



# Value of VITA 2006

## IT Transformation

### Bringing 21<sup>st</sup> Century Technology to the Business of Government

#### The Case for Change

Virginia state government is a \$34 billion per year business, the equivalent of a Fortune 50 company. The Commonwealth's current information technology (IT) infrastructure, however, would not keep a Fortune 50 company in business for very long. Consider the following deficiencies:

##### Inadequate Security and Back-Up

- Current Executive Branch data networks are a mixed bag of overlapping, often redundant systems with varying levels of security protection and no comprehensive capability to detect and proactively react to cyber attacks.
- State government data centers have multiplied to more than 100 locations. Some are no more than storage closets, and many are without adequate security, fire protection, and back-up power.
- Many state agencies' mission-critical systems lack adequate disaster recovery capabilities.

Under the best of circumstances, even the most important state-wide business applications cannot be recovered at an off-site location in less than three days.

##### Costly Inefficiencies

- Agencies' collective inventory of more than 3,000

servers is used to only about one-quarter of total capacity.

- Support for the current hodgepodge of some 60,000 desktop and laptop computers is antiquated, requiring labor intensive on-site attention for most needs, instead of the more efficient and effective remote support that is the industry standard.
- The current "stovepipe" IT environment makes collaboration across agency boundaries difficult and often expensive — and frequently, creates similar barriers even among programs in the same agency.

##### Lack of Capabilities

- More than 70 agencies currently provide an IT help desk of some sort. In addition to needlessly duplicating services, most lack even basic problem diagnosis and response tools to determine and fix root causes, not just address symptoms.
- Some agencies even lack basic office automation tools that one would expect to

find today in any business of any size.

IT Investment	From Present State	To Future State
Network	Fragmented	Integrated
Security	Inadequate	Adequate
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, varying costs	Defined performance, predictable costs
PCs	Incompatible, outdated	Compatible platforms, scheduled replacement

The overall state of Virginia state government's current, decentralized IT environment has come about despite the dedicated efforts of individual agencies and dedicated professionals. Agencies have had to "make do" for so long that just being

able to survive under such conditions has become an understandable source of pride. When asked about their service level expectations, for example, most agencies cite the comfort of knowing their IT staff members are giving their "best efforts," not that their IT meets recognized industry standards.

Just maintaining this current decentralized IT infrastructure, however, will cost an estimated \$200 million above current expenditure levels over the next 10 years. It doesn't have to remain this way. Virginia can and will do better.

## Power of Partnership

Clearly, the IT organizational structure and funding sources of the past cannot provide the expertise and capital needed to transform state IT. Where such intensive capital funding and project-specific expertise is needed, state and local governments in Virginia are increasingly looking to public-private partnerships.



VITA and Northrop Grumman are partnering to bring a 21<sup>st</sup> Century IT infrastructure to the Commonwealth, and then keep that transformed infrastructure current and responsive to the state's business needs. This is not just a contractual arrangement but a true partnership with each partner bringing assets and capabilities to the table that are essential to the success of this initiative.

As the designated IT utility for the state's Executive Branch, VITA provides:

- A critical mass of current IT operations, with many opportunities to capture significant efficiencies, economies of scale, and service improvements through consolidation and modernization;
- The ability to aggregate the collective IT buying power of 90 state agencies, as well as participating local governments throughout the state; and,

- An experienced IT support staff knowledgeable in the operations and business needs of its customer agencies, along with a firm commitment to provide that staff with continuing opportunities for professional growth and development.

As VITA's private sector partner, Northrop Grumman brings:

- \$272 million in up-front capital investment;
- World-class expertise as a systems integrator for large, complex IT initiatives;
- Additional IT operations volume from consolidation of its own internal infrastructure inherited from recent mergers and acquisitions, other current Northrop Grumman customers, and a commitment to grow the business even further;
- A corporate culture that values understanding of customers' business needs as the key to being a successful service provider; and,
- A strong commitment to incorporate VITA operations staff as valued, essential assets in the partnership and to business growth, and keeping employees current in the latest technologies.

Together, VITA and Northrop Grumman will be able to leverage the partnership's collective economies of scale and buying power far beyond what each could do individually.

## Transformed Environment

Over the next three years, VITA and Northrop Grumman will completely transform the state's IT infrastructure into a cohesive, efficient, up-to-date platform. Major milestones\* will include:

- A new, state-of-the-art Tier III data center and secondary security operations center in Chesterfield County just south of Richmond that will be headquarters to VITA and will house Northrop Grumman staff working on the IT Infrastructure

---

\* Dates pending required approvals by the 2006 General Assembly.

