



Virginia Information Technologies Agency

Transforming Information Technology in the Commonwealth

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expect the best



VITA Update

- Governor and the General Assembly set change in motion in 2003
- VITA enterprise-wide IT re-engineering initiative
 - Phase I = Integration
 - Phase II = Transformation
- Integration completed successfully
 - Created IT “Utility”
 - Consolidated agency IT resources
 - Provided continuous service
 - Launched procurement reform
 - Implemented disciplined IT investment program
- Transformation is next step to meet duties established in 2003 legislation



VITA Customer Agency Survey Results

- VITA is doing its job
 - 60% responded that VITA's IT project review process resulted in some delay of their project
 - Why? The introduction of robust project management
 - Improved project management was one of the central purposes of 2003 legislation creating VITA
 - No major or critical IT project has failed since July 2003
 - Investment in duplicative systems has been eliminated
 - Software license and minimum security compliance implemented
- VITA is delivering quality service
 - VITA rated fair or better:
 - 88.2% - overall quality of services provided by VITA
 - 93.1% - technical expertise of VITA staff
 - 89.9% - responsiveness in providing services
 - Services delivered without disruption during period of significant change



VITA Customer Agency Survey Results

- VITA has an image problem
 - 80% responded that they see no current or short-term benefit from the creation of VITA
 - 78.3% responded that information technology services cost more now than prior to consolidation
 - However, consolidation has resulted in \$45 million in savings during FY04-FY05
 - Why didn't those surveyed recognize this?
 - Poor communication by VITA
 - Agencies spent savings elsewhere



VITA's Customer Satisfaction Program

- VITA has launched three-track customer satisfaction program to better support customers
 - VITA has engaged UVa Center for Survey Research to conduct independent customer satisfaction survey
 - All VITA employees have completed a basic course in customer service, with advanced training planned this quarter
 - VITA initiated a customer satisfaction charter with initial focus on internal satisfaction
- One-on-one meetings with agency executives



Key Points to Start PPEA Discussion

- Transformation = Better Services:
The Commonwealth will get a 21st century IT infrastructure for what it's paying to maintain a 1980s IT infrastructure
- No Inflation:
VITA will not be seeking more appropriations than it receives today for the facilities, hardware, software and services in question
- VITA Employees Treated Well:
It is our intent that reductions in VITA's workforce will be accomplished through active management of attrition, retirement, retraining and job placement



Powers of the CIO

- Direct the formulation and promulgation of policies, guidelines, standards, and specifications for the purchase, development, and maintenance of information technology for state agencies, including . . . **those necessary to support a *unified approach to information technology across the totality of state government, thereby assuring that the citizens and businesses of the Commonwealth receive the greatest possible security, value, and convenience from investments made in technology.***
- Periodically evaluate the feasibility of outsourcing information technology resources and services, and outsource those resources and services that are feasible and beneficial to the Commonwealth. (§ 2.2-2007)



What Does a Unified Approach Look Like?

IT Investment	Present State	Future State
Security	Inadequate	Adequate
Network	Fragmented	Integrated
Servers	Numerous locations, excess capacity (3,000+)	Consolidated (<1,000)
Computing environment	Inconsistent	Standardized
Help desk support	Multiple (70+)	Combined (1)
Service levels	Undefined performance, variable costs	Defined performance, predictable costs
PCs	Incompatible, outdated	Compatible platforms, scheduled replacement



A Truly Unified Approach

- What we're really talking about is **Transformation**
- Long term re-engineering effort
 - 7 to 10 years
- Requires significant investment
 - \$250 to \$300 million to re-engineer the IT infrastructure and business processes
- Challenges
 - Self-funded model = invest → save → re-invest
 - Behavioral and cultural changes
 - No major, immediate cost savings
 - Re-engineering existing business processes



How Do We Get to the Future State?

