



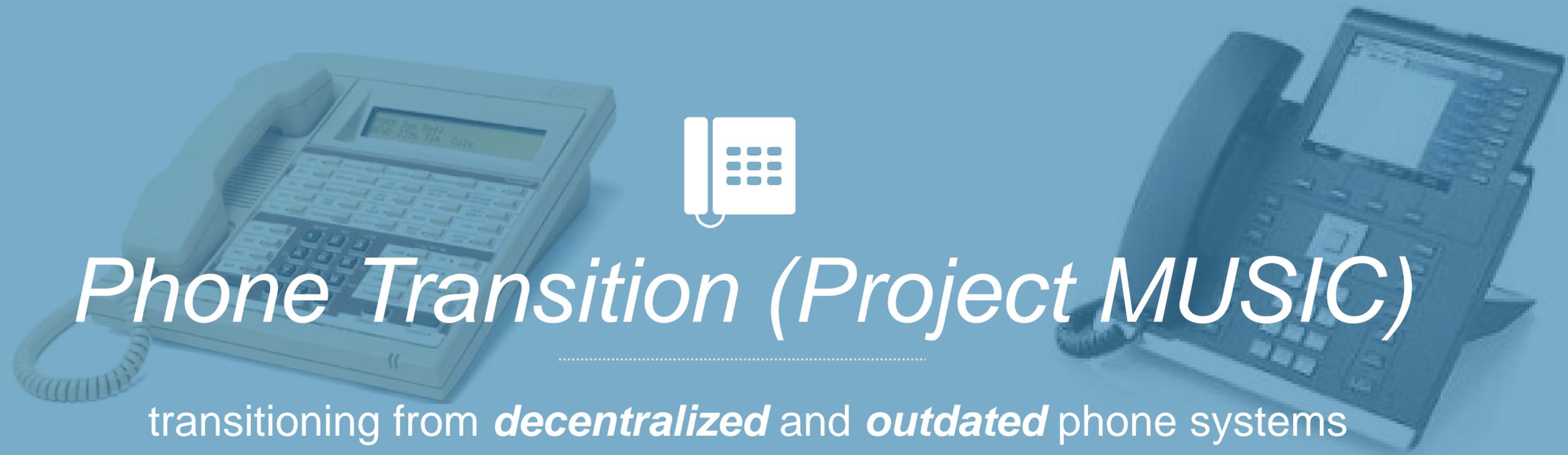
OREGON | Office of the State

# Chief Information Officer

*W&M General Government. Phase II  
Budget Presentation*

25 April 2017





# *Phone Transition (Project MUSIC)*

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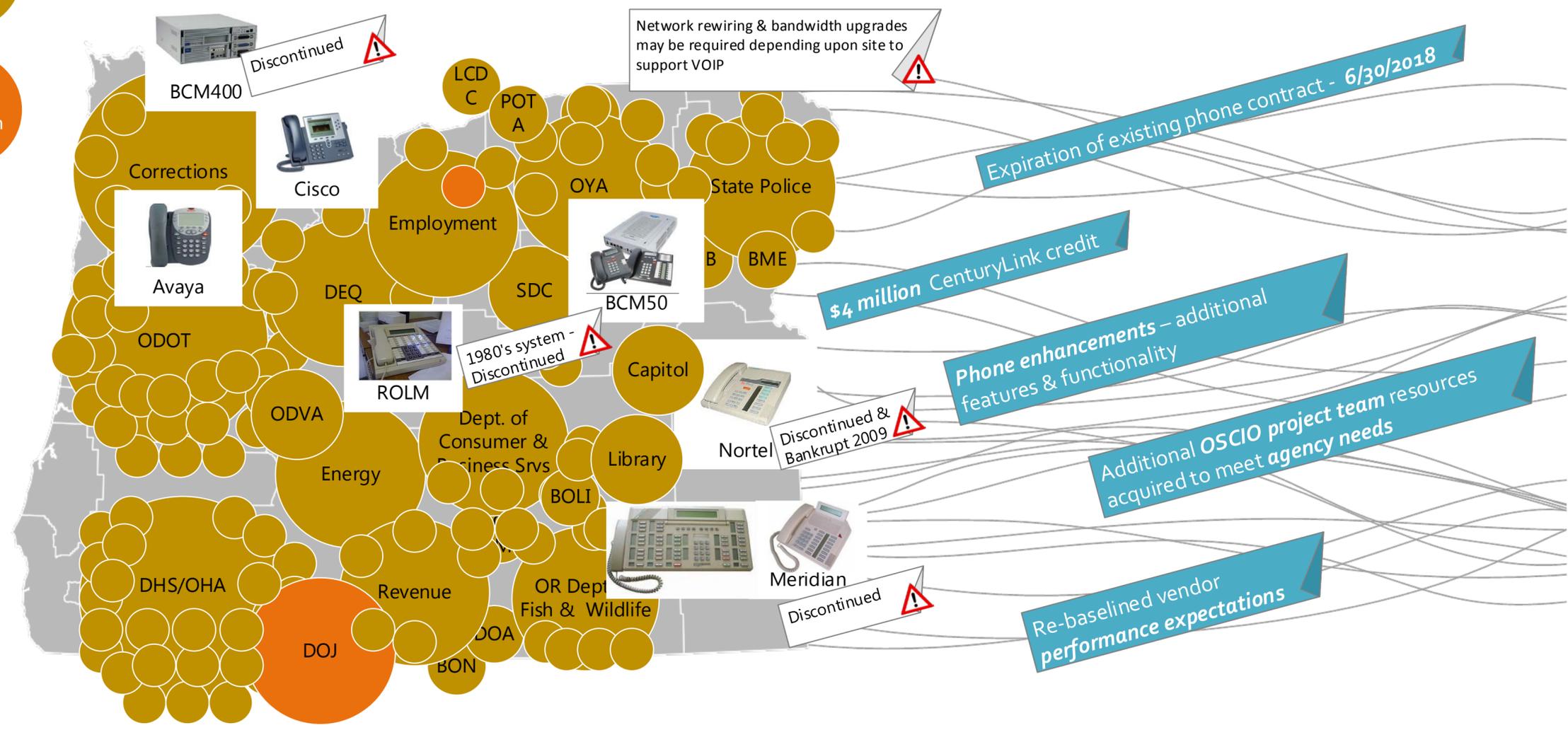
transitioning from *decentralized* and *outdated* phone systems  
to an *integrated VOIP* solution

# Phone Transition (*MUSIC*)

transitioning from *decentralized* and *outdated* phone systems to an *integrated VOIP* solution

Migrating Sites

Granted Exception



Expiration of existing phone contract - 6/30/2018

\$4 million CenturyLink credit

Phone enhancements – additional features & functionality

Additional OSCIO project team resources acquired to meet agency needs

Re-baselined vendor performance expectations

### Unify Phone System - IBM

- ### Transition Goals
- ~27,000 phones transitioned
  - Enterprise lifecycle management
  - Enhanced functionality and performance
  - End-to-End Outsourced Managed Service (IBM)

2010 Start of VOIP Needs analysis

NOV 2013 Voice Ent. Solutions Initial Findings Report by Com Group, Inc.

