

4 Project Financing

Please note that the chapter contained here is a version from which our proprietary concepts have been removed. A full version of Chapter 4 is presented bound under a separate cover and labeled *Proprietary*. The Commonwealth should hold that volume confidential.

The conceptual proposal offers with the Commonwealth the opportunity to move away from a business as usual approach and into transformation, to truly improve the business operations and produce actual savings for the Commonwealth.

The three major work streams of BMI will produce significant financial benefits for the Commonwealth. These work streams are **strategic planning** to guide program direction and keep projects aligned with business drivers; **transformation work** in the areas of business process reengineering, organizational alignment, and technology enhancement; and **enterprise services** delivered through shared service centers. This work brings the following benefits:

- Consolidated and modernized business processes and enterprise applications for core administrative business functions of the Virginia government enterprise.
- Consolidated and modernized information technology infrastructure and associated functions in selected areas under the jurisdiction of VITA.
- Shared service centers as the delivery organizations for ongoing operational support for common activities that are undertaken throughout the government, such as help desk/call center operations.

The Virginia Government Transformation Alliance's approach results in significant long-term, sustained financial savings to the Commonwealth.¹ As the economics of the preliminary cost estimates demonstrate, there are compelling financial reasons for the Commonwealth to proceed with the Initiative we propose as a public-private partnership. In addition, we believe that we have developed a unique strategy for costing and funding this proposed BMI that will provide for recovery of the initial investment, sustain the business services required to create the benefits, and drive long-term value for the Commonwealth.

4.1 Preliminary Cost

Provide a preliminary estimate and estimating methodology of the cost of the work by phase, segment, or both.

4.2 Development, Financing, and Operation Plan

- *Submit a plan for the development, financing and operation of the project showing the anticipated schedule on which funds will be required.*
- *Describe the anticipated costs of and proposed sources and uses for such funds.*
- *Include any supporting due diligence studies, analyses or reports.*

¹ All references to "AMS" in this proposal refer to American Management Systems, Incorporated, a Delaware corporation which is a wholly-owned subsidiary of CGI Group, Inc.

4.2.3 Benefits Measurement Methodology

In a benefits-funded initiative, it is critical to understand and codify the benefits measurement methodology. As one of the first activities in our due diligence efforts, the Partnership will need to establish a methodology for tracking each benefit stream identified. This will require us to establish the following:

- Identification, definition, and approval of the specific individual benefit streams that will be measured
- A protocol for measuring the benefits
- A baseline for each benefit, so that we can subsequently measure to determine the level of incremental benefits derived.

This process should be grounded in a logical, replicable environment to avoid any confusion on what a benefit is and when it should count towards funding the initiatives. The identified benefits, measurement protocol, and preliminary baselines will be recommended to the Benefits Measurement Committee (see Chapter 2, section 2.1.2.1) for review and adoption so that the performance-based contract may be negotiated on a clear and sound basis.

We also note that it will be necessary to have an overall account that will capture all identified benefits so that the funds are available to the Partnership and are not subsumed into the Commonwealth's General Fund.

4.2.4 Supporting Analysis

This plan is based on preliminary analysis of the Commonwealth's spending on IT and administrative systems. We have made every effort to apply the same rigor to the estimated benefits. Our plan draws upon these resources:

- The Alliance's direct experience in benefits—and performance-based initiatives in California, Florida, Kansas, Michigan, and New York City, as well as in the Commonwealth.
- Metrics from similar administrative business system implementations against published Commonwealth data to help quantify costs and benefits estimates.
- Independent third party analysis, such as that conducted by the Financial Executive Research Foundation, to help us benchmark operational efficiencies we believe the Commonwealth can gain.

4.3 Assumptions

Include a list and discussion of assumptions underlying all major elements of the plan.

4.4 Risk Analysis

Identify the proposed risk factors and methods for dealing with these factors.

4.5 Local, State or Federal Resources Required

Identify any local, state or federal resources that the proposer contemplates requesting for the project. Describe the total commitment, if any, expected from governmental sources and the timing of any anticipated commitment.