunities



# Key Concepts of the Gartner Benchmarking Methodology –Consensus Models and consistent definitions of cost, labor and workload data elements

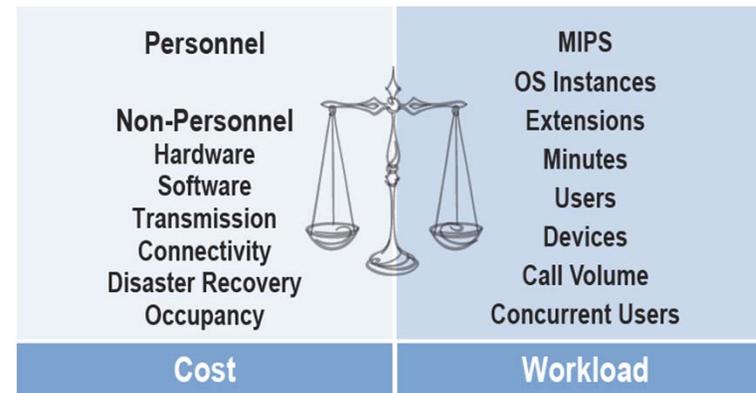
Adherence to “Consensus Models” ensures comparability



Sample model for Client & Peripherals

Consensus models define the costs and labor activities to include in each category, as well as the workload to report for each tower

“Workload” represents a provided service and is balanced with the cost and staff required to support that work



To compare total costs, an organization’s workload is multiplied by the peers’ average unit cost

$$\begin{array}{r}
 5,000 \\
 \times \$1,200 \\
 \hline
 \$6,000,000
 \end{array}$$

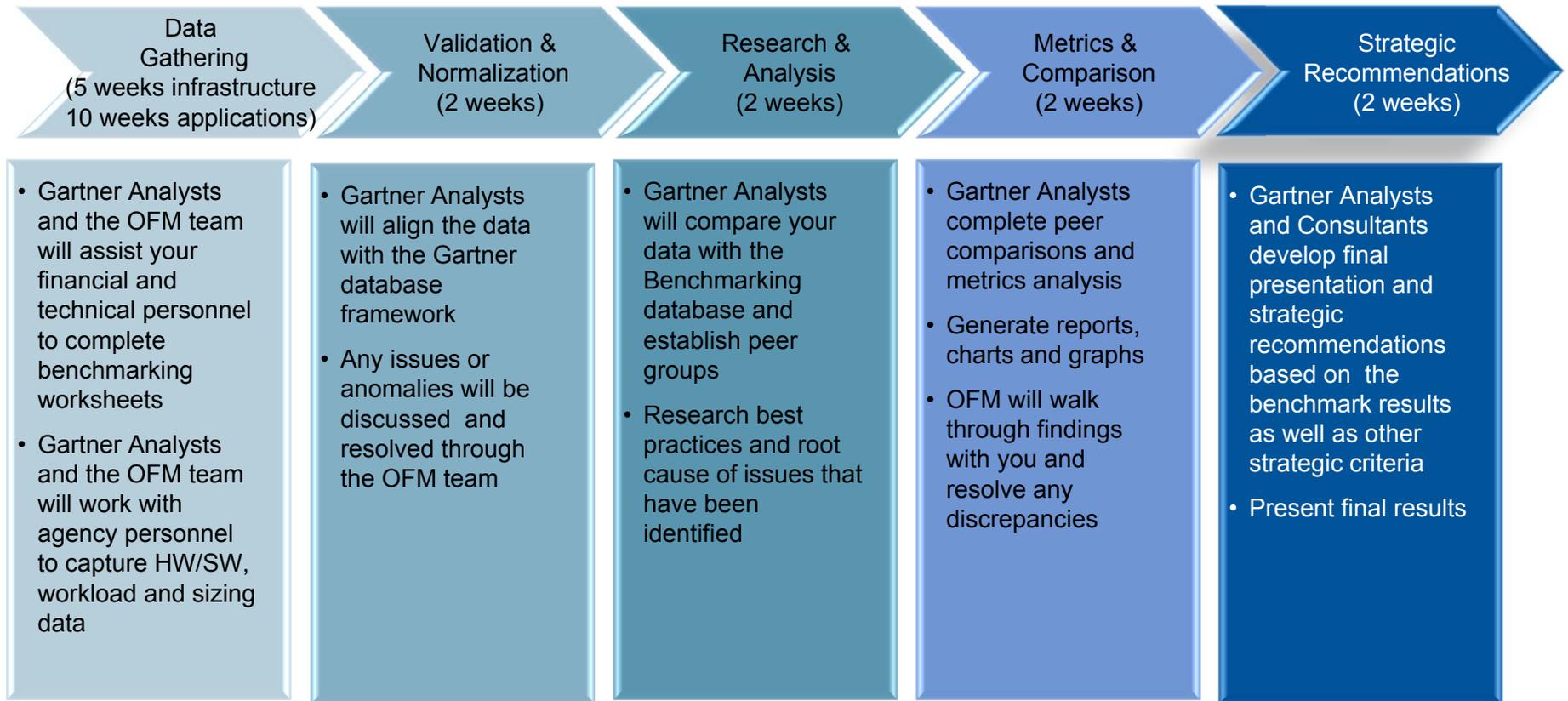
- ← The organization’s user count
- ← Peers’ average cost per device
- ← Peers’ cost for supporting the organization’s devices

# Key Concepts of the Gartner Benchmarking Methodology – Consensus Models and consistent definitions of cost, labor and workload data elements