JUN 2014 RFP Issued

JAN 2015 Intent to Award CenturyLink- failed negotiation

MAR 2015 RFP Awarded to IBM

JUN 2015 IBM Contract Signed

FEB 2016 1<sup>st</sup> Site Migrated

JAN 2017 20,037 Phones Migrated

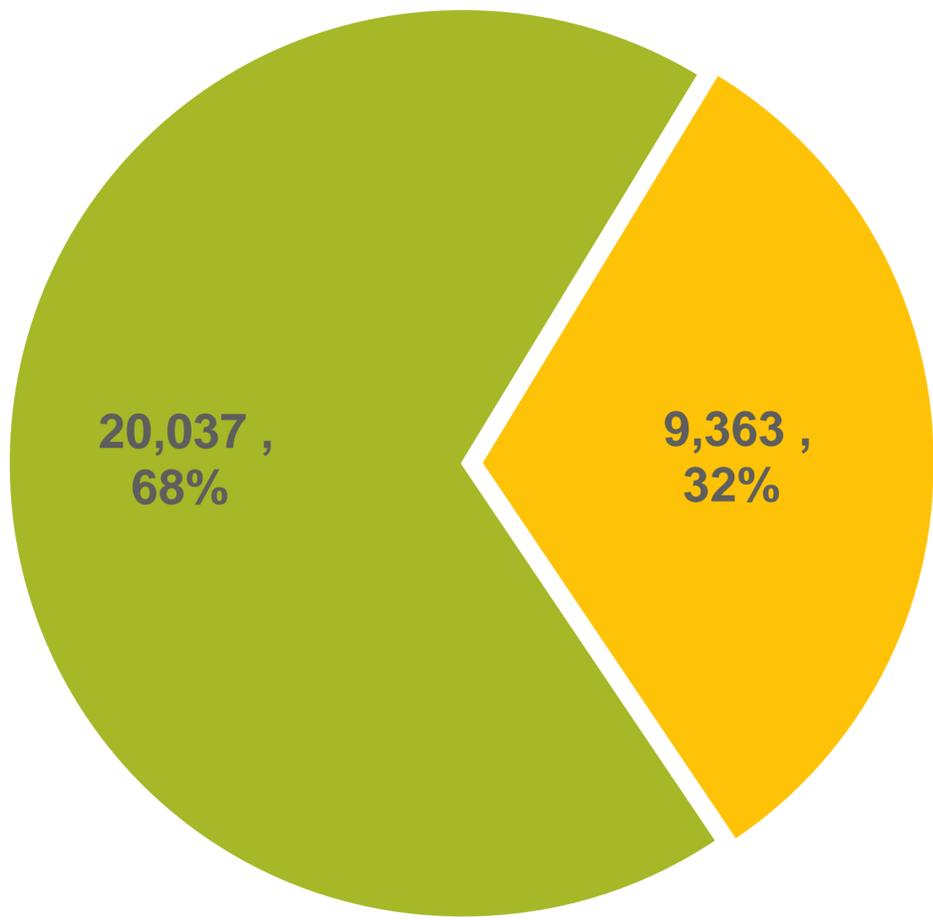
Needs Analysis → RFP → Implementation



# Current Status of Project MUSIC

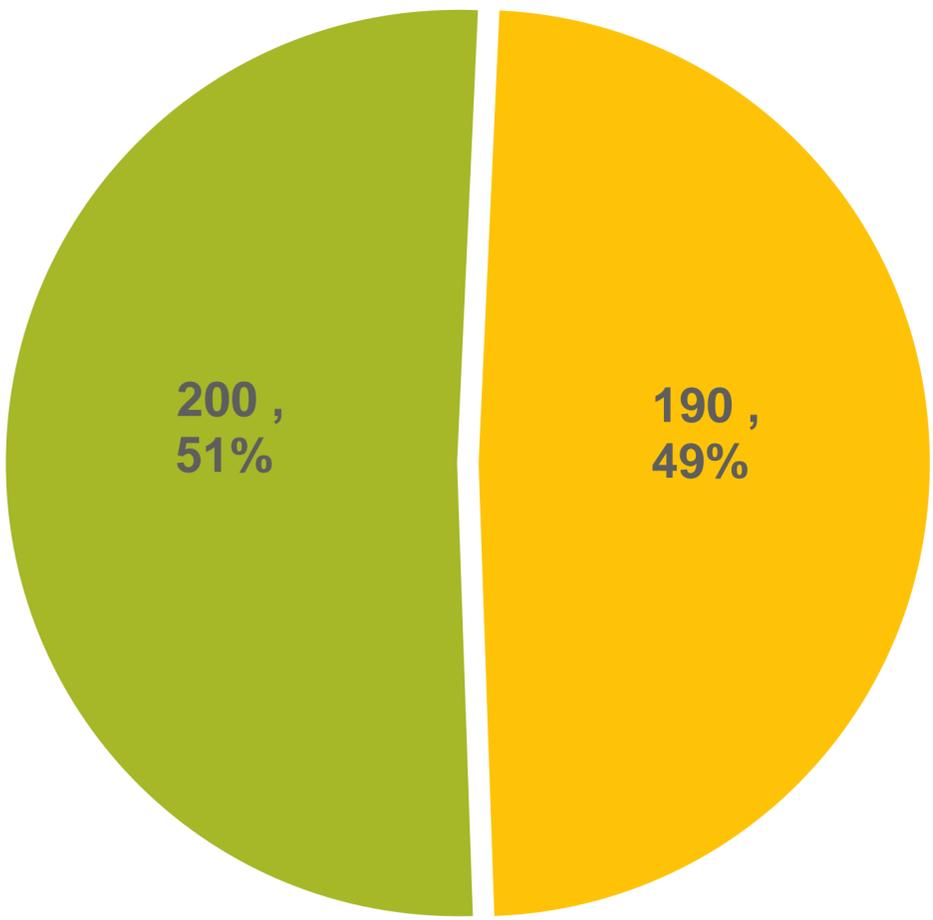
migration status by *subscribers* and *agency locations*

