IT Sourcing - Scope 1 Services
Presentation to the Board of Supervisors
Agenda Item # 42

IT Sourcing Objectives

- **Business Goals**
  - Provide cost-effective IT service delivery
  - Maximize funding for programs and business operations
  - Provide technology capability to meet business needs today and into the future
  - Provide value added services that enable Agencies and Departments to meet the needs of their constituents
  - Maximize Agency/Department decision making and control

- **Information Technology Goals**
  - Enhance consistency and predictability through guaranteed service levels; performance is quantified and tracked monthly
  - Improve Countywide IT transparency with dashboard reporting
  - Develop a demand-driven model and can be flexed up or down based on business needs and volume demands
  - Refresh and renew technology systems in a timely manner
  - Identify and implement technology solutions that are innovative and flexible

Vendor Evaluation and Procurement Process

- Rigorous, open and competitive multi-step procurement process
  - Multiple vendor solution presentations/product demos to the County
  - Multiple rounds of vendor proposal submissions
  - Engagement of both Scope 1 & 2 vendors in the process to ensure integration of solutions
  - Vendor due diligence (multiple opportunities)
    - Review of County confidential documents
    - Visits to County facilities
    - Question and answer sessions (oral and written)
    - Clarification sessions to ensure County requirements were clear
  - County due diligence
    - Reference calls conducted to verify vendors' ability/experience
    - County visits to vendors' proposed service delivery sites
  - Preliminary negotiation
  - Board-authorized final negotiation sessions
- Assistance from Avasant, a third-party IT Sourcing advisor

Governance Structure for Vendor Evaluation & Selection

- Given the size, scope and complexity of the IT Sourcing initiative, a comprehensive governance model was established:

  - **Board of Supervisors**
    - **Role:** Provide oversight and guidance to the Executive Committee; review and approve key sourcing procurement recommendations, including bidder down selection, approval to negotiate and contract authorization

  - **IT Sourcing Executive Committee**
    - **Role:** Advise/inform the Board of key issues as required during the procurement process; make recommendations to the Board

  - **Source Selection Committee**
    - **Role:** Review individual Technical Evaluation Teams' recommendations; develop comprehensive recommendations to Executive Committee

  - **Technical Evaluation Teams**
    - **Role:** Evaluate individual vendor proposals by service areas; present results of evaluation and make vendor recommendations to the Source Selection Committee

Summary of Contracted Services

Service Name	Service Description	Initial In-Scope Agencies/Depts
Relationship Management	▪ Defines contract governance structure ▪ Provides relationship management services to County as well as to Scope 2 service provider ▪ Emphasis on innovation and customer satisfaction	▪ For all in-scope Agencies and service areas
IT Service Management and Lifecycle Statement of Work	▪ Industry standard IT Services Management framework/processes as well as roles and responsibilities for activities across all in-scope service areas	▪ IT service management applies to all service areas
Data Center Management Services	▪ Data Center Facility Management, Server Hosting, Operations, Storage Management and Disaster Recovery Services	▪ Support for all servers and storage managed by CEO/IT on behalf of Agencies, County mainframe
Service Desk Services	▪ Single Point of Contact for all in-scope Agencies for all contracted IT services ▪ Single Service Desk for users to call for both Scope 1 and Scope 2 services	▪ CEO/IT, Probation, OCCR, OCWR, Grand Jury ▪ Hall of Admin. (Board Offices, County Counsel, Clerk of the Board, CEO, HR)
Application Development and Maintenance Services	▪ Application Development and Maintenance Services for a defined list of Applications	▪ Support for all applications managed by CEO/IT and select applications for the A-C & Assessor
Desktop Support Services	▪ Onsite and remote support for County desktops/laptops/printers	▪ CEO/IT, OCWR, Grand Jury ▪ Hall of Admin. (Board Offices, County Counsel, Clerk of the Board, CEO, HR)

