



Virginia Information Technologies Agency

IT Infrastructure program contract modifications





Today's topics

History and context

- Why amend the contract?
- What are the business objectives?
- What are the highlights?

Overview of amendments and operational improvements

- What's changing?
- What are the impacts to agencies?
 1. Transformation
 2. New services
 3. Asset management and operational efficiencies
 4. Operational improvements
- When will changes take place?

Next steps



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History and context





Why amend the contract?

- Contract amendments were necessary to resolve outstanding issues and move forward
- Business objectives
 - Improve dramatically operations and customer service
 - Clarify services and scope of work, and clearly define who is responsible for what
 - Establish greater accountability with clear performance metrics and a distinct dispute process
 - Address customer business needs with new services, options and tiered pricing
 - Complete rebaselining and address financial issues



Contract amendment highlights

The amendments set the tone for a more productive working relationship

Performance improvements

- Expedites service and response
- Provides agencies greater flexibility over administrative tasks
- Improves speed and quality of procurement and service requests
- Overhauls help desk services
- Adds new services and pricing options
- Moves forward desktop upgrades

Accountability and operational efficiencies

- Consolidates and strengthens SLAs
- Increases SLA penalties by 15%
- Creates a clear, faster dispute resolution process
- Establishes three-month review period to ensure performance

Financial

- Extends contract three years
- Allows billing from a rebaselined inventory
- Provides for developing resource units for new services

Overview of financial impact (by year)

NG COSTS TO VITA	2010 Year 4	2011 Year 5	2012 Year 6	2013 Year 7	2014 Year 8	2015 Year 9	2016 Year 10	2017 Year 11	2018 Year 12	2019 Year 13	Total
Baseline of Services	\$ 236.0	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	
Release of prior Withholds ¹	\$ 5.0	\$ 10.0									\$ 15.0
Recognition of Additional Services ²		\$ 4.4									\$ 4.4
Storage post Oct '09 ³		\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 31.5
Reduced IFA credit ⁴	\$ 0.3	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 9.3
Year 10 COLA ⁵							\$ 8.8	\$ 8.8	\$ 8.8	\$ 8.9	\$ 35.3
Total for Baseline Services	\$ 5.3	\$ 18.9	\$ 4.5	\$ 4.5	\$ 4.5	\$ 4.5	\$ 13.3	\$ 13.3	\$ 13.3	\$ 13.4	\$ 95.5
Average for Baseline Services (Years 5-13)											\$ 10.0
Regular COLA ⁶	\$ 2.2	\$ 6.7	\$ 7.7	\$ 8.7	\$ 9.7	\$ 10.7	\$ 10.7	\$ 11.7	\$ 12.7	\$ 13.7	\$ 94.5
Estimated ECPs/New Services ⁷	\$ 1.5	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 46.5
Sum Total	\$ 9.0	\$ 30.6	\$ 17.2	\$ 18.2	\$ 19.2	\$ 20.2	\$ 29.0	\$ 30.0	\$ 31.0	\$ 32.1	\$ 236.6

* Does not include Retained Expense Cap – impact is being analyzed

1. Past withheld invoices of \$16,020,911 less \$1,019,401 in Service Level Agreement Credits – split into 2 parts for VITA cash flow relief
2. All services connected to the Engineering Change Proposals provided prior to the execution of Amendment No. 60
3. Storage purchased since Oct '09 (~143 GB)
4. Reduced Industrial Funding Adjustment (IFA) from 1% to .5%
5. Year 10 COLA implementation of 4.75% in lieu of 'regular' COLA
6. COLA as prescribed in the original CIA – not implemented up onto now
7. New Services never in dispute but put under contract at the same time - Improved Disaster Recovery, Managed Router/Firewall & Hard Drive Encryption



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Overview of amendments and operational improvements





What's changing? How is it structured?

- Amendment No. 60
 - P x Q (price x quantity)
 - Scope clarifications
 - Expedited dispute resolution
 - New services (engineering change proposals – ECPs)
 - New tiered solutions
 - Consolidated SLAs
 - Transformation and legacy operations framework
- Amendment No. 61
 - One-time cost of living adjustment
 - New pricing tables (from Northrop Grumman to VITA)
- Operational improvement initiatives
 - Priority of Governor, Secretary of Technology and CIO
 - Our commitments to you



Overview of agency impacts

What are the impacts to agencies?

1. Transformation ** time sensitive **
2. New services (ECPs)
3. Asset management and operational efficiencies
4. Operational improvement initiatives



1. Transformation

Contractual deadlines and obligations

- May 15, 2010 - deadline for revised, agency-approved transformation plan
- Dec. 31, 2010 – deadline for completing transformation
- Jan. 1, 2011 – start date for additional “legacy” charges
 - Agencies that have not completed transformation will incur additional legacy charges to support non-transformed systems
 - Specific costs to be determined and shared with agencies



2. New services (ECPs)

- Provides new services or service options to meet your business needs
 - Wireless
 - Encryption
 - Managed firewall
 - Enterprise virtual private network (VPN)
 - Voice over Internet protocol (VoIP)
- Provides tiered solution options with different price points to meet your budget and business needs
 - Servers
 - Storage
 - Printers
 - Copiers
 - Disaster recovery (DR)



3. Asset management and operational efficiencies

- Allows Northrop Grumman to redeploy hardware
- Eliminates new active reserve assets (spares)
- Improves ordering and work request processes
- Defines distinct, fast dispute resolution process
- Documents pricing approach to agency relocation and upgrades
- Updates desktop/laptop standard configurations
- Clarifies external secure socket layer (SSL) certificates



3. Asset management and operational efficiencies

- Strengthens SLAs and accountability
 - Consolidates SLAs
 - All SLAs are “in play” every month
 - Increases penalties by 15%
 - Requires provision of agency level SLA reports
 - Requires enhanced problem management at an agency site when SLA-related problems recur



4. Operational improvement initiatives

- Improving operations and customer service is a top priority
- Each of seven initiatives will be tracked and monitored
 - Teams will identify one or two key performance metrics by May 1
- VITA and Northrop Grumman are committed
 - Operational improvement initiatives signed by Secretary of Technology and Northrop Grumman VP/General Manager



4. Operational improvement initiatives

#	Initiative	Objective
1	Rapid response team	Resolve on-site incidents faster
2	Agency tech lead empowerment	Provide agencies flexibility to handle routine changes
3	Laptop/desktop depot service	Fix hardware issues quickly with spare equipment and parts
4	RFS process and technology architecture/solutioning redesign	Make the RFS process faster and more effective
5	Inventory/billing disputes team	Resolve billing and inventory disputes faster and effectively
6	Help desk redesign	Improve overall help desk service and support
7	Password reset SLAs	Take care of password resets within one hour



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Next steps





Next steps

Immediately

- Diving into the details - developing action plans, timelines
- Developing communications plan and materials
- Defining performance measures for operational improvement initiatives by May 1
- Developing revised transformation plans for agency review and signoff by May 15
- Develop enhanced ordering processes by Aug. 1
- Creating list of proposed operational improvements by Aug. 15

Calendar year 2010

- Completing transformation by Dec. 31
- Developing new rates for JLARC approval
- Implement operational improvements
- Implementing new services (ECPs)

We will seek your input and feedback throughout



Links to more information

- Contract amendments 60 and 61 (language)
<http://www.vita.virginia.gov/itpartnership/default.aspx?id=453>
- Operational Improvement Initiatives work plan
http://www.vita.virginia.gov/uploadedFiles/Amendment60_OperationalImprovementPlan.pdf