### Subscribers Migrated



■ Complete ■ Schedule TBD

### Agency Locations Migrated



■ Complete ■ Schedule TBD



# Areas for Continuous Improvement

execution, project management and training



## Technical Architecture



## Project & Process Management



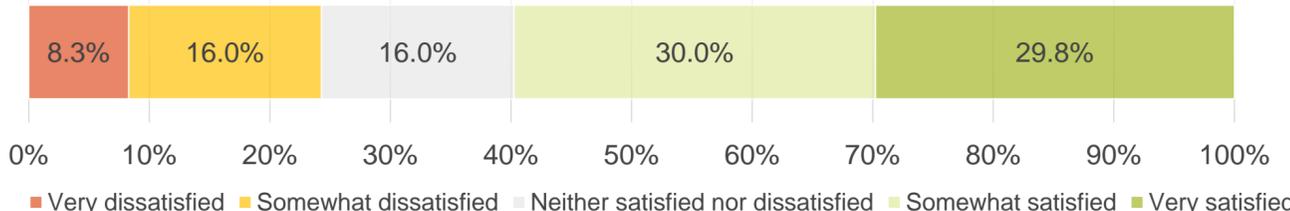
## Incident Management



## Training & Support Model

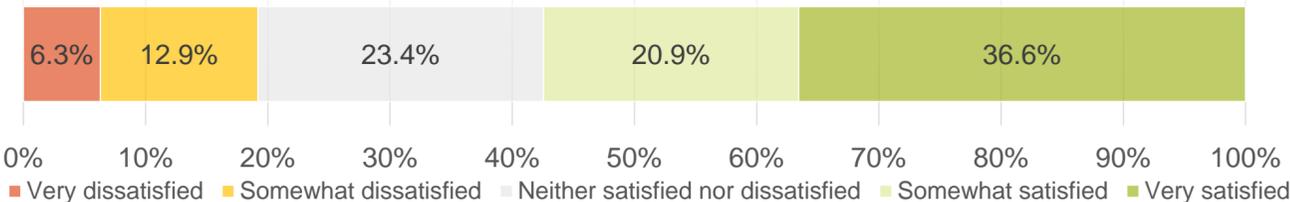
### Migration Process

Overall, how satisfied were you with the migration process?



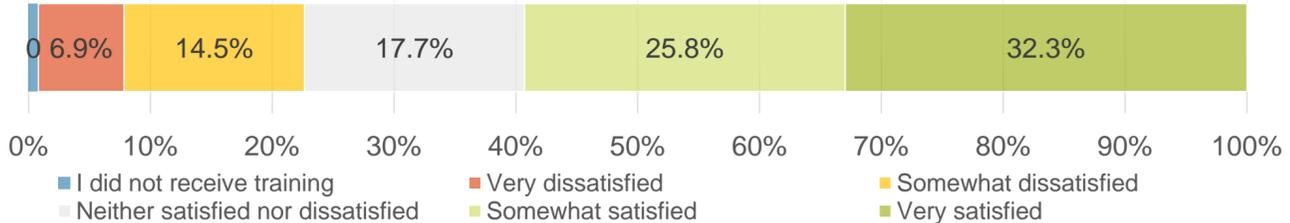
### Project Responsiveness

Overall, how satisfied are you with the level of responsiveness from project MUSIC during the rollout?



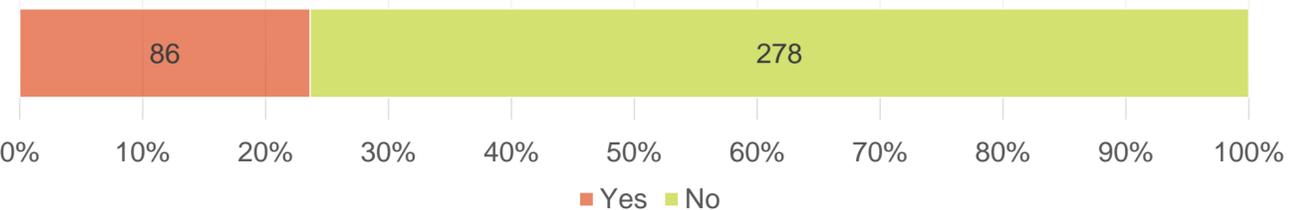
### Training

Overall, how satisfied are you with the training you received?



### Installation

Did you have installation issues?





## Project Summary

### “Work Stop “ Action List

- ❖ **Technical Architecture & Failover**
  - Architecture review and Executive Presentation completed
  - Review technical outages as part of architecture review
  - Review closed tickets for potential stability issue
  - Defined failover test plan, success criteria and Failover Test (April 23)
  
- ❖ **Project & Process Management**
  - Project Management Plan:
    - Project processes for implementation and for steady state.
    - Site Implementation Planning
    - Problem/Issue/Risk Management & Change Management
    - Project Management Plan / Communications Plan & RACI
    - Post Migration processes
  
- ❖ **Incident Management**
  - Ticket management & Ticket Analysis
  - Root Cause Analysis (RCA)
  - AATC Support (onsite follow-up)
  
- ❖ **Work Stoppage Compliance**
  - 30 day stabilization – No P1 for 30 days.

