The overall goal of the Resource Guide is to provide more clarity around all aspects of the ITCRB operating tail process. The guide includes:

- Context and Goals of the Resource Guide
- Definition of Operating Tails, including typical expenses
- Process Overview and Timeline
- Detailed Procedural Steps for requesting Operating Tails
- Tools
- Best Practice Notes

One key note is that incremental operating tail funding is not guaranteed with IT projects and the sponsoring VP or senior leader must assume the risk of finding tradeoffs to accommodate the operating tail if incremental funding is not available when the project completes.
Context

While IT Capital Review Board (ITCRB) funding is limited to the duration of the project, some projects necessitate on-going operating resources to support and maintain the system after the project closes. In addition, operating tails for some projects are taking on a different meaning as more IT projects shift to a “Software as a Service” (SaaS) model and have to pay on-going subscription costs.

To-date, the process for both estimating operating tails and obtaining funding has been inconsistent and ambiguous. In addition, the University faces financial constraints which will likely limit availability of future incremental funding for operating tails. This resource guide aims to provide more clarity around all aspects of the ITCRB operating tail process, with the following goals:

- To estimate operating tails in a consistent way, providing a set of tools and resources
- To clarify the procedural steps and sequence for requesting funding, recognizing that incremental funding is less likely in future years
- To increase visibility to possible operating tails early in the proposal and review process
- To provide consideration of possible revenue or savings in light of the University’s financial environment

Definition of Operating Tails

An operating tail represents the costs to support, sustain and maintain the system after an ITCRB project is completed. In addition, there may be increased revenues after completion and/or cost savings from changes to other related systems, all of which should be considered when determining an operating tail. An operating tail may be in HUIT or it may be in a different business area, given many different VP areas sponsor ITCRB projects.

Operating tails may be viewed in two ways: total operating tail or incremental operating tail:

- The total operating tail represents all necessary costs as if this system were considered to be stand-alone. In other words, this tail includes all operating costs to support the system.
- The incremental operating tail would only be those costs and resources that could not be absorbed within the current approved operating budget. The incremental cost would represent the amount the existing operating budget would need to be increased to support the system after the project finishes.

Going forward, the HUIT Project Management Office (PMO), the Project Review Committee (PRC) and the ITCRB desire to understand both the total and incremental operating tail of all projects. This is similar to a recent shift with ITCRB project proposals, which now require estimates for ITCRB requested funds as well as resources currently funded by the sponsoring organization’s operating budget.

Examples of operating tail expenditures, modeled after HUIT’s detailed list, are included below. Project sponsors are encouraged to consult with their local finance offices, as different VP areas may have other types of expenditures.

<table>
<thead>
<tr>
<th>Example Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary &amp; Wages ($)</td>
</tr>
<tr>
<td>Extra Compensation ($)</td>
</tr>
<tr>
<td>Employee Benefits ($) on both Salary &amp; Wages and Extra Compensation</td>
</tr>
</tbody>
</table>
Space and Occupancy ($)

Other Personnel related costs ($):
- Computer lease / purchase
- Telephone
- Training and Development
- Travel and Entertainment
- HUIT related employee expenses (e.g., Office 365, Support Services, Networking, Crash Plan, etc.)

Supplies, Materials and Equipment ($) (e.g., Hardware, Software)

IT related expenses ($):
- Hardware Support
- Hosting (internal and external)
- Software-as-a-Service
- Software Support
- Other HUIT Services (e.g., Enhanced Network, Site-to-site VPN, Service Now)

While examples of increased revenue are less common, examples “could” include specific external deals; new / enhanced services that the system enables; or additional internal fee-for-service income as a result of a new service offering.

Examples of cost-savings could include:
- Reduced hosting costs
- Reduced software support costs
- Improvements in technical infrastructure
- Legacy system decommissioning or retirement
- Elimination / downgrade / repurposing of positions as a result of a re-organization or consolidation of teams
- Local School-based savings; while these are not available to offset an operating tail, it is important that these savings are tracked

Process Overview and Timeline

While the estimated operating tail is included with the project proposal to the ITCRB, it is important to make the distinction that the operating tail is not actually approved until it is evaluated through the annual operating budget process which typically coincides with the last year of project funding (i.e., if the project is three years in duration, the operating tail is evaluated during the budget process of that third year). The reasons operating tails are not approved with the project funding up-front are three-fold:
- Operating tail estimates at the project proposal stage are very preliminary and often change, sometimes substantially
- Unlike project funding which is finite in duration, operating funding is “on-going” and as such it must be evaluated in the context of overall operating budget capacity. Many times, understanding local operating units’ ability to find savings to offset the incremental cost is an important part of the equation
• Given some projects are multiple years in duration, the macro-economic financial picture can be very different as the project nears closure; as such, new circumstances and constraints in the operating picture must be contemplated.

