



Minutes

Monday, March 30, 2009

Virginia Information Technologies Agency (VITA)
Commonwealth Enterprise Solutions Center
Multipurpose Room
11751 Meadowville Lane, Chester, VA 23836

Attendance

Members present:

The Honorable Aneesh Chopra
Hiram R. Johnson, Vice Chair
Kenneth S. Johnson Sr.
Walter J. Kucharski

Len Pomata
James F. McGuirk II, Chair
Dr. Mary Guy Miller
Bertram S. "Bert" Reese

Members absent:

Dr. Patricia Cormier
Scott D. Pattison

Others present:

Lemuel C. Stewart Jr., Chief Information Officer of the Commonwealth
John Westrick, Office of the Attorney General
Marcella Williamson, Executive Director, ITIB

Chair's Report

Call to order

Chairman McGuirk called the special meeting to order at 10:10 a.m. in the Multipurpose Room at the Commonwealth Enterprise Solutions Center (CESC) in Chester. Chairman McGuirk asked Ms. Williamson to call the roll. The presence of a quorum was confirmed.

Minutes

Chairman McGuirk introduced the draft meeting minutes from Jan. 15, 2009. Dr. Miller made the motion to approve the minutes. Mr. Pomata seconded the motion. The minutes were approved by voice vote.

Resolution

Chairman McGuirk noted that Dr. Miller's term on the ITIB is ending. He read the following resolution from the board:

WHEREAS, Dr. Mary Guy Miller has conscientiously served on the Information Technology Investment Board for six years beginning as a founding member; and,

WHEREAS, the legislative and executive branches placed their confidence in her, with two Governors appointing her to the ITIB from a list provided by the General Assembly; and,

WHEREAS, she has provided exemplary leadership that has resulted in national recognition of Virginia as a leader in IT and contributed to Virginia's Best Managed State status; and,

WHEREAS, Dr. Mary Guy Miller has helped shape technology policies and strategies in the Commonwealth through her service to the ITIB and, prior to that, as a member of the Chief Information Officer Advisory Board and advisor to the Office of the Secretary of Technology; and,

WHEREAS, during her tenure on the ITIB, she has served as Vice Chair of the Board, chair of the Customer Service and Executive Evaluation and Governance Committees, and on the IT Infrastructure, Finance and Audit, and Strategic Planning and Review Committees; and,

WHEREAS, Dr. Mary Guy Miller has demonstrated her commitment to Virginia government IT reform through her participation in and oversight of the nation's largest IT public-private partnership that is resulting in the transformation of state government's IT infrastructure, improved security, job creation in Southwest Virginia, and greater efficiency and accountability; and,

WHEREAS, the Commonwealth has benefitted from her dedicated service and Virginians will enjoy the results of her efforts for many years to come; and,

WHEREAS, Dr. Mary Guy Miller is respected by her colleagues on the ITIB, who will miss her wisdom, positive approach, warmth and guidance;

NOW, THEREFORE, BE IT RESOLVED that the Virginia Information Technology Investment Board this 30th day of March 2009 recognizes Dr. Mary Guy Miller for her leadership and dedicated service on the ITIB and to the Commonwealth of Virginia and its citizens.

The board gave Dr. Miller a standing ovation. Dr. Miller said it isn't often that a citizen serves in government at this level, and expressed her "honor and privilege" in serving on the board.

VEAP/CAO report

Chairman McGuirk said the General Assembly has asked the board to be more involved in the modernization of Commonwealth applications, and said this special meeting was scheduled for that purpose. He asked Chief Applications Officer (CAO) Peggy Feldmann to report on the status of the Virginia Enterprise Applications Program (VEAP) and its current financials state.

Ms. Feldmann said Secretary of Finance Ric Brown will explain alternatives of financing for VEAP and its efforts to modernize applications, but he had not yet arrived. Ms. Feldmann explained the history of the budget for VEAP over the past four years and discussed the 2009 budget.

Mr. Kucharski asked for clarification on whether Ms. Feldmann is presenting on the current year's budget or next year's budget. Ms. Feldmann said she is presenting of the FY09 budget, and that the FY10 budget will be discussed at the April ITIB meeting. Mr. Kucharski asked about draw downs on working capital. Ms. Feldmann said there was no working capital drawn down before 2009.

Mr. Kucharski asked if the Department of Planning and Budget (DPB) "unallocated" the \$6.2 million in working capital advance and if the ITIB would be on the hook for that money once the CAO is under the purview of the ITIB. Ms. Feldmann said yes, DPB "unallocated" the money but the question of who is responsible for the funding is a question the Secretary of Finance will answer when he arrives.

Mr. McGuirk suggested holding discussion on financials until the Secretary of Finance arrives. He said the ITIB's concern is that the working capital advance is similar to a credit card and the board wants to make sure there is income to pay that debt.