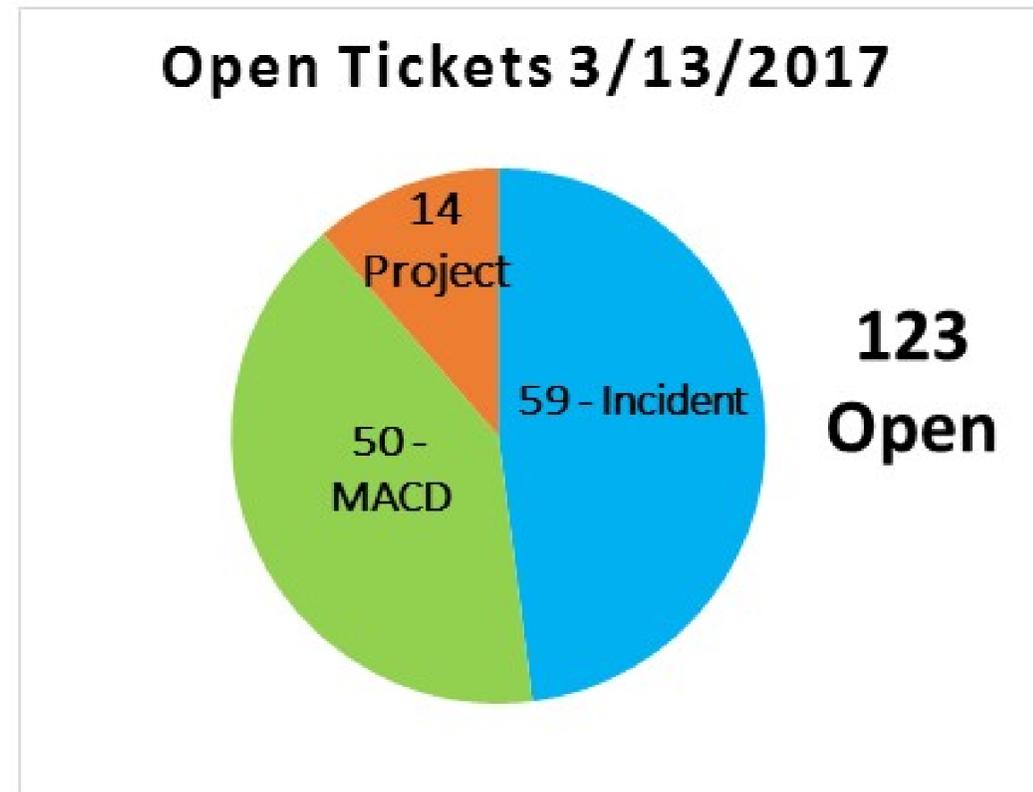
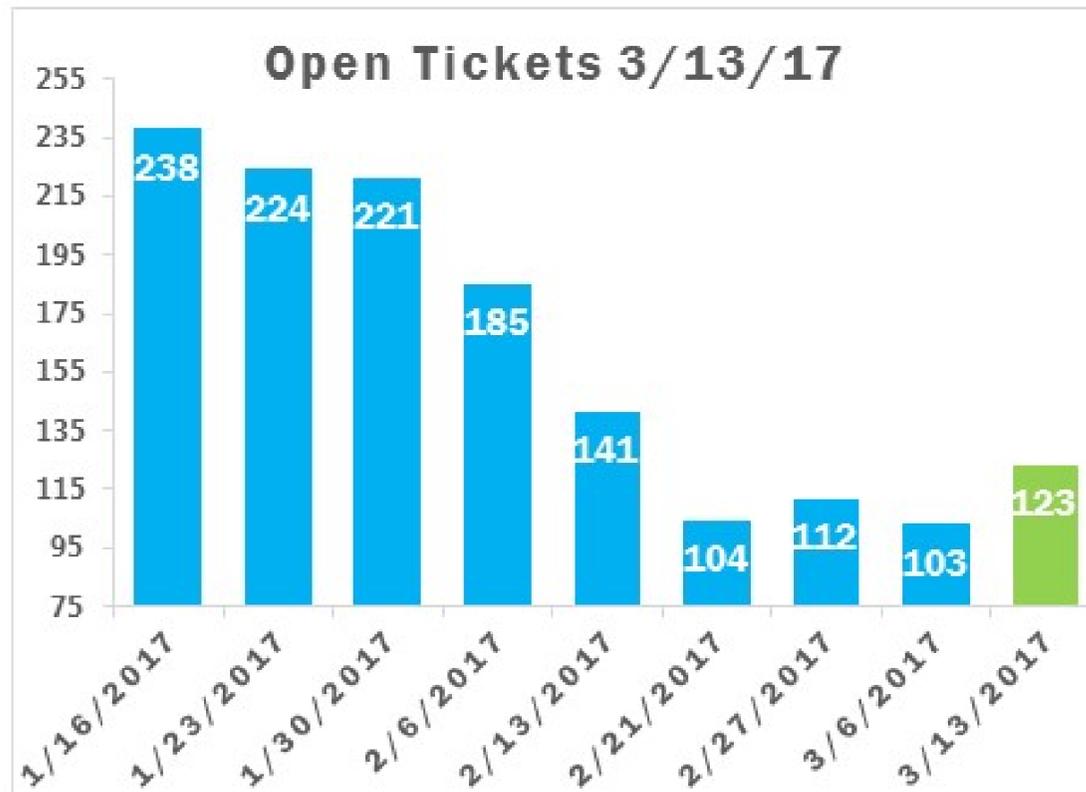




## Issue / Ticket Management

### ❖ Ticket Management

- Sustained Improvement since Q4 16' QBR
- Peak of 411 open tickets 12/1/16
- Focus on P3 Tickets
- AATC Knowledge
- Lessons Learn