PPEA Is Best Vehicle for Transformation

Innovative Funding:

- PPEA provides access beyond biennial budget to substantial dollars required to recapitalize and revitalize Virginia's IT infrastructure

Flexible Approach:

- PPEA encourages private sector to bring innovative ideas and considerable expertise to benefit the Commonwealth

Unique Partner:

- PPEA allows VITA to team with a partner who:
 - Will share the risk
 - Is committed to Virginia
 - Has successfully achieved transformation before
 - Possesses the capability to manage and serve the technology needs of a complex organization the size and scope of the Commonwealth



PPEA Timeline

Date	Activity
July 2003	VITA created
Nov 2003 – March 2004	VITA receives 5 unsolicited PPEA proposals
April 2004	4 proposals accepted for Conceptual Review
June 2004	Conceptual proposals posted for competition
Aug 2004	Conceptual review of 4 proposals
Nov 2004	Proposals split into two tracks: (1) Infrastructure: IBM and Northrop Grumman (2) Enterprise Applications: CGI-AMS and IBM



PPEA = Two Tracks

Infrastructure

- The hardware, networks and associated services and staff
 - Mainframe computers, servers and desktops
 - Voice and data networks
 - Operating systems, email and security
 - Help desk services
 - Data center facilities

Enterprise Applications

- Those business processes and associated software applications that are used across state government
 - Human resources management
 - Financial management
 - Accounting
 - Budgeting
 - Procurement
 - Others administrative and duplicative business processes



Different Tracks, Different Roles

Infrastructure

Business Owner

IT Investment Board

Program Management

CIO and VITA

Role of IT Investment Board

As business owner, responsible for project oversight, management, Comprehensive Agreement recommendations

Enterprise Applications

Business Owners

Secretaries of Admin & Finance

Program Management

Office of the Governor

Role of IT Investment Board

Responsible for oversight of IT portion, similar to any other major IT project in the portfolio



Infrastructure PPEA Timeline

Date	Activity
Jan 2005	Joint Due Diligence initiated
April 2005	Proposal packages released to vendors Detailed proposal development
June 2005	Detailed proposals received by VITA Highly collaborative, detailed review begins
Aug 2005	Infrastructure PPEA Steering Committee develops recommendation based on input from wide range of stakeholders and subject matter experts
Aug 10, 2005	IT Investment Board approves Steering Committee recommendation to commence formal negotiations
October 5, 2005	IT Investment Board decision whether to recommend approval of Comprehensive Agreement by the Governor



Infrastructure PPEA—Participation

- Highly collaborative review of infrastructure by stakeholders and subject matter experts
 - 60 individuals representing 14 agencies
 - 1 cabinet Secretary and 2 deputies
 - 2 IT Investment Board members and the CIO
 - Council on Technology Services Workgroup
 - 9 individuals representing 7 agencies, including Judicial and Legislative Branches, local government, and higher education
- Highly skilled and experienced independent resources for this type of agreement
 - Gartner (governmental IT industry expertise; negotiation support)
 - Gordon & Glickson (governmental IT contracting expertise; negotiation support)
 - PA Consulting (organizational design expertise)