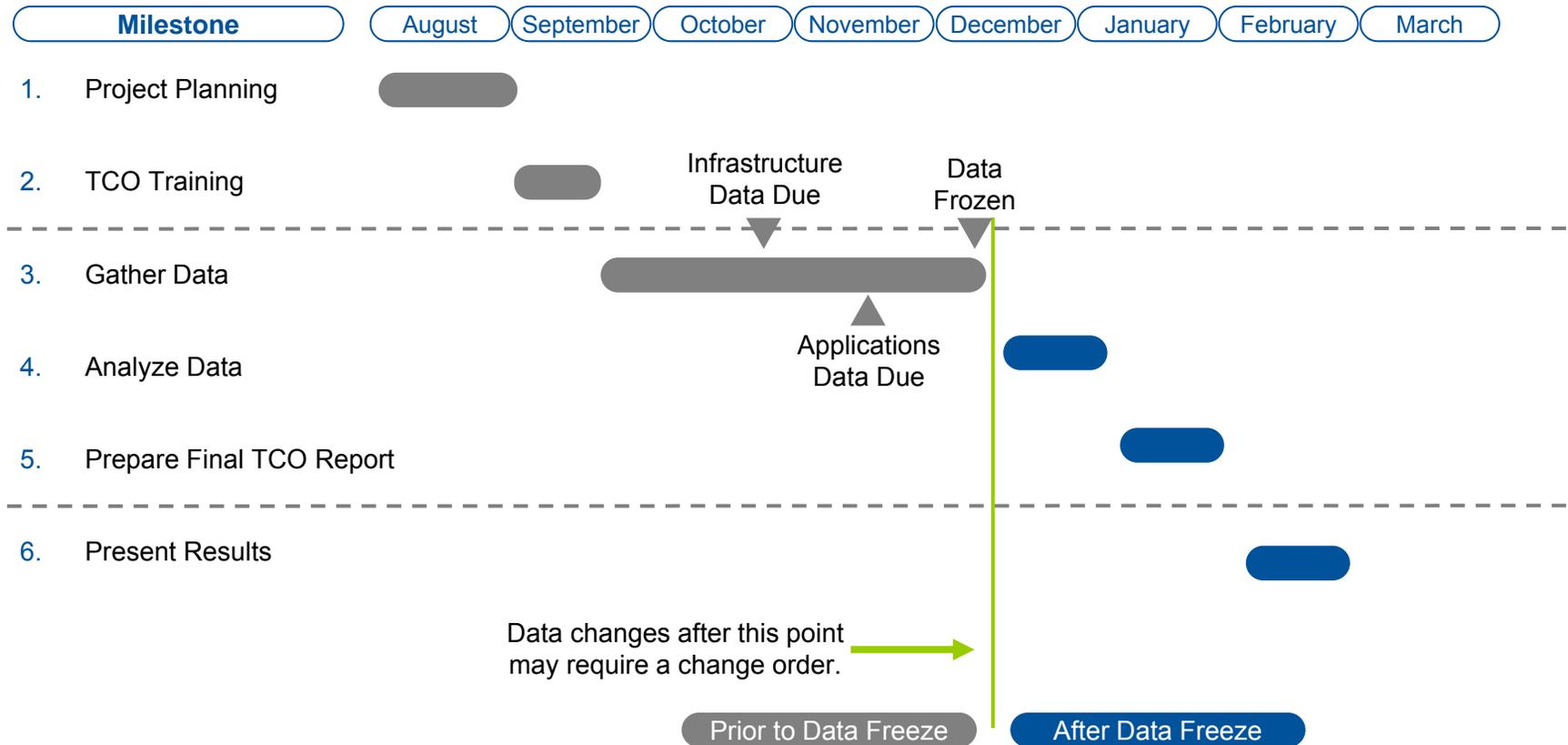
Gartner benchmarks rely on detailed financial and environmental data  
 Common definitions of data elements ensures accurate comparisons

	Servers & Storage	Network	End User Computing	Applications
Financial Data	<ul style="list-style-type: none"> <li>• Cost per OS Instance or terabyte</li> <li>• Cost distribution (hardware, software personnel, occupancy)</li> <li>• Cost per capita</li> <li>• DR Costs</li> </ul>	<ul style="list-style-type: none"> <li>• Cost per device, port, GB traffic, minute or extension</li> <li>• Cost distribution (hardware, software personnel, occupancy)</li> <li>• Cost per capita</li> </ul>	<ul style="list-style-type: none"> <li>• Cost per device</li> <li>• Cost per contact</li> <li>• Cost distribution (hardware, software personnel, occupancy)</li> <li>• Cost per capita</li> </ul>	<ul style="list-style-type: none"> <li>• Costs per unit of work (Function Point or Concurrent User)</li> <li>• Cost distribution (hardware, software personnel, occupancy)</li> <li>• Cost per capita</li> </ul>
Environmental Data	<ul style="list-style-type: none"> <li>• # servers and instances (by operating system)</li> <li>• Storage types and amounts</li> <li>• Vendors, models and configurations</li> <li>• Number of data centers</li> <li>• Service levels</li> </ul>	<ul style="list-style-type: none"> <li>• # sites and devices</li> <li>• Transmission volume</li> <li>• % shared resources</li> <li>• Service levels</li> </ul>	<ul style="list-style-type: none"> <li>• # end user devices and calls</li> <li>• Response times</li> <li>• Service levels</li> </ul>	<ul style="list-style-type: none"> <li>• Size of applications</li> <li>• Languages</li> <li>• Environment</li> <li>• Quality/defect rates</li> </ul>

# Gartner benchmarks follow a structured project plan to ensure data accuracy and comparability



## Key Milestones in Context



- Infrastructure data is due on Friday, 21 October
- Applications data is due on Friday, 18 November

## Peer groups form the basis for the analysis, and are selected based on the IT environment within each functional area (tower)

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- Independent peer groups are selected for each IT functional area based on state-wide workload and complexity (e.g., programming languages, server virtualization, PC:user ratios)
  - Geographic dispersion, service levels, density of personnel and other characteristics are weighed and are used in selecting the best peer match possible.
- The spending and support profile of each peer group is used to simulate what the comparative group would spend to support your workload. A composite model representing total IT spend in all areas included in the analysis is also created.
- Results are normally displayed in comparison with three peer group reference points:
  - Peer—Average: representing the average for the comparative group
  - Peer—Pctl\_25: representing the lowest quartile (most efficient) for the comparative group
  - Peer—Pctl\_75: representing the highest quartile (least efficient) for the comparative group
- Differences in spending and other metrics derived from the analysis provide insight into opportunities for increased cost efficiency and reduced risk.

## The selection criteria for peer group is specific to each IT functional area

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- Primary selection criteria for each environment includes:
  - Application Development
    - Number and size of development projects, languages and operating platforms
  - Application Support
    - Number applications, size of the applications portfolio, languages and operating platforms
  - ERP Application Support
    - Application (e.g., SAP, Oracle Financials), number of concurrent and named users, modules in production
  - Mainframe
    - Number of MIPS, type of MIPS (general purpose vs. specialty), number of data centers
  - Enterprise Computing (Wintel and UNIX)
    - Operating system, number of systems and OS instances, size of servers based on number of processors, number of data centers
  - Storage
    - Type of storage (SAN, DAS, NAS, etc.), amount of storage of each type, number of data centers

## The selection criteria for peer group is specific to each IT functional area (continued)

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- Primary selection criteria for each environment includes (continued):
  - Client & Peripheral support
    - Number of devices (desktops, laptops), users and sites supported, ratio of devices to users and percentage of laptops
  - IT Help Desk
    - Number of contacts, type of calls, number of users and sites supported
  - Wide Area Network
    - Number and geographical dispersion of sites, the number of devices with WAN connectivity, traffic volume, number and size of routers, geography
  - Local Area Network
    - Number of active and inactive ports, number of sites, number and size of switches
  - Internet Access
    - Amount of inbound and outbound traffic, number of sites with internet connectivity, geography
  - Voice Premise Technology (Local Voice Service)
    - Type of service (VoIP, PBX), number of extensions and sites, geography
  - Wide Area Voice Network (Long Distance Voice Service)
    - Number of inbound and outbound minutes, geography

## Sample Results – XYZ Corporation

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The following set of slides is a sample of the final output of the TCO assessment