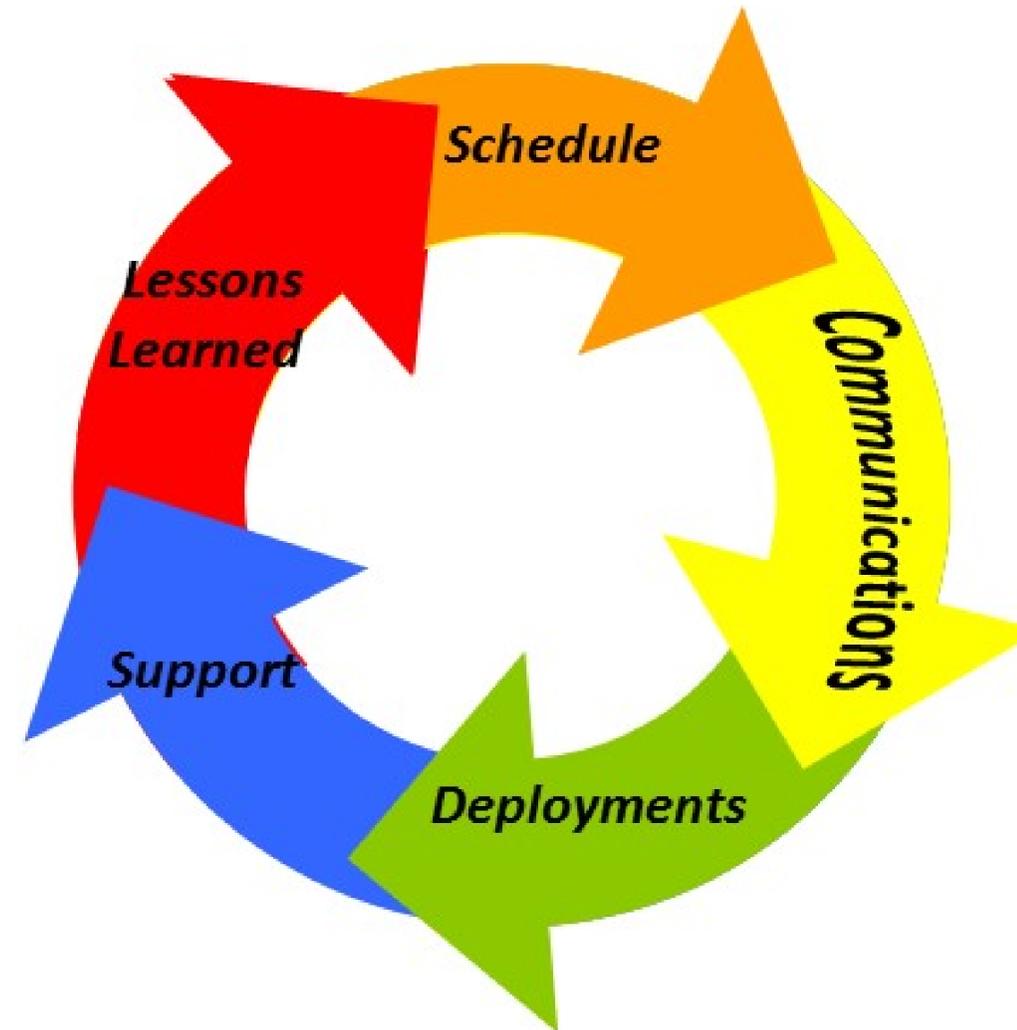




## Migration Schedule

### ❖ Future Migration Schedule

- Approximately 9,500 users
- Implementation schedule extended to accommodate remaining sites
- PMO to work with sites to prioritize sites and develop schedule
- Proposed schedule to include a rolling 3 month outlook of sites
- Built in stabilization period for control and Ticket Management
- Incorporate Lessons Learned, Process Improvements
- Enhanced Governance





# *Sustainability*

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*Report-back on the Sustainability Initiative*

# ETS Sustainability Initiative

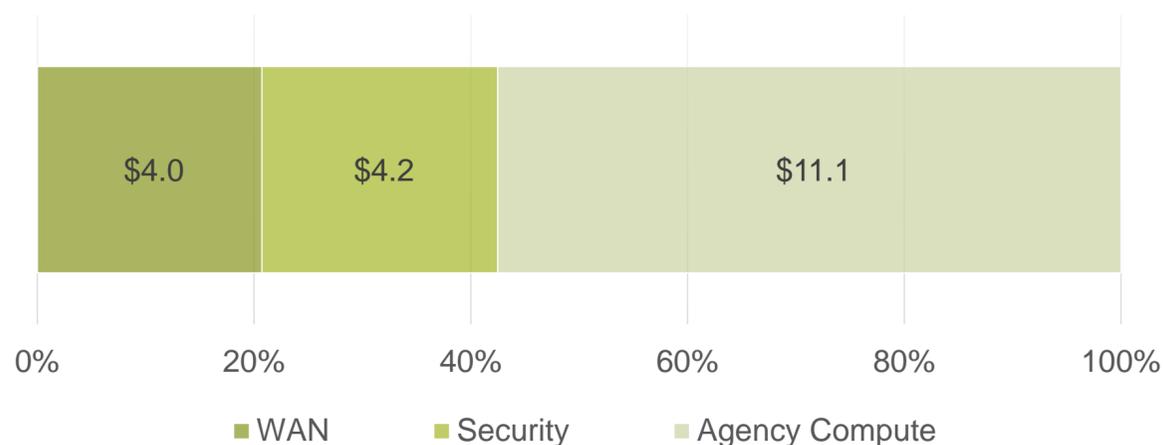
SDC *networks*; agency field office *servers, networks & wireless*; *security*; and *WAN backbone*

## 2015-17 Expenditures (\$18.7 million)\*

 **\$4.0 million.** *state wide area (WAN) network and wireless*

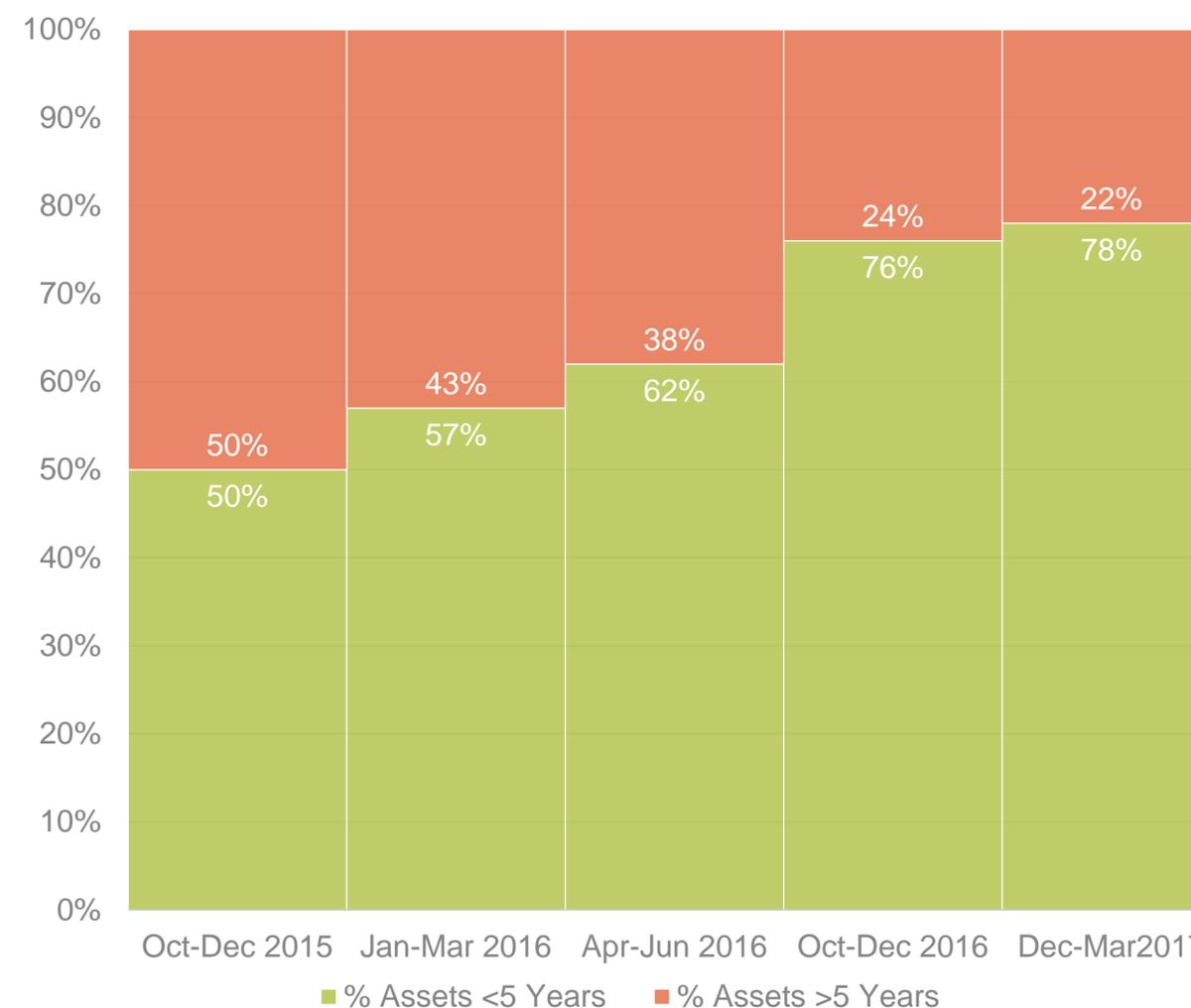
 **\$4.2 million.** *security upgrades and enhancements*