Mr. Hiram Johnson said if there has been a working capital advance of \$2.8 and \$1 million has been repaid, who is responsible for the remaining \$1.8 million. Ms. Feldmann said the Secretary of Finance also will answer that question.

Mr. Pomata said the vision for VEAP/CAO was to find savings and efficiencies in applications significantly more than the amount being discussed. He asked how much is being spent on applications. Ms. Feldmann said \$160 million on applications operations and maintenance, and there is a significant amount more in new systems. He said he wants to hear about the future of VEAP and how to achieve more efficiency in applications.

Ms. Feldmann said two approaches were proposed in 2005 and the Commonwealth determined it would partner for the benefits stream. However, she said, later in 2005 it was determined that large benefit streams and the large-scale ERP were not viable.

Secretary Brown arrived at the meeting.

Ms. Feldmann said \$11 million was provided for planning and \$30 million was authorized from the working capital advance to be repaid from the benefits stream. It was determined financial management would cost \$136 million with \$100 million needed from General Funds in the 2009-10 budget. Because of the economic downturn, that money was not available. She said it was determined that the CAO would manage the enterprise working with lead agencies to develop collaborative opportunities. She said VDOT was in need of a new financial system and now is partnering with VEAP/CAO on a system to replace the 30-year-old Commonwealth Accounting and Reporting System (CARS) system, which includes general ledger and accounts payable. She said the expectation is for a new contract within the next few weeks. Ms. Feldmann said VDOT would pay for its portion of the system and VEAP would put in \$5 million. She said VDOT has the human resources to build a system to replace CARS, and that is required for such systems.

Chairman McGuirk asked how VEAP would obtain the \$5 million. Ms. Feldmann said the expectation is from the working capital advance. Chairman McGuirk noted that now VEAP needs the \$5 million and the \$1.8 million mentioned earlier. Ms. Feldmann said that is correct.

Chairman McGuirk asked if the new CARS replacement application is implemented, will it be used by all agencies. Ms. Feldmann said yes and that CARS will be shut down. She said implementation also will be a cost. Mr. McGuirk asked the cost and dates for implementation in other agencies. Ms. Feldmann said that information is not available yet. Mr. McGuirk noted that the \$5 million is the down payment with a yet-to-be determined cost to agencies. Mr. Reese asked if funding for implementation will come from agencies. Ms. Feldmann said from agencies and VEAP. Mr. Pomata said the business case should have included the costs for all agencies. Ms. Feldmann said costs are available per agency for all parts of the financial system, but not just general ledger and accounts payable. He asked CIO Stewart about the business case. CIO Stewart said the board approved a major project for VDOT but did not include the business case for rollout for all agencies. Mr. Pomata asked for analysis of what rollout will cost agencies.

Ms. Feldmann reported on the progress of performance budgeting, business intelligence and data standards. Ms. Feldmann reported that she has a strategy for which she will ask ITIB approval later in her presentation.

Mr. Kucharski said many of the collaborative or shared services being proposed now are free for agencies, and he doesn't understand where the money will come from to finance them. Secretary Brown said VEAP is piggybacking on applications needed and being developed by lead agencies to build an enterprise application that will provide value. At that point, a determination will be made regarding the financing, he said.

Mr. Pomata said it appears there isn't funding and "patching together" an enterprise applications solution makes him "leery about going down this path."

Secretary Chopra said there is no capital strategy for IT or capital strategy in general. He said it is "pay as you go" and there was no appetite in the General Assembly to allocate \$300 million up front for multi-year investments in applications. He said, as a result, the strategy for applications has been more narrowly focused, and the move to collaboration is worth pursuing and will provide return on investments.

Chairman McGuirk said VEAP is trying to look at core systems that every agency uses and eventually must help fund and address those first. He said if the second level is not a mandated level, he wants to know how those collaborative applications will be funded. Ms. Feldmann said that will be done through agency collaboration and input using memoranda of understanding (MOUs). Chairman McGuirk questioned whether the agencies will come forward with funding and later determine that they have higher priorities for funding if the application is not mandated. Ms. Feldmann said she will have MOUs in place before coming to the board for approval of the application.

Secretary Chopra said there is an oversight board consisting of the Secretary of Administration, Secretary of Finance and Secretary of Technology that report to the Governor on strategies for agency collaboration, and those opportunities have been funded in budget language. Chairman McGuirk said that is leverage that the ITIB does not have, and that the board wants to see a plan that shows that any application investment it approves can be repaid and that it benefits the Commonwealth.

Mr. Kucharski said the strategy implies that the Commonwealth will repay advances for application modernization and that there will be a source of revenue.

Ms. Feldmann said there needs to be a strategy that includes governance. Chairman McGuirk said financing is the missing link now and the board needs Secretary Brown's input.

