

Shared and Regional Services Are on the Rise

David Raths | January 3, 2012



Early last year, Montana CIO [Dick Clark](#) was driving down Interstate 90 west of Missoula when he had an epiphany. He and other state CIOs had just been talking about their experiences negotiating with cloud computing vendors. Clark pulled off the road and had his administrative assistant call Oregon CIO Dugan Petty and Utah CIO Steve Fletcher to set up a brief conference call. “Right there, by the side of the road, I explained to them I wanted to work on a request for information with cloud storage vendors to pool our purchasing power.”

Clark’s big idea was for the states to band together and purchase cloud storage in volume, driving down each state’s costs. “I thought we could start with GIS, because there are not a lot of security issues with the data but there are volume and disaster recovery issues.”

That first phone call led to a March 2011 meeting in Helena, Mont., between cloud service providers, including Amazon and Google, and representatives of the three states as well as Colorado. Utah is taking the lead in the development of a four-state

RFP. “I have had calls from other states wanting to get in on this,” Clark added. “ This may be a new paradigm for contracting that could put us on an equal footing with much larger states.”

For all the business sense it makes for neighboring governments to share resources, these efforts have often been hamstrung by turf politics, mistrust and technology shortcomings. But thanks to the toughest economy since the Great Depression and technological advances like Web-based applications and broadband connectivity, there appears to be an uptick in regional activity.

Clark has advocated for greater cooperation for years, but when he brought it up at National Association of State Chief Information Officers (NASCIO) meetings a few years ago, “nobody really took me up on it because they had money,” he recalled. “Then everyone got a wake-up call from the recession and started to see the benefits of collaborating.” Indeed, Clark starts his PowerPoint presentations with a quote from Winston Churchill: “Gentlemen, we have run out of money. Now we must think.”

Clearly CIOs have started to think. The topic “shared services” ranked 5th on the 2011 NASCIO survey of state CIO priorities. The federal government also is nudging states to work together in new ways. The U.S. Department of Labor has funded a collaborative effort between Tennessee, North Carolina, South Carolina and Georgia to modernize their unemployment insurance systems. This Southeast Consortium has spent several months working on a feasibility study for the development of a common core system to replace large portions of the legacy systems of multiple states.

“Three years ago, the Department of Labor made clear it does not want to help fund 50 separate software development programs,” said Jim Mahony, director of the Unemployment Insurance practice at CSG Government Solutions in Chicago, which facilitated the feasibility study work. “The programs are actually very similar. The difference is in the business rules and processing layers.”

Much of the work was in developing a common set of requirements for a systems architecture and governance structure. The consortium had to write a memorandum of understanding between all four states and agree to let the lead state, Tennessee, do the procurement. Although the four states are still working out some structural issues, the project is expected to cost much less than if each state did the process individually, Mahony said. The feasibility study was completed early and on budget. “That is a good harbinger, I think,” he added.

Meanwhile, California hopes to attract cities and counties to use state-hosted applications. Scott Paterson, enterprise solutions and services manager at the California Technology Agency, said the Golden State has just started an outreach effort on sharing services with local governments. The idea is for the state to host local governments’ applications in its OTech federated data center and to offer managed email and disaster recovery services. “We are just at the concept stage right now,” Paterson said. “We have been talking to the cities of Fresno and San Francisco and Marin County. I don’t have a success story to offer yet, but I bet I will in six months.”

Counties Helping Cities

On Oct. 11, 2011, Westchester County, N.Y., put on a Shared Municipal Service Expo and published a guide describing dozens of the county's shared services. Representatives from 15 county departments set up displays to educate participants on the wide variety of county services available to local governments, schools and other districts. One of the stars of the show was IT. Services offered include wide-area network management, email, GIS and access to a training center.

"Whatever we do, we try to include municipalities in," said Marguerite Beirne, CIO of Westchester County. For instance, by piggybacking on the county's Cablevision Lightpath Inc. fiber-optic network contract, municipalities save several hundred thousand dollars each month, she said. "When there are five open seats in an Excel 2007 course, I try to fill them up by offering them to cities at cost. That seat is just going to be empty otherwise."

The financial slump has made shared services more attractive to government IT leaders over the past few years. But shared services are not a fad in Minnesota, where small cities have banded together on IT services for almost 40 years under the name LOGIS (Local Government Information Systems). Their experience with evolving governance issues may prove valuable to other regions starting on similar sharing agreements. In 1970, seven city finance directors began working together on a shared financial system, which ran on a mainframe at the Hennepin County government data center. A few years later, they decided to split away, find their own facility and create a new structure with an independent board of directors. They used a joint powers act to form a separate entity as a government organization run by its members. Since then, the organization has gradually added applications and services and has grown to 45 members. Headquartered in Golden Valley, LOGIS manages 11 core applications ranging from payroll to public safety to utility billing for those 45 member cities with a staff of only 54 people.