 **\$11.1 million.** *agency servers and field office networks*



## Sustainability Metrics

% OF SDC ASSETS <5 YEARS OLD



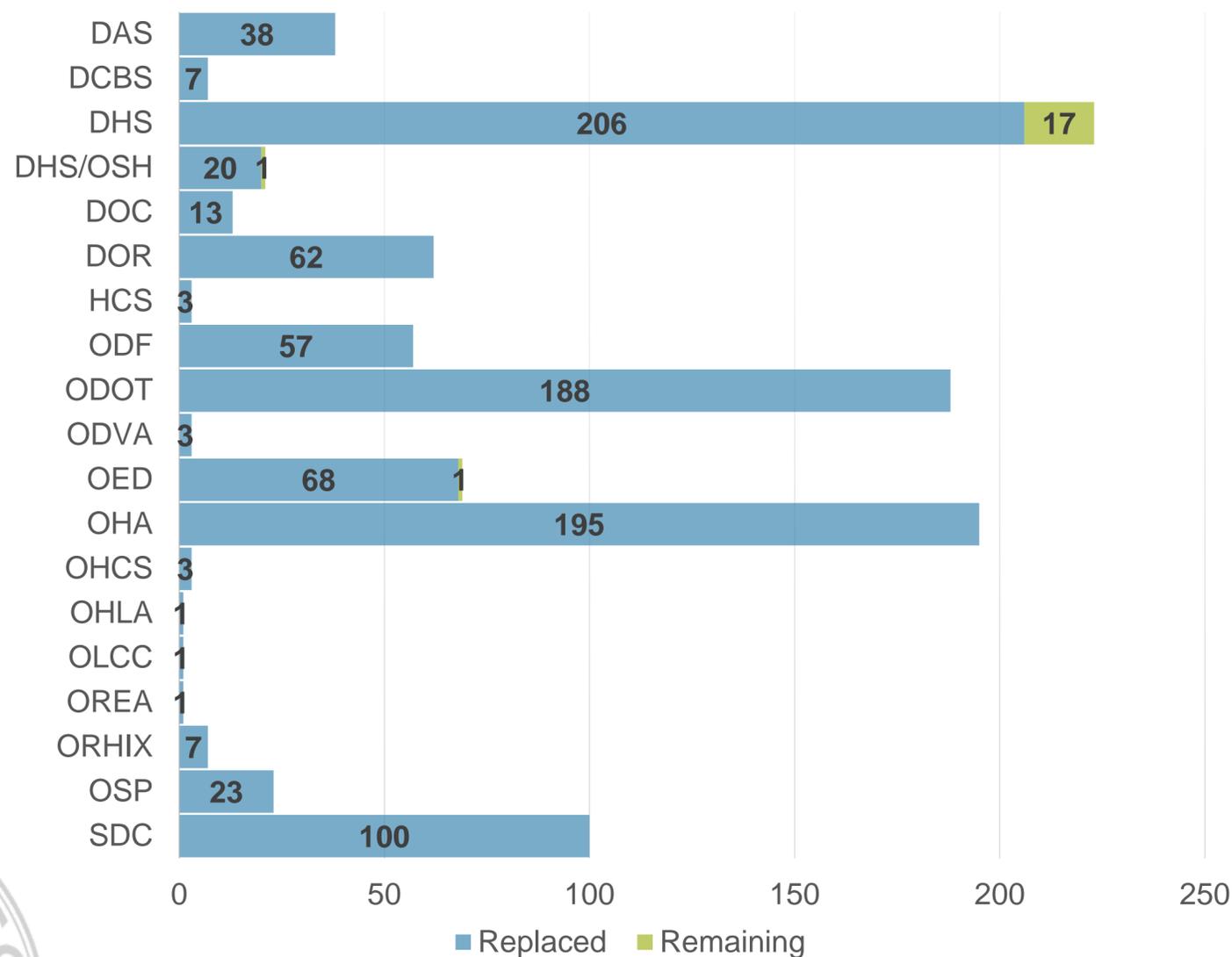
\*estimates based on REFBS February 2017 Expenditure Projections



# ETS Sustainability Initiative

SDC *networks*; agency field office *servers, networks & wireless*; *security*; and *WAN backbone*

## Server Replacement



## Security Enhancements



**F5. Next Generation Firewall** - modernizes environment, reduces network complexity, and quantity of equipment to be maintained by 80%.



**QRadar. Security information and event management (SIEM)** - identifies security issues that affect state agencies through gathering, analyzing and presenting information.