## Sample Results of the TCO Assessment Executive Summary – Peer Demographics

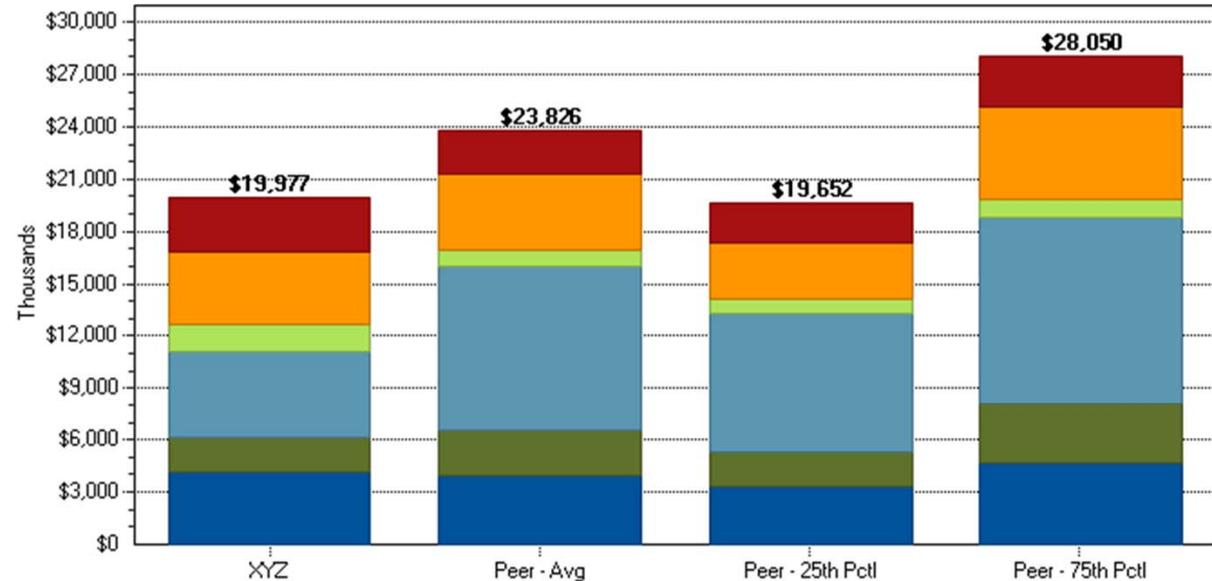
- Peers were selected from various industries. North American organizations were predominately selected, in addition to some Western European organizations. The workload characteristics of XYZ and the various infrastructure and operations peer groups are as follows:

IT Functional Area	Workload Metric	XYZ Workload / Peer Workload	Peer Demographics
<b>Unix Server</b>	OS Instances	49 / 57	6 North America - 2 Insurance, 1 Mining, 1 Oil & Gas, 1 Retail, 1 Consumer Goods
<b>Wintel Server</b>	OS Instances	395 / 438	7 North America - 2 Insurance, 1 Utilities, 1 Services, 1 Pharmaceuticals, 1 Manufacturing, 1 Financial Services
<b>Storage</b>	Installed TB	451 / 518	8 North America - 6 Utilities, 1 Financial Services, 1 Services
<b>Client &amp; Peripheral Support</b>	Personal Computing Devices	8,833 / 7,922	6 North America , 1 Western Europe - 2 Manufacturing, 2 Public Administration, 1 Mining, 1 Communications, 1 Insurance,

# Sample Results of the TCO Assessment

## Executive Summary – Total Spending by Functional Area

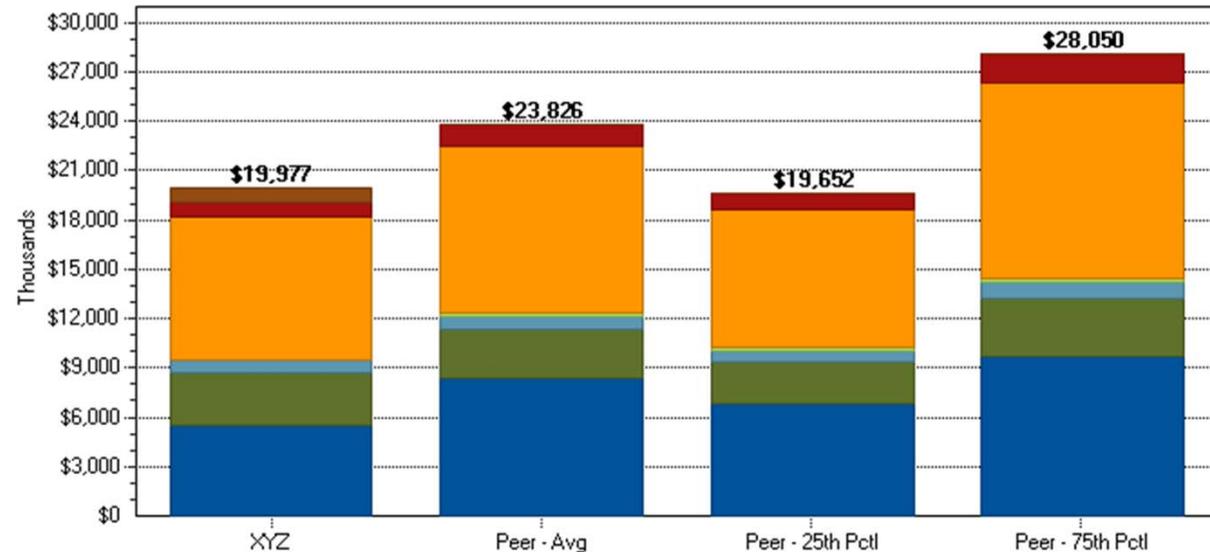
- Lower Infrastructure spending is driven by Storage and Client & Peripheral Support
  - Lower spending in these areas offsets higher spending in Enterprise Telecom, Data Networking and IT Help Desk



	XYZ	Peer - Avg	Peer - 25th Pctl	Peer - 75th Pctl
Compute - Midrange	\$4,106	\$3,932	\$3,323	\$4,694
Storage	\$2,002	\$2,662	\$1,993	\$3,380
Client/Peripherals	\$5,043	\$9,359	\$7,998	\$10,691
IT Help Desk	\$1,491	\$966	\$838	\$1,129
Data Networking	\$4,165	\$4,371	\$3,182	\$5,227
Enterprise Telecom	\$3,169	\$2,536	\$2,317	\$2,930