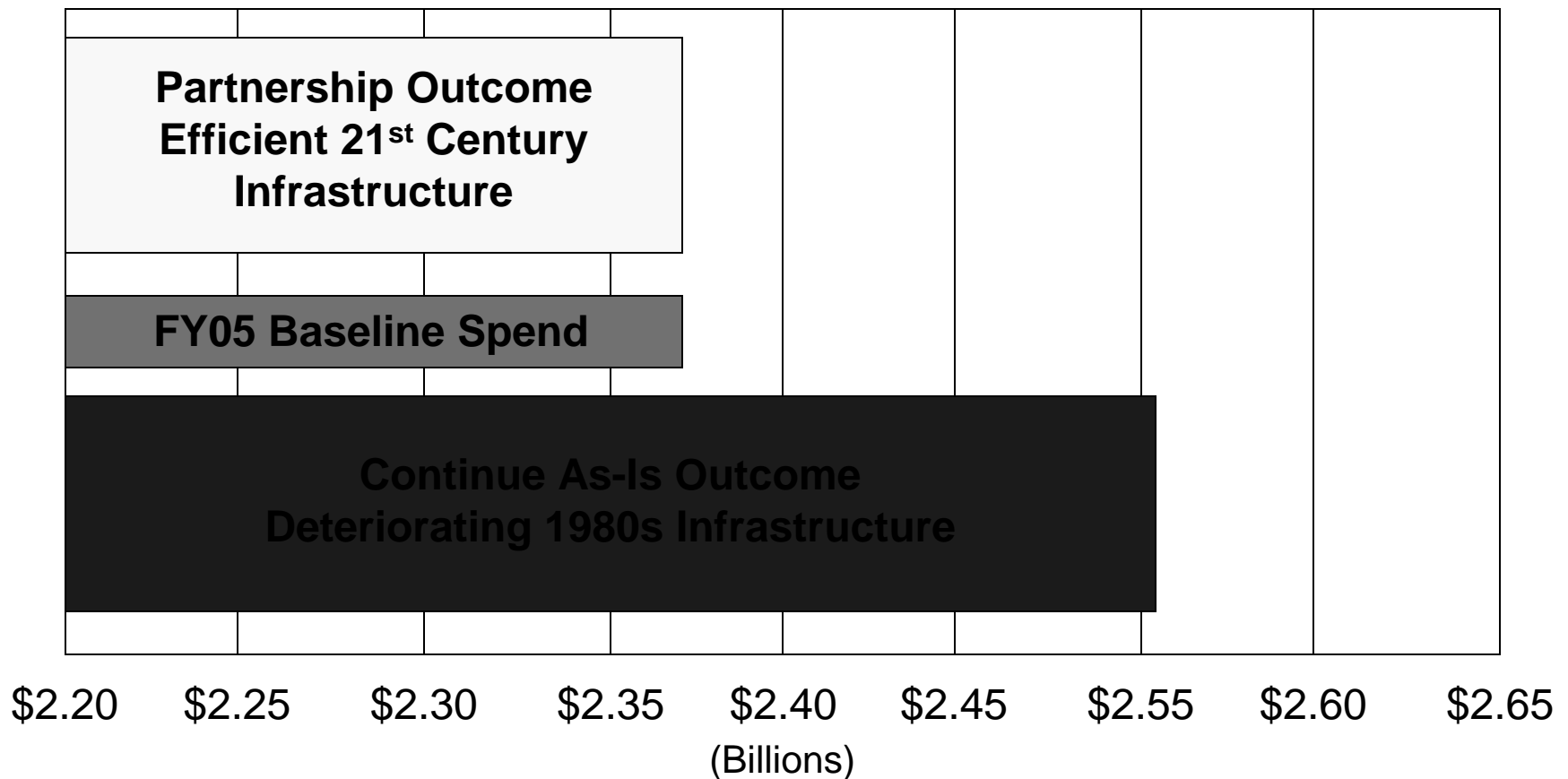


Infrastructure Vendor Proposal Summary

- The Detailed Proposals submitted by IBM and Northrop Grumman both provide:
 - Significant upfront capital investment
 - Continuous process-based improvements, supported by a service level approach
 - Technology refresh
 - Facilities
 - Economic development
 - Strong industry experience and management commitment
 - Integrated change management and communications
 - Comprehensive and integrated transition plan
 - Commitment to VITA's employees
 - Separation plan



Financial Comparison—Total 10 Year





Infrastructure Partnership “Musts”

- A successful deal is not a foregone conclusion. As part of any Comprehensive Agreement, vendor must agree:
 - Employees MUST be treated fairly and equitably
 - No additional GF or taxpayer dollars
 - No increased cost over our FY05 baseline expense level
 - No impact on our bond rating
 - Must have skin in the game—investment & risks
 - Must provide value to citizens
 - Economic development
 - Provide more efficient and modern IT environment that improves services and security
 - No off-shoring of services



Your Questions

- How do we account for future budget cuts?
 - Set floor below baseline to provide flexibility
 - Historic budget cut data used to set a very conservative floor
 - Comprehensive Agreement subject to budget reductions and appropriations
- Isn't it better to own than lease?
 - IT infrastructure is like a utility (Commonwealth's telecommunications infrastructure is leased)
 - Commonwealth decided long ago to lease, not own, utilities like power, water, and gas
 - Utility concept is well-established industry trend
 - Competitive market – multiple vendors to choose from



What's the Hurry?