**Viper. Upgraded Network Encryption (IPSEC)** – maintains site-to-site encryption for securely accessing the state network from remote sites - 16 agencies and 230 sites.



# ETS Sustainability Initiative

looking ahead to **2017-19**

## 2017-19 Expenditure Limitation (\$18.3 million)



\$4.2 million. **encumbered** to support WAN leases



\$4.8 million. **encumbered** to support compute leases



\$9.3 million. further replacement of aging equipment

## Sustainability Funds. anticipated reductions

- ETS **eliminated \$9.1 million** in services and supplies (S&S) as part of the Governor's Budget
- Sustainability funds represent just over **20%** of the remaining **S&S budget.**
- Further reductions would put service delivery for agencies at risk and degrade capacity for completion of sustainability initiative





# *IT Finance*

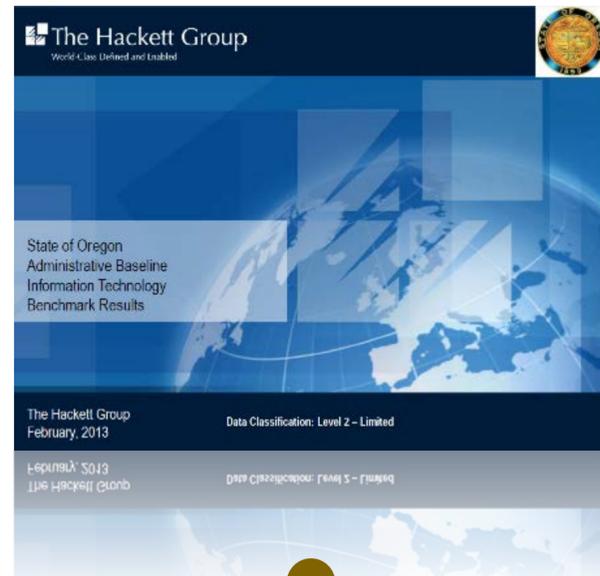
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## *SDC Rate Development and Rationale*



# SDC Rate Development

recent studies, budget notes, analyses and benchmarking



FEBRUARY 2013

**The Hackett Group**

Administrative Baseline  
Information Technology  
Benchmark

Budget Note  
SB 5502 (2015)

*“Given the uncertainty involving which services Enterprise Technology Services will offer in the future . . . [the] SCIO shall recommend a new funding formula for ETS . . .”*



JANUARY 2016

**Public Financial Management.** Benchmarking Analysis



**Gartner**  
Data Center Services Rate Comparison  
NOVEMBER 2016



## Chargeback Point of View Typical Chargeback Approaches

There are six primary methods of cost recovery.

- A combination of LLA, DC, MRU and TRF are most common
- Chargeback methods are developed for each service offering or service option

NFR	Negotiated Flat Rate, based on projected service usage; Also referred to as fixed fee
TFR	Tiered Flat Rate, based on service accessibility or level of utilization, expressed in bands of pricing
MRU	Measured Resource Usage, based on measured consumption of IT resources
DC	Direct Cost, based on dedicated resource ownership; Also referred to as time and materials
LLA	Low-Level Allocation of specific IT service costs, based on simple user metrics (for example, users, PCs, logins)
HLA	High-Level Allocation of overall IT costs, based on user size (for example, employees, revenues)