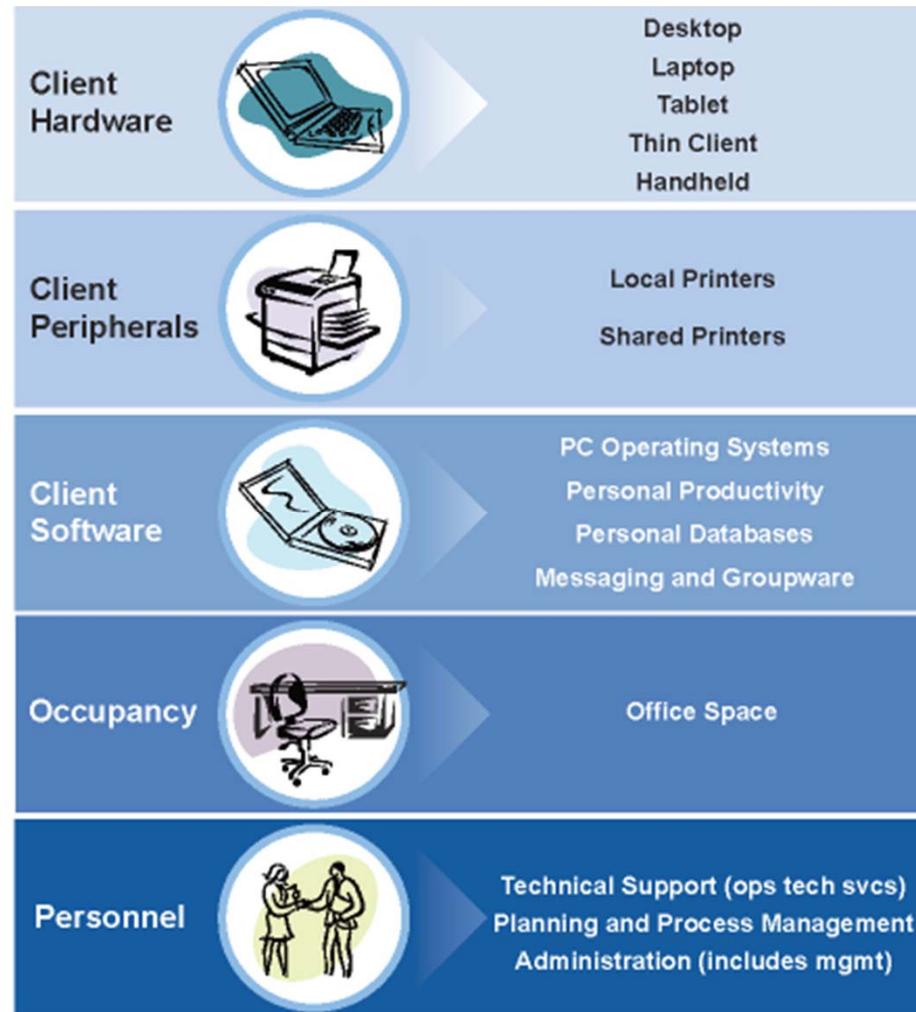
## Sample Results of the TCO Assessment Executive Summary – Total Spending by Cost Category

- Lower Hardware and Personnel costs in Client & Peripherals and Storage drive the overall cost profile
  - In Unix Servers, lower Hardware costs are offset by higher software costs, and this contributes to the overall cost profile here as well



	XYZ	Peer - Avg	Peer - 25th Pctl	Peer - 75th Pctl
Hardware	\$5,479	\$8,321	\$6,875	\$9,738
Software	\$3,214	\$2,988	\$2,505	\$3,483
Occupancy	\$831	\$806	\$664	\$953
Disaster Recovery	\$0	\$233	\$188	\$283
Personnel	\$8,627	\$10,146	\$8,395	\$11,892
Transmission	\$904	\$1,332	\$1,024	\$1,701
Unallocated Total	\$923	\$0	\$0	\$0

# Client & Peripheral Support Consensus Model



## Sample Results of the TCO Assessment Client & Peripheral Support – Peer Demographics

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### ■ XYZ Demographics

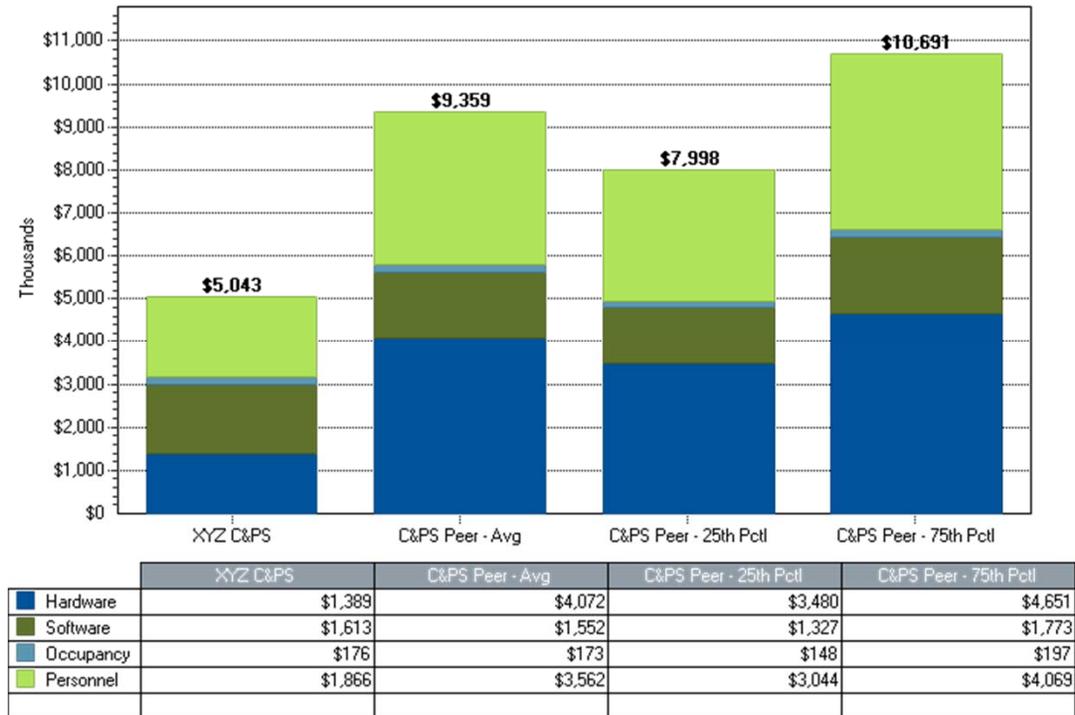
- 8,833 PCs and Laptops
- 8,145 Users
  - 1.08 PC/Laptop per User
- 2 Sites