- Overdue from what was envisioned by General Assembly in 2004
- Proposals received in 2003 and 2004
- Preparing for Comprehensive Agreement more than 8 months
- Infrastructure improvements LONG overdue
- We will include the General Assembly and adjust our schedule if necessary
 - We've adjusted our schedule before
- The time for transformation is now, and PPEA is best vehicle



Has Transformation Been Done Before?

- This approach to revitalizing infrastructure is a mature business model in the private sector
- Other states and large localities have successfully done portions of what Virginia is seeking to do
- Although dollar value of deal seems very large (~\$2 billion over 10 years), the reality is the Commonwealth
 - Is spending as much annually with multiple vendors today
 - Will spend as much or more with multiple vendors over the same 10 year period



How Do We Ensure Success? Maintain Control?

- VITA is collaborating with independent IT industry experts to negotiate a Comprehensive Agreement that will be considered successful now AND in 10 years
- Minimum service levels are part of Comprehensive Agreement
 - Portion of payment to vendor will be withheld if minimum service levels not met
 - Service levels are common IT industry tool to tie payment to performance
 - Comprehensive Agreement service levels negotiated based upon lessons learned from other large government deals
- This is not a “turning over the keys” situation
 - ITIB, CIO and VITA will govern IT policies, architecture, standards and security, as well as manage vendor’s performance
 - Stability of ITIB and CIO will help mitigate effect of Administration change
- Partnership with a viable, motivated company who has “at risk” skin in the game



What About Workforce Transition Costs?

- Reductions in VITA's workforce will be accomplished through active management of attrition, retirement, retraining and job placement
- Employee transition cost averages ~\$9 million annually
 - Due to attrition, retirement, retraining and job placement, figure is ceiling, not floor
- VITA and vendor both need legacy system knowledge many employees possess
 - Employees must be retained to assure continuous service
 - Employee expertise required to re-engineer or replace legacy systems
 - Employee knowledge increasingly unavailable in market
- Not every VITA employee will choose to stay
 - Vendors will offer opportunities unavailable at VITA
 - Employees will carry length of service to new vendor position



What Happens When Comprehensive Agreement Ends?

- We are preparing NOW: normal expiration and separation (early termination) of the partnership are central negotiating points
 - Normal expiration terms
 - No balloon payments
 - Ability to re-compete (e.g. San Diego County)
 - Ability to “take it all back” in-house
 - Separation terms
 - Allows sufficient time for smooth transition to ensure continuous service
 - Addresses people, facilities, equipment, contracts, licenses



What Happens Next?

- Negotiations with both vendors ongoing
- October 5 is target date to submit Comprehensive Agreement to IT Investment Board for review
 - This is subject to change
- IT Investment Board and CIO will continue to inform and seek the guidance of the General Assembly
 - Available to provide information and answer any questions related to the Infrastructure PPEA



Conclusion

- PPEA is the best vehicle for achieving Transformation
- We will not sign an agreement unless
 - Employees are treated fairly and equitably
 - Potential partnership will improve infrastructure and services
 - Transformation will not cost any more than FY05 baseline spend
 - Potential partner invests in Virginia
- We cannot afford to wait any longer to Transform
 - Legislative mandate and driver in creating VITA
 - Incumbent on us to spend taxpayer dollars wisely and invest in better services



Virginia Information Technologies Agency



For More Information on VITA

www.vita.virginia.gov

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