Contract Duration

- **Initial Term**
    - Five years
    - Initial term begins after Transition period of four months
    - Transition targeted to begin in June 2013
        - Contract provisions allow for County to delay transition pending a Scope 2 award
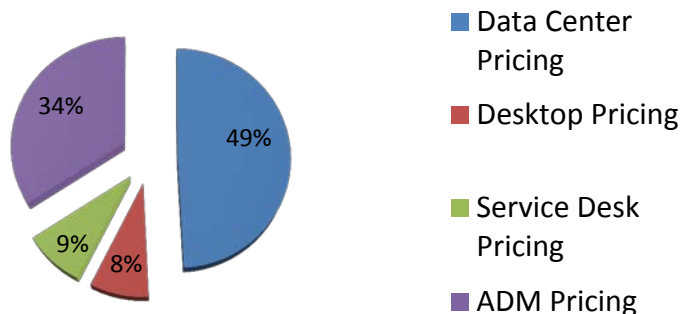
- **Term Renewals**
    - County may extend the term for two additional successive periods of not more than one year each
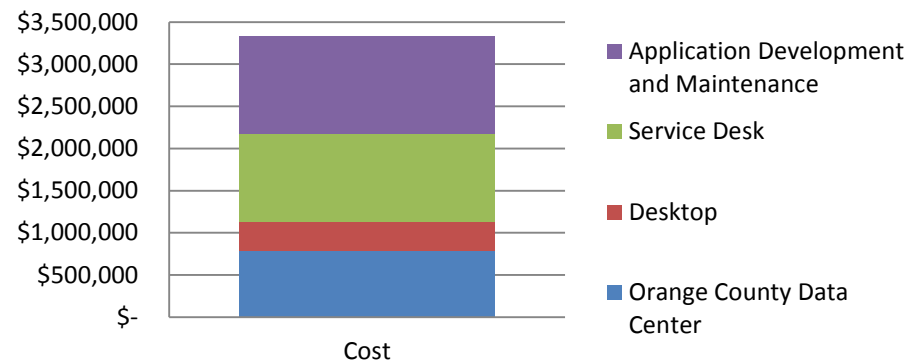
Negotiated Pricing Summary

- **Total 5 -Year Pricing: $74.3 million**

- **Total 7 -Year Pricing: $101.8 million**

- **Data Center and Application Services make up majority of the cost**

Recurring Pricing Summary	Transition Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Opt Yr 1)	Year 7 (Opt Yr 2)
Data Center Pricing	$ 785,960	$ 7,027,392	$ 6,839,148	$ 7,003,620	$ 6,807,384	$ 7,028,736	$ 6,473,616	$ 6,460,800
Desktop Pricing	$ 352,774	$ 1,168,308	$ 1,168,308	$ 1,168,308	$ 1,168,308	$ 1,168,308	$ 1,168,308	$ 1,168,308
Service Desk Pricing	$ 1,036,326	$ 1,200,420	$ 1,207,188	$ 1,213,956	$ 1,220,724	$ 1,227,492	$ 1,234,260	$ 1,243,284
ADM Pricing	$ 1,154,122	$ 4,880,627	$ 4,880,627	$ 4,880,627	$ 4,880,627	$ 4,880,627	$ 4,880,627	$ 4,880,627
Total Pricing	**$ 3,329,182**	**$ 14,276,747**	**$ 14,095,271**	**$ 14,266,511**	**$ 14,077,043**	**$ 14,305,163**	**$ 13,756,811**	**$ 13,753,019**

7-Year Total By Service Area

- Data Center Pricing — 49%
- Desktop Pricing — 8%
- Service Desk Pricing — 9%
- ADM Pricing — 34%

One-Time Transition Cost

- Application Development and Maintenance
- Service Desk
- Desktop
- Orange County Data Center

Key Contract Terms and Conditions

- **Transition**
  - 120-day transition plan
  - 20% of the transition price at risk if critical milestones are not met

- **Service Level Requirements (SLRs)**
  - Contractual obligation to meet stated performance commitments
  - 20% of the annual contract value at risk

- **$10 million Performance Bond**

- **Termination**
  - Multiple termination rights by County
  - By SAIC if 1/3 of contract value is unpaid and undisputed

- **Security, Confidentiality and Audit Rights**
  - Contract is prescriptive on SAIC's adherence to security and confidentiality including California DoJ background checks of SAIC staff

- **Benchmarking**
  - Services benchmarked annually in whole or in part
  - Automatic adjustment of fees (in County's favor) if comparable enterprises are receiving similar service at a lower price

County Staffing Impact

- **Efforts to minimize staffing impacts**
  - CEO/IT has worked with OCEA and Agencies/Departments
  - Holding positions (or filling temporarily with contract staff)
  - Negotiated with SAIC a guarantee to interview County staff over the life of the contract
  - Detailed assessment process underway
  - Training will be made available