### ■ Peer Demographics

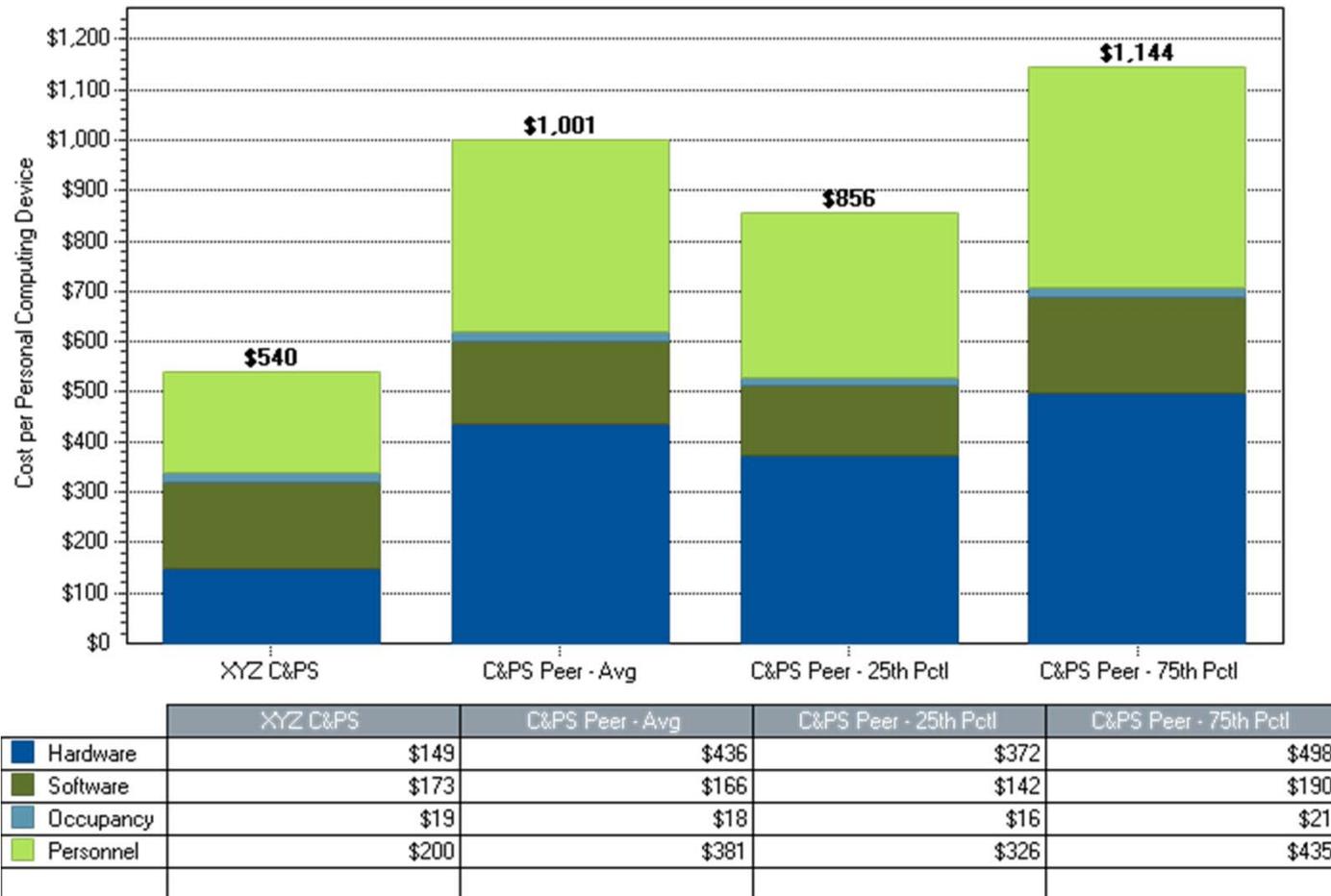
- 7 Companies
  - 2 Manufacturing, 2 Public Administration, 1 Communications, 1 Insurance, 1 Mining
- 7,922 PCs and Laptops
- 6,553 Users
  - 1.21 PC/Laptop per User
- 4 Sites

## Sample Results of the TCO Assessment Client & Peripheral Support – Total Spending by Budget Category

- Client & Peripheral Support costs are 44% (\$4.3M) below the peer group average of \$9.4M and represent the largest single investment gap within XYZ, driven largely by:
  - Lower hardware investment (\$1.4M compare to \$4.1M for the peer group)
  - Lower personnel costs (\$1.9M compare to \$3.6M for the peer group)
- A lack of desktop standardization, limited use of automation (e.g., electronic SW distribution) and poor asset tracking capabilities all hamper service delivery and performance