Mr. Ken Johnson asked if the CAO has worked with JLARC on this issue. Ms. Feldmann said she has worked closely with JLARC staff members who have suggested that as long as the collaboration is voluntary, it may not have gone before JLARC. Ashley Colvin, JLARC, said staff members have talked with Ms. Feldmann. He said that any decision must be approved by the commission itself. He said staff members believe the MOUs can be used if there is no mandate.

Secretary Brown said the top box on the applications management strategy contains central systems for the state (financial management, payroll, procurement, performance budgeting and human resources). He said the various agencies that provide those services have funding for the applications and provide services to other agencies.

Secretary Brown said defining individual pieces in enterprise applications strategy opens the whole financial relationship up to analysis. He said Virginia approaches such funding differently than other states. He noted that North Carolina put in \$70 million upfront to replace its personnel/payroll system. He said the Virginia General Assembly wanted to undertake the process in steps and that is the strategy adopted. He said the collaboration behind the scenes will result in payoffs and benefits to the state. He said he would advise the board not to proceed if agencies do not sign up to collaborate on specific application projects.

Moving on to financing applications modernization, Secretary Brown said the only benefit stream launched to fund applications is tax collections. He said the balancing act is that it costs 20 cents per \$1 for private collection, so he does not want accounts sent to private collections that might be collected internally. Secretary Brown said while \$39 million in income was projected, it appears only \$35 million will be collected because the accounts given to the private vendor were hard-to-collect accounts. That, he said, leaves no money for VEAP to use for applications modernization. He said tax amnesty will reduce the benefits stream.

The second opportunity for applications modernization funding is durable medical equipment savings obtained by working with the Department of Medical Assistance Services (DMAS). In budget language, the savings will go to VEAP. DMAS and the vendor are negotiating how this can be done, but a savings of at least \$4 million is projected. This will require caboose bill language in the last quarter of the next fiscal year. He said other states have had savings in this area.

The third opportunity is non-tax collections, which include multiple agencies with 70% of collections, said Secretary Brown. The savings would come from consolidating efforts. He said that project is in the due diligence stage and answers are not yet available regarding potential funding for applications modernization.

Secretary Brown said this means there is nothing on the table right now and VEAP and the CAO must go into a line of credit – either a treasury loan or working capital account – for funding. He said working capital account funding is longer term and can be extended or paid by the General Fund.

Mr. Kucharski said if VEAP and the CAO are under the Governor, it is implicit that the Governor will find funding. When VEAP and the CAO are combined with VITA and under the auspices of the ITIB, that implicit guarantee of funding goes away.

Secretary Brown said he has discussed the issue with the Governor, and the benefits are General Fund benefits. He said, "As I talk with the Governor, we are prepared to deal with this issue ... this is a partnership between this board and the Governor's Office." The language in the Appropriations Act provides for the board to use \$30 million in working capital advance "appropriately."

Mr. Hiram Johnson asked for clarification on whether there is code provision or budget language to dedicate income from the three funding opportunities to applications modernization. Secretary Brown said there is language in the contracts to put the extra money in VEAP. Mr. Hiram Johnson said nothing has been said to "raise my confidence that we have a revenue stream to pay back the working capital." Secretary Brown said the three current opportunities -- tax collections, durable medical equipment savings and non-tax collections -- will produce benefits for VEAP.

Mr. Pomata asked if it is correct that if VEAP expends funds, sources of money to repay those funds will be found. Secretary Brown said yes, the Governor is committed to this through the budgetary process.

Mr. McGuirk said the working capital advance for applications modernization was "put together with an intent to be able to repay that working capital with best efforts, but no guarantees." Secretary Brown said that's correct, but the assumption is that it will be paid over time from a variety of sources.

Mr. Kucharski recommended that the board make sure the General Assembly (Senate Finance, House Appropriations and other appropriate committees) is aware of the strategy and potential financial risk.

Mr. Reese clarified that the ITIB is responsible for the right technology against the right strategy on time and on budget and is not responsible for achieving the return on investment or for the source of funding. Secretary Brown added that the ITIB should be consistent with finance and budget.

Chairman McGuirk said the board is trying to understand the applications modernization strategy and financing. He suggested Ms. Feldmann bring her motion back to the April 16 meeting to permit members to consider the information provided and make the correct decision rather than a rush decision.

Other Business, Public Comment

Chairman McGuirk asked for other business. There was none. He asked for public comment. There was none.

Adjourn

Mr. Hiram Johnson made a motion to adjourn. The motion was seconded by Dr. Cormier. Chairman McGuirk adjourned the meeting at approximately 12:35 p.m. Ms. Williamson announced that the two committees scheduled to meet at 1 p.m. would start at 1:30 p.m. instead.