Partnership and other projects -- *Spring 2007*

- A back-up data center, primary security operations center, and enterprise help desk in Russell County -- *Summer 2007*
- Complete initial refresh of desktop and laptop computers -- *Fall 2007*
- Complete data/voice network upgrade and integration -- *Winter 2008*
- Complete single enterprise e-mail system -- *Spring 2009*
- Complete server consolidation -- *Spring 2009*

Once the transformation is complete, Northrop Grumman will continue to operate and support that 21<sup>st</sup> Century environment for state agencies, as well as for local government entities that seek to take advantage of these cost-effective offerings.



**Commonwealth Enterprise Solutions Center at Meadowville Technology Park in Chesterfield County just south of Richmond**



**Southwest Virginia Solutions Center in Russell County**

## Career Opportunities in IT

The VITA/Northrop Grumman partnership provides unparalleled professional opportunities in the ever-growing IT field.

- For VITA staff currently supporting IT operations, Northrop Grumman will offer attractive benefits packages, advanced training, and the opportunity to pursue careers with a world-class technology firm.
- As part of the partnership's economic development benefits, in addition to the 631 jobs in Chesterfield and 433 jobs in Russell, Northrop Grumman has pledged to create 500 additional jobs beyond those necessary to support the partnership.

## Price, Performance Assurance

Northrop Grumman has committed to perform Virginia's IT Transformation without any up-front capital investment from the Commonwealth -- certainly a good deal for state agencies and the state's taxpayers. How can Virginia be assured, though, that the partnership remains competitive, in terms of both price and levels of performance, over its 10-year life?

The agreement contains numerous price and performance assurances. Examples include:

- Northrop Grumman's annual fees cannot exceed the FY 2005 baseline of \$236 million for equivalent levels of service.
- Service fees and levels will be evaluated against industry peers by an independent third party, with adjustments where justified.
- Similarly, fees will be independently compared with fees paid by other Northrop Grumman customers for similar services, to ensure VITA maintains "most favored customer" status.
- The VITA/Northrop Grumman agreement contains 177 service performance measures, with a penalty structure if measures are not attained.
- The agreement also contains provisions requiring continuous improvement in service levels over the term of the contract.
- VITA's current customer base includes many local government entities, and the partnership intends to attract even more. For these customers, VITA is a "vendor of choice", and the partnership must be

competitive in the commercial marketplace to attract and maintain these customers.

Northrop Grumman also has agreed to penalties if its targets for additional job creation, beyond those needed for the partnership, are not reached.

Taken together, the partnership's price and performance assurances already are being widely recognized as exemplary in the IT services industry. Such advantages are exactly the kinds of quantum improvements the Executive Branch and General Assembly had in mind in creating VITA as the state's IT utility.

## Bottom Line

The VITA/Northrop Grumman partnership provides:

- Essential up-front capital, not otherwise practically available to state agencies;
- A completely transformed IT environment within a three-year timeframe, with ongoing refreshes to keep it in-step with future technology advancements;
- Collective buying power and economies of scale equivalent to the upper echelons of the corporate world;
- Multiple price and performance assurances;
- Professional growth and development opportunities for VITA operations staff with a world-class IT organization; and,
- Significant economic development benefits for both Central and Southwestern Virginia.

## What Does This Mean for Our Constituents?

The VITA/NG partnership provides added value for the multiple constituencies of VITA services:

### State Agencies

- Improved 21st century technology services at today's cost
- Improved security of Commonwealth assets
- Consistent technology innovation
- Improved disaster recovery
- Lower reoccurring costs at the end of the project

### Local Governments

- Leveraged state services at lower costs
- Backup and security services that previously were unaffordable
- Expanded broadband access
- Enhanced emergency communications

### Taxpayers

- Improved security of information
- Expanded, improved and simpler services
- No additional taxpayer dollars
- Economic development and new jobs

### Businesses

- Continued opportunity to compete for Commonwealth business
- Strong focus on small, woman- and minority-owned (SWAM) business opportunities
- Collaborative projects and services

The overall benefits of the state's utility approach to IT, further leveraged by the advantages of the VITA/Northrop Grumman public-private partnership, provide a "win/win" opportunity for state agencies, Virginia's taxpayers, and the state IT staff members.

## For More Information

[www.vita.virginia.gov](http://www.vita.virginia.gov)

[www.northropgrumman.com](http://www.northropgrumman.com)

---