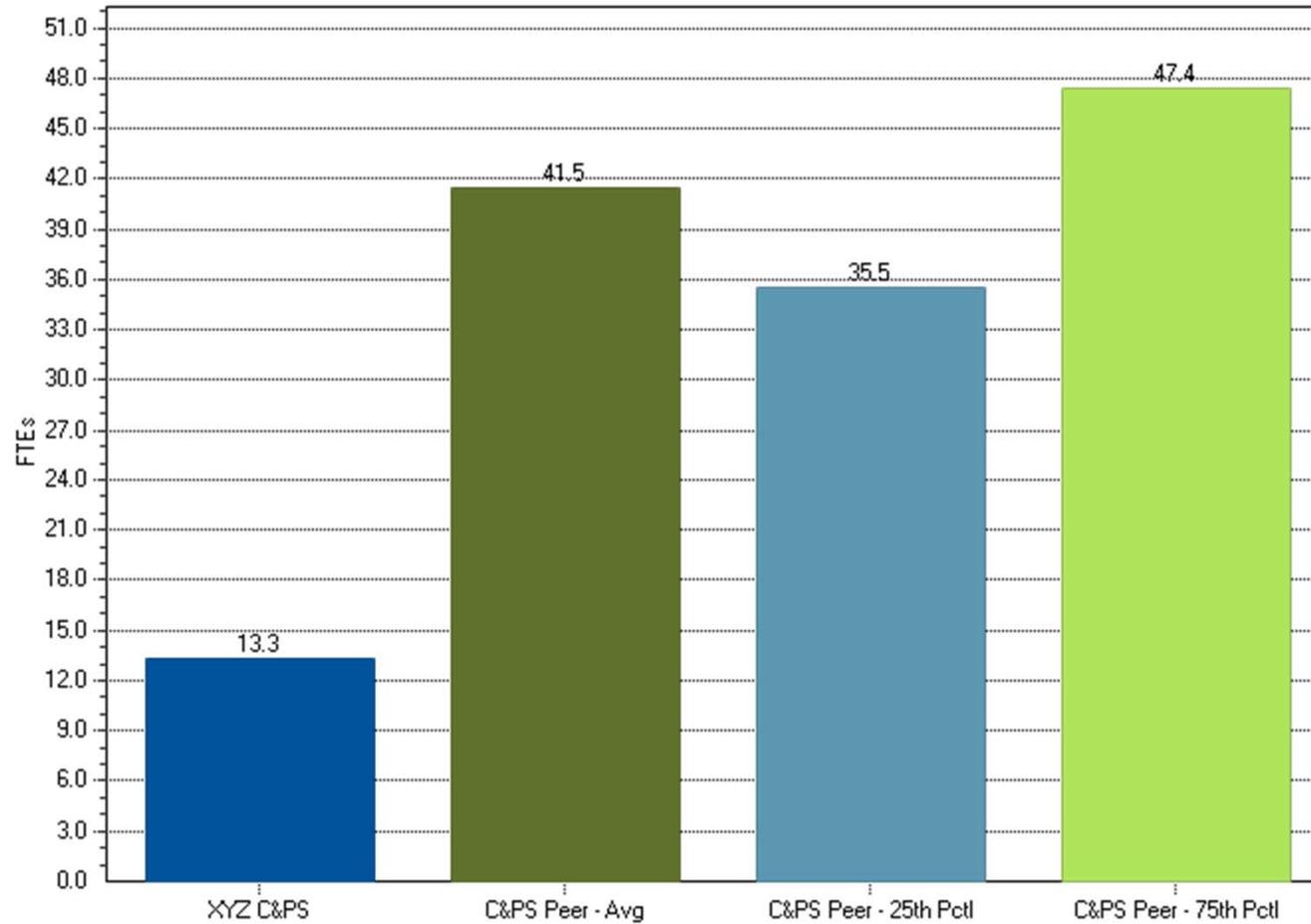


# Client & Peripheral Support Cost Efficiency per Personal Computing Device by Budget Category



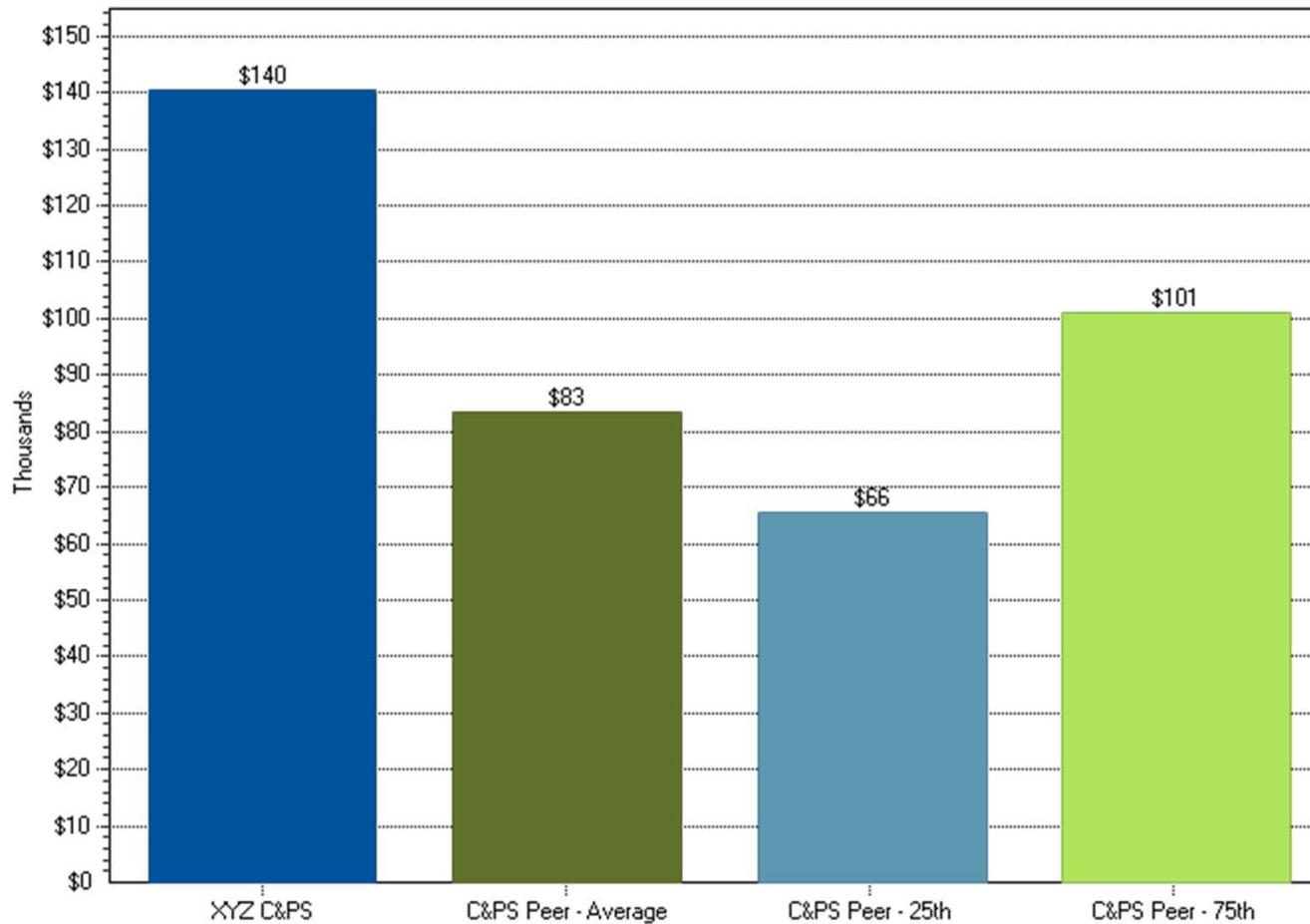
## Client & Peripheral Support Total FTEs

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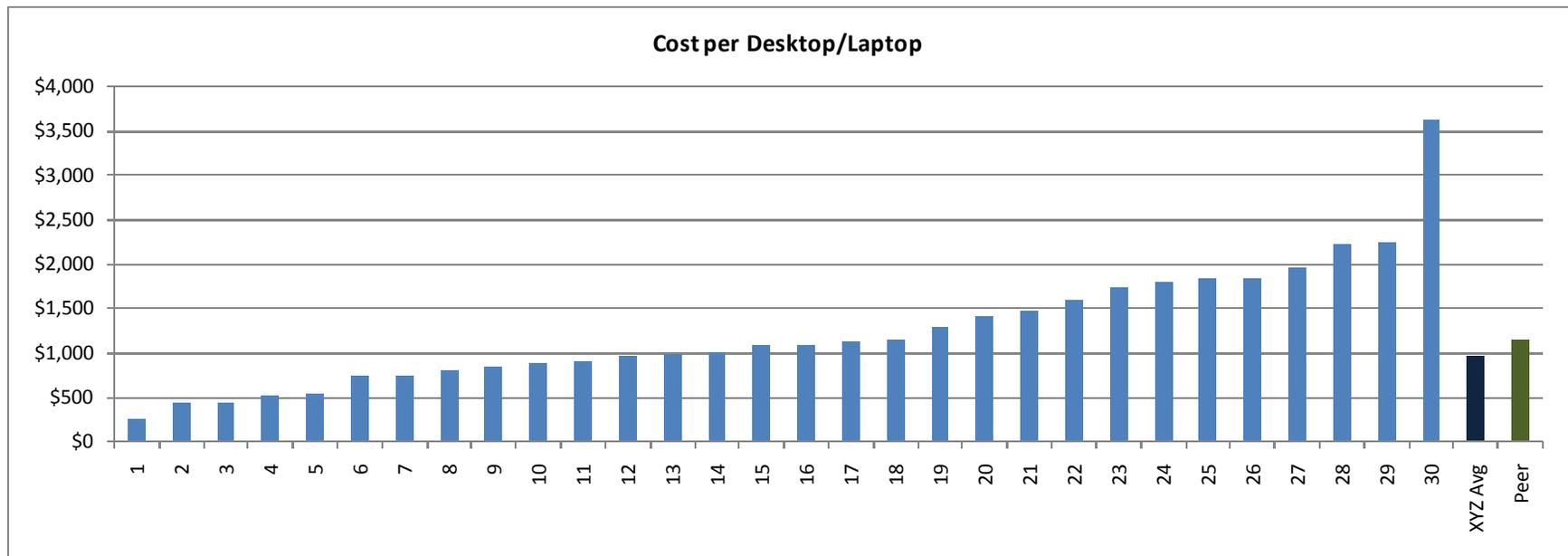
## Client & Peripheral Support Cost per FTE – Insourced and Contractor

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## Gartner will include in the final report charts showing individual Agency performance and comparison to a peer group on a unit cost basis

- Sample Benchmark Results – Cost per Desktop/Laptop by Department



- While the comparison will be to a single peer group, agency data could be grouped to show performance of small, medium and large organizations.