Generally speaking, it is understood that larger system projects and SaaS projects may have an operating tail. Recognizing, however, that the University continues to head toward a tighter financial climate and that future operating budget constraints are difficult to predict, the VP or senior leader sponsoring the project must assume the risk of finding tradeoffs to accommodate the operating tail if incremental operational budget funding is not available when the project completes. This may mean finding tradeoffs to support new operating costs within the local VP area; in addition, for project sponsors outside of HUIT, this may mean finding tradeoffs to fund HUIT resources if the system necessitates on-going HUIT support. It is therefore important that the project team try to articulate the likely operating tail “must-haves” and “nice-to-haves” at the project proposal stage so the sponsoring VP can contemplate this before the project is approved.

Process steps for defining an operating tail related to ITCRB projects fall in three categories.

1. Steps associated with the ITCRB Process
2. Steps related to a Project Fund Release and during the project
3. Steps for the Incremental Operating Tail Funding Request, which is part of the Operating Budget Process

The expectation is that operating tail estimates will get further refined as the project moves through the categories and the associated phases of a project. Please see the steps and timeline below.
The procedural steps to request an operating tail generally follow the below sequence.

![Diagram of procedural steps: Consult Calendar, Refine Budget, Develop Business Case, Present to Leadership, Await Outcome of Budget Process]

Below are detailed procedural steps for **Project Managers** that wish to request operating tail funding. These steps are managed by HUIT, which coordinates the ITCRB and operating tail process irrespective of the project sponsor. For project sponsors outside of HUIT, please be aware of any additional steps within the local VP area. Please note that incremental operating tail funding will be less likely in future years.

**Procedural Steps for Project Managers:**

- Review [Operating Tail planning timeline](#) on PMO website and consult with HUIT finance to ensure smooth coordination of deadlines.
- Obtain the “Operating Tail” excel template from the PMO website to refine the budget. This template includes both the Incremental operating tail request as well as the total operating tail estimation.
- Submit excel template** to HUIT finance for preliminary review and incorporate feedback.
- Complete [Powerpoint presentation**](#) from PMO website. The Powerpoint presentation presents the business case for incremental resources, summarizes the total operating tail estimate, and provides broader context. In the Powerpoint, it will be important to indicate if there are any School-funded operating tails as a result of the system.
  **Given operating tails may be proposed from units outside of HUIT, ensure materials are reviewed and approved by appropriate internal sponsors including local operating Unit, local VP and local finance leader(s).**
- Submit final excel template and accompanying presentation slide deck to HUIT finance. HUIT finance will provide these materials to the University Chief Information Officer (UCIO) and will coordinate a meeting for the project sponsor to present it to the UCIO.
- Subsequent to the UCIO meeting, a meeting with Central Finance & Administration will be scheduled with the project sponsor and local finance to discuss the request. Note: Central Finance & Administration facilitates the overall Core Central Administration budget process.

**For reference:**

- After the meetings with the UCIO and Central Finance & Administration, HUIT finance packages all operating tail requests as part of the budget submittal. HUIT finance packages this information both for HUIT sponsored projects and for projects that are not sponsored by HUIT.
- The budget proposal is evaluated in the context of the overall Central Administration budget.
The Executive Vice President makes the decision on any budget requests and feedback is provided to the UCIO, HUIT finance, and local VP Areas (for non-HUIT sponsored projects).

Funding for any approved requests is available as of July 1 of the new fiscal year. Consult HUIT finance or local finance (as relevant) with questions.

To the extent funding is not approved, the sponsoring VP or senior leader must accommodate the request within its existing operating budget.

There is recognition that operating tails for a new system are not always limited to Central Administration. Schools likely have their own processes to assess and fund operating tail needs.

For those projects that may be contemplating a fee-for-service model to support the operating tail, please consult with HUIT finance. While many of the steps may be similar, further diligence will be needed around proposed rates and customers.

Tools

- **ITCRB Process**:
  - Project proposal workbook (should include high-level operating tail assumptions)
- **Project Fund Release and Project Duration**:
  - Budget workbook (for fund release and forecasting)
- **Operating Tail Funding Request (Operating Budget Process)**:
  - Operating Tail excel workbook
  - Operating Tail PowerPoint business case presentation

Best Practice Notes

- **Document existing resources being repurposed to support system operations**. It is important to understand any local School or central Unit operating costs to support a system that is rolled out. For reporting and presentation purposes, it is important to include this information.
- **Include stabilization resources in project, not operating tail**. Significant enterprise projects should consider including project funds for a “stabilization” phase (typically 1-2 months) at the end of the project, where project-funded resources can support the initial surge in activity and post-launch rollout needs (rather than requesting these resources as part of operating funding).
- **Document savings due to de-commissioning**. The retirement or decommissioning of legacy systems should be an explicit objective of the project. This will ensure high visibility of this objective, including senior-level engagement on any roadblocks, and greater likelihood of success including captured savings.

Contacts

- **HUIT Finance**; Contact Deb Donovan (debra_donovan@harvard.edu) and Cristina Perdoni (cristina_perdoni@harvard.edu)
- **HUIT Project Management Office**; Contact information: huitpmo@harvard.edu
- **HUIT Vendor Management Office**; Contact information: huitvm@harvard.edu