One study 15 years ago by finance directors found that a small city of 20,000 people was saving approximately \$60,000 per year. "We haven't done an in-depth cost-saving study," said Mike Garris, LOGIS' executive director, "but I think it is safe to say we have saved millions for these cities over the years."

The membership ranges from tiny hamlets to large cities like St. Paul. The governance is set up more like the U.S. Senate than the House of Representatives, noted Garris. "It is structured so that Oak Grove, population 2,000, has the same vote as Bloomington with 90,000." He added, however, that cities must be vested to a certain level to have board representation.

LOGIS also had to change its charging structures over the years. It used to charge by connect time or the number of central processing unit hours during the mainframe era. "We have worked to improve it and use a better yardstick to divide cost," Garris said. "For instance, with utility billing software it might be number of accounts and how often you bill."

Garris noted that almost every example of shared services is vertical in nature — that is, owned and controlled by one public-sector agency, which can lead to friction. “For some reason, cities often don’t get along with the counties they are in,” he added with a laugh. He believes that the key to LOGIS’ long-term success is a shared, cooperative mindset. “It is owned by its members. There are no service level agreements. Who are you going to sue — yourself? The city representatives vote on budgets and they are on user committees to provide direction for each application and service we support. The involvement is significant on every level. They are driving the bus and can leave at any time.”

In addition to information systems and services, LOGIS has branched out to provide medical and life insurance to its members. Current membership in the medical plan is 40 member groups with more than 4,000 employees — a total of more than 7,800 participants.

Garris doesn’t know of any similar IT cooperatives. “We have spoken to people all over the country who are asking themselves, ‘Can we do that here?’ but nothing seems to happen.”

Bartering Services

In Wisconsin, the city of Milwaukee and Milwaukee County have been collaborating for several years in a barter arrangement, and the city’s CIO, Nancy Olson, said the key to success is keeping the arrangement somewhat informal. “The fact that no money was involved made the agreement more palatable,” she said. “And there was no sense of people trying to figure out who the winner is and who the loser is in the deal.”

The arrangement began a few years ago when the building where the county leased space for its data center was sold. The city has a large data center with extra room in it. So the city offered the county floor space in its data center and office space for its staff. “It was a win for the county because they didn’t have to pay for leasing or building a new data center,” Olson explained. “In return, they bought a backup generator for our data center.”

That arrangement worked so well that they did a second collaboration. The city had a content management system (CMS) and the Milwaukee.gov URL. They decided to use those for a shared portal, from which you could go to the county or the city government. “Because we agreed to share that CMS, the county agreed to split the maintenance cost,” Olson said. “The vendor sends two bills, one to each of us. And the CMS runs on a county Web server. So I don’t have to devote staff to the care and feeding of that.”

Every other month, Olson gets together for coffee with interim county CIO Laurie Panella to talk about any pain points and possible future collaborations. “It’s a win-win,” Olson said, “but if there were problems, it would be scrutinized like anything else. I can’t fall back on saying they aren’t my staffers. I am still responsible for it.”

To the Cloud

Oakland County, Mich., has lots of experience with offering shared services to other jurisdictions, and its Deputy County Executive and CIO [Phil Bertolini](#) has been a strong

advocate for cross-boundary resource sharing and interjurisdictional cooperation. Now Oakland County is branching out by launching a new service dubbed “G2G Cloud Solutions” to support technology sharing among governments across Michigan via the Web. “We are looking at how we can use the cloud for these government-to-government services,” Bertolini said.

Many governments are fearful of using private-sector clouds for services like email, he said. They worry about where the data will reside. But in a government-provided cloud, they know where the data resides. Bertolini believes that budget pressures will bring many jurisdictions to the table to lower their total cost of ownership. Early applications include an online payment engine and a health and human services portal that allows educational and health institutions to share data during a health emergency.

He said the cloud offering may grow gradually, but that is OK with him. Bertolini noted that Oakland County’s shared services business has expanded steadily over the past decade. “We started with e-commerce and Access Oakland in 2000 and had only \$135,000 in revenue in the first year. But this year, we had \$16.5 million in revenue and with all costs paid, we had \$1 million to reinvest back into the system. That’s the model we are after.”

For organizations just starting to think about shared services, Bertolini recommends asking what they are ready to share. “Do an inventory of what is feasible,” he said. Ask which technology solution offers your agency the most benefit and return on investment.

“Lower down on my list is governance,” Bertolini said. “If you start with that, it can put a damper on innovation. Forming a committee and coming up with a funding model can stall the thing upfront.”

<http://www.govtech.com/pcio/Shared-and-Regional-Services-Are-on-the-Rise.html>