# Gartner will provide OFM with a spreadsheet showing individual Agency performance and comparison to a peer group

Aggregate for the enterprise

Each column represents an agency,

Agency raw data

Key Metrics

Comparison to Peers

Final Results - Departmental Data.xlsx - Microsoft Excel

Home Insert Page Layout Formulas Data Review View Developer Add-Ins Livelink

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Agency Name	Agencost	1	2	4	5	6	7	8	9	10	11	12	13	14	15	17	19
<b>Spending</b>																	
Non-Personnel																	
Hardware	\$4,790,749	\$9,200	\$6,520	\$1,551,764	\$44,205	\$5,424	\$5,000	\$0	\$50,042	\$5,500	\$42,429	\$167,591	\$156,140	\$0	\$74,431	\$410,200	\$11,000
Software	\$4,714,239	\$40,000	\$352,600	\$995,952	\$27,870	\$34,349	\$1,000	\$0	\$13,724	\$1,500	\$120,102	\$10,424	\$52,954	\$10,848	\$24,593	\$423,200	\$168,511
Facilities/Occupancy	\$317,493	\$3,200	\$27,270	\$16,510	\$2,649	\$0	\$0	\$2,326	\$3,085	\$19,493	\$6,120	\$1,030	\$11,656	\$0	\$0	\$0	\$0
Unallocated (Non-Personnel)	\$970,974	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Non-Personnel</b>	<b>\$10,813,126</b>	<b>\$72,600</b>	<b>\$307,390</b>	<b>\$2,548,226</b>	<b>\$74,904</b>	<b>\$39,775</b>	<b>\$6,000</b>	<b>\$17,400</b>	<b>\$69,451</b>	<b>\$6</b>	<b>\$198,651</b>	<b>\$187,845</b>	<b>\$221,752</b>	<b>\$18,869</b>	<b>\$112,052</b>	<b>\$1,296,369</b>	<b>\$179,511</b>
Personnel	\$10,897,490	\$94,075	\$300,000	\$479,793	\$259,901	\$19,547	\$73,760	\$61,527	\$47,936	\$2,162,024	\$355,930	\$131,000	\$129,413	\$54,422	\$26,057	\$214,571	\$161,200
Unallocated (Total Cost)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Cost</b>	<b>\$21,652,519</b>	<b>\$167,475</b>	<b>\$607,390</b>	<b>\$3,044,091</b>	<b>\$334,805</b>	<b>\$59,342</b>	<b>\$147,160</b>	<b>\$78,927</b>	<b>\$116,387</b>	<b>\$2,188,017</b>	<b>\$554,581</b>	<b>\$318,845</b>	<b>\$350,165</b>	<b>\$73,290</b>	<b>\$140,049</b>	<b>\$1,510,940</b>	<b>\$340,711</b>
<b>Staffing</b>																	
FTE	115.42	1.50	3.00	4.45	3.00	0.13	0.72	0.75	0.50	20.00	4.00	1.00	1.50	0.50	0.25	2.00	2.60
<b>Client Workload</b>																	
<b>Client Devices</b>																	
Desktop	19,208	90	540	3,546	161	6	36	137	73	1,545	634	69	137	158	91	1,456	400
Laptop	7,342	24	8	522	25	20	2	10	-	-	56	19	134	7	34	116	250
Handheld	945	24	8	201	17	-	-	-	-	-	25	13	14	-	31	-	-
Unallocated (Client Device)	451	-	150	-	-	-	-	-	-	-	-	50	10	-	241	-	-
<b>Total Client Device</b>	<b>27,946</b>	<b>138</b>	<b>778</b>	<b>4,269</b>	<b>203</b>	<b>26</b>	<b>38</b>	<b>147</b>	<b>73</b>	<b>1,545</b>	<b>715</b>	<b>151</b>	<b>297</b>	<b>165</b>	<b>156</b>	<b>1,313</b>	<b>650</b>
<b>Peripherals</b>																	
Personal Printer	6,953	59	350	1,181	66	9	-	23	-	4	69	13	4	23	8	355	550
Shared Printer	2,512	19	100	705	42	4	-	30	19	8	198	9	19	6	17	353	42
Unallocated (Peripheral)	808	1	60	-	-	-	-	7	-	-	-	-	-	-	-	-	-
<b>Total Peripherals</b>	<b>11,274</b>	<b>79</b>	<b>510</b>	<b>1,886</b>	<b>108</b>	<b>13</b>	<b>-</b>	<b>60</b>	<b>19</b>	<b>12</b>	<b>267</b>	<b>22</b>	<b>23</b>	<b>29</b>	<b>25</b>	<b>708</b>	<b>592</b>
<b>Company Sites/Outsourcing</b>																	
Site	468	1	9	36	3	1	1	1	4	-	17	1	20	2	-	8	104
Employer	17,241	107	370	3,787	105	20	34	-	77	-	347	62	170	106	44	3,100	800
End User	18,482	107	410	4,000	107	19	36	77	900	347	62	170	106	74	2,300	800	0
<b>MTR</b>																	
Two Business Days	3%	5%	1%	0%	5%	0%	5%	3%	0%	0%	10%	3%	0%	0%	0%	30%	0%
Next Business Day	3%	5%	1%	0%	5%	0%	5%	3%	0%	0%	10%	3%	0%	0%	0%	20%	0%
Four to Eight Hours	5%	25%	3%	0%	40%	10%	10%	7%	0%	0%	0%	0%	0%	0%	1%	5%	0%
Two to Four Hours	20%	35%	5%	0%	0%	20%	30%	11%	0%	0%	75%	1%	0%	1%	5%	0%	0%
30 Minutes to Two Hours	70%	20%	10%	0%	0%	10%	35%	14%	0%	0%	15%	14%	0%	0%	0%	10%	0%
30 Minutes or Less	0%	10%	80%	0%	0%	10%	15%	17%	0%	0%	0%	17%	0%	0%	90%	30%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>
<b>Key Metrics</b>																	
FTE Inv / Cost	112.42	1.50	3.00	4.45	3.00	0.13	0.72	0.75	0.50	20.00	3.00	1.00	1.50	0.50	0.25	2.00	2.60
FTE Cost	1.81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
\$/FTE Inv / Cost	\$93,431	\$63,250	\$100,000	\$107,819	\$96,634	\$149,539	\$109,389	\$82,035	\$95,872	\$108,106	\$88,982	\$131,000	\$156,409	\$108,944	\$107,827	\$107,285	\$62,000
PCr / Laptop per FTE	195.26	76.00	206.67	914.16	62.00	208.00	\$2.78	196.00	146.00	77.25	172.50	\$8.00	112.00	330.00	500.00	716.00	250.00
User / FTE	16.0	71	137	899	36	152	50	103	154	45	87	62	120	212	246	1,400	300
PCr / Laptop per User	1.22	1.07	1.51	1.02	1.74	1.37	1.06	1.91	0.95	1.72	1.99	1.42	1.52	1.56	1.69	0.56	0.81
Cost per PCr / Laptop	\$960	\$1,469	\$893	\$748	\$1,800	\$2,244	\$2,231	\$537	\$1,594	\$1,417	\$804	\$3,623	\$1,283	\$444	\$1,120	\$961	\$524
<b>Comparison to Peers</b>																	
Comparable Peer Cost	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151	\$1,151
Total Cost	\$26,474,151	\$131,214	\$886,270	\$4,882,249	\$214,086	\$29,926	\$43,738	\$169,197	\$84,023	\$1,778,295	\$794,190	\$156,838	\$325,733	\$189,915	\$143,875	\$2,016,763	\$748,150
Total Staffing	139.3	0.7	4.5	23.9	1.1	0.2	0.2	0.9	0.4	9.1	4.1	0.8	1.7	1.0	0.7	10.7	3.8
Cost Gap (positive = higher)	-\$4,821,032	\$36,261	-\$195,880	-\$1,638,177	\$120,719	\$28,416	-\$41,022	-\$90,270	\$32,364	-\$419,522	-\$239,609	\$160,007	\$24,432	-\$116,625	-\$3,826	-\$575,823	*****
Staffing Gap	23,830.7	0.8	-1.5	-19.5	1.9	0.0	0.5	-0.1	0.1	10.9	-0.1	0.2	-0.2	-0.5	-0.5	-0.7	-1.2



## Common Definitions

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## Common Data Collection Concepts

### ■ Reporting costs and staffing

- Insource: includes the spending and head count for in-house resources.
- Contractor: includes the spending and head count for contract labor that is supplemental to existing in-house staff and is “operationally” managed by in-house staff.
- Outsource: includes the fees for outsource contracts in which outsource is defined as any situation where the full operational responsibility for IT services is completely handed over to an external service provider.
- Maintenance: includes the fees for maintenance contracts (i.e., time and materials) that are not embedded in the purchase price of the asset and, therefore, are separable from depreciation. Maintenance is differentiated from outsource in that the asset is still managed internally with the staff calling in maintenance support as appropriate.

IT Help Desk ITOB							
Name	Total	Insource	Outsourced	Outsourced	Outsourced	Contractor	Maintenance
Sourcing Type		Insource	DIS-Provided	Other State Dept	External to State	Contractor	Maintenance
Budget Type		Direct	Direct	Direct	Direct	Direct	Direct
Region Located							
<b>Spending</b>							
<b>Non-Personnel</b>							
Hardware	\$0	\$0	\$0	\$0	\$0		\$0

## Common Data Collection Concepts (continued)

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### ■ Reporting hardware costs

- Includes the expense, lease, depreciation, maintenance, installation and taxes, as appropriate, for all. Include all applicable taxes (that is, federal, state and local); only exclude taxes if they are recovered or refunded to the organization. All costs should be reported in actual values rather than in thousands.
- Reporting maintenance costs for hardware—if maintenance costs for hardware can be separated out, they can be reported under hardware and categorized with a sourcing type of maintenance (e.g., the column headed “Maintenance”).

### ■ Reporting software costs

- Include the cost of software in the year in which it occurs. There are some special rules for software packages in applications development and support that will be covered in those breakout sessions.
- Reporting software maintenance costs—if you incur software maintenance charges for software you have installed, they can be reported under software and categorized with a sourcing type of maintenance.

## Common Data Collection Concepts (continued)

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### ■ Reporting outsourcing costs

- Outsourcing is reported in a column with a sourcing type of Outsourced. Outsourced costs should be aligned with other cost categories – hardware, software, occupancy, transmission or personnel – to the greatest extent possible.
- There are three columns for reporting Outsourced costs – Outsourced to DIS, Outsourced to another State of Washington agency, and Outsourced to an external service provider.

### ■ Reporting occupancy costs

- Occupancy charges in each service area should reflect the charges that relate to personnel (staff) occupancy only, with the exception of enterprise computing.
- For enterprise computing, in addition to space required for staff, occupancy also will reflect raised floor space charges for the hardware as well as disaster recovery hot site charges.

### ■ Reporting transmission costs

- Transmission charges from carriers for telephone or data services, generally related to bandwidth, circuits, access and usage. Unless transmission facilities and right-of-way are owned by the State, these costs are typically categorized as Outsourced.

## Common Data Collection Concepts (continued)

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### ■ Reporting personnel costs

- Report the actual monetary expense corresponding to all support resources included in the analysis. All costs are reported in actual values (not thousands).
- For in-house staff, personnel costs include salary (including overtime pay), benefits and “other” employee costs such as travel and training.
- “Benefit load” should include costs for bonuses, paid holidays, vacation, medical/dental coverage, life and accident insurance, retirement plans, stock plans, disability, social security, unemployment compensation, dependent care, tuition reimbursement and employee assistance programs (for example, physical exams, exercise programs and similar costs).
- In all cost categories, include all applicable taxes (that is, federal, state and local). Exclude taxes only when recovered or refunded to the organization.
- Exclude costs related to human resource department staff allocations, early retirement incentive bonuses and internal “cross-charges” for overhead.
- For contractors and consultants, include all compensation that was paid directly to the individual.

## Common Data Collection Concepts (continued)

### ■ Reporting for “Unallocated” costs

- Report costs or staff as “Unallocated” when you cannot break it into the categories above it (e.g., “Unallocated Non-Personnel” could include elements of Hardware, Software, and Occupancy).

IT Help Desk ITOB							
Name	Total	Insourced	Outsourced	Outsourced	Outsourced	Contractor	Maintenance
Sourcing Type		Insourced	DIS-Provided	Other State Dept	External to State	Contractor	Maintenance
Budget Type		Direct	Direct	Direct	Direct	Direct	Direct
Region Located							
<b>Spending</b>							
<b>Non-Personnel</b>							
Hardware	\$0	\$0	\$0	\$0	\$0		\$0
Software	\$0	\$0	\$0	\$0	\$0		\$0
Occupancy	\$0	\$0	\$0	\$0	\$0		\$0
→ Unallocated (Non-Personnel)	\$0	\$0	\$0	\$0	\$0		\$0
Total Non-Personnel	\$0	\$0	\$0	\$0	\$0		\$0
Transmission	\$0	\$0	\$0	\$0	\$0		\$0
<b>Personnel</b>							
Technical	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Planning & Process Mgmt	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Services Administration	\$0	\$0	\$0	\$0	\$0	\$0	\$0
→ Unallocated (Personnel)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Personnel	\$0	\$0	\$0	\$0	\$0	\$0	\$0
→ Unallocated (Total Cost)	\$0	\$0	\$0	\$0	\$0		\$0
Total Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0

## Common Data Collection Concepts (continued)

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- Full-time equivalents (FTEs) are used in the Gartner TCO Model to define staff resources.
  - FTEs should be measured in calendar time. (For example, an individual who works full time on an assignment for one full year = one FTE.) Do not subtract such things as vacation time, sick days and administration time.
  - Furloughed time should be excluded from the count of FTEs.
- As you study your agency's operations:
  - Count FTEs by looking at the functions performed by the physical staff and for which they are responsible.
  - FTEs are assigned to service areas and model categories based on the functional definitions provided. If an individual or group performs more than one function, FTEs may be prorated between service areas or model categories based on client estimates of time spent in each area.
  - Do not count any one physical person as more than one FTE (for example, due to overtime).
  - One FTE may be prorated when not all of that individual's time falls within the scope of this analysis.

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