Increasing Complexity/  
Sophistication/Cost

↑

Most Common Methods

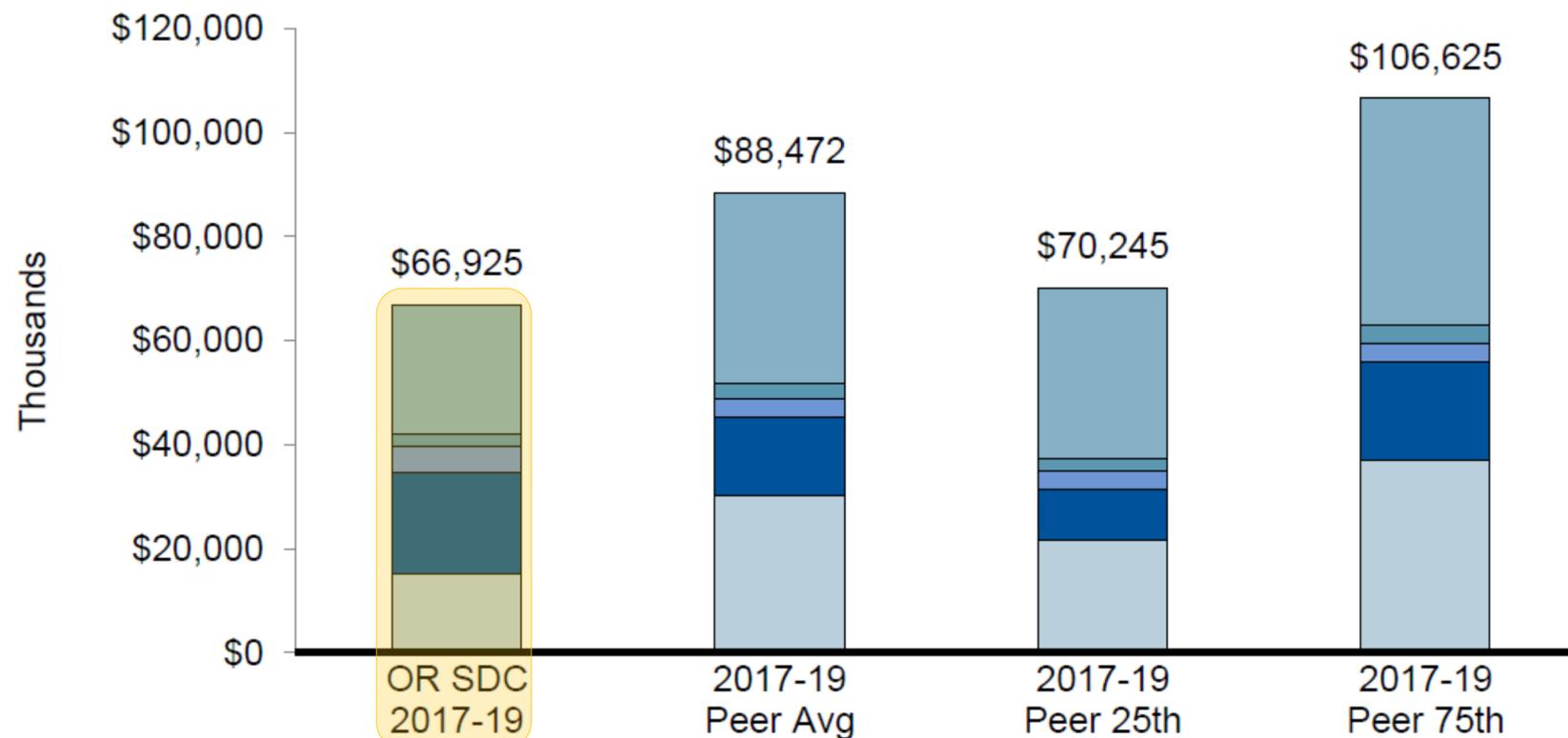


## Executive Summary

### Total Revenue – 2017-19 Biennium (2017-19 Rate times 2017-19 Billed Units)

Total revenue for the 2017-19 biennium for the benchmarked data center services is about 24% less than the peer group average for comparable services. As in 2015-17, there are some significant variances among the services.

- Distributed Systems is 32% less.
- iSeries is 23% less.
- Unix is 38% greater.
- Mainframe is 31% greater.
- Storage is 50% less.

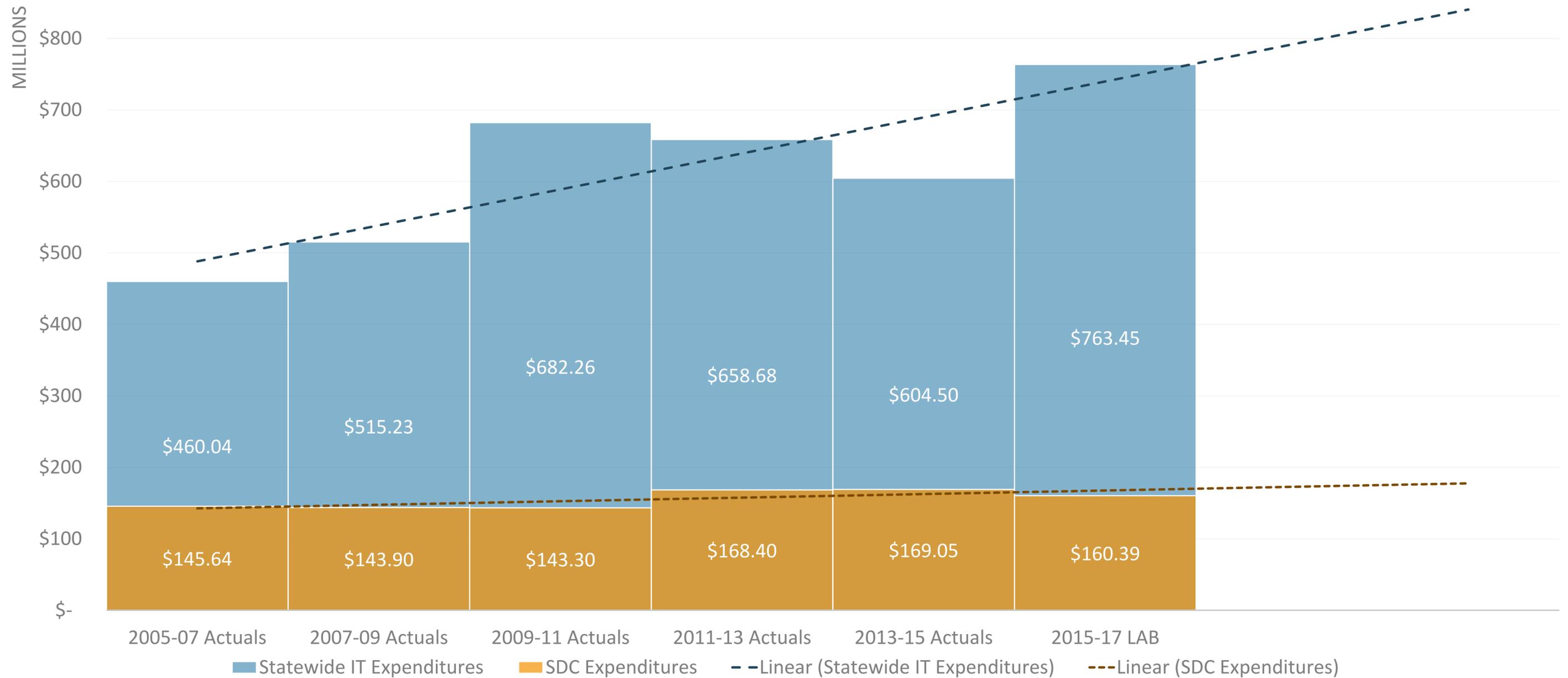


■ Distributed Systems	\$24,978	\$36,651	\$33,000	\$43,493
■ Midrange iSeries	\$2,338	\$3,037	\$2,418	\$3,559
■ Midrange Unix	\$4,863	\$3,517	\$3,373	\$3,576
■ Mainframe	\$19,724	\$15,046	\$9,693	\$19,108
■ Storage	\$15,022	\$30,221	\$21,762	\$36,889
<b>Total</b>	<b>\$66,925</b>	<b>\$88,472</b>	<b>\$70,245</b>	<b>\$106,625</b>



# Non-Personnel Statewide IT Spending\*

comparing non-personnel statewide IT spending (services and supplies) and SDC expenditures



\* Limited to services and supplies – account numbers: 4200, 4250, 4315, 4250, 4315, 4715, 5550, 5600 and pricelist estimates for SDC expenses included in 4225.



# ETS Customer Utility Board (CUB)

“exists to provide DAS’ customers with a meaningful voice in the **cost**, **type**, **quality**, and **quantity** of utility services delivered”

**DAS**  
DEPARTMENT OF ADMINISTRATIVE SERVICES

CUB Responsibilities

- Approving rate-setting methodologies and resulting rates
- Approving general service level agreements and monitoring service delivery performance
- Settling unresolved service complaints
- Reviewing business plans and annual financial statements

7

## CUB Leaders’ Perspectives

**Kurtis Danka**, *ETS CUB Chair and Chief Information Officer, ODOT*



## Chargeback Point of View

### General Chargeback Characteristics

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- The optimum chargeback approach for a service is one that balances customer needs and service provider needs in your organization.

Customers look for the following elements in cost recovery approaches:

<b>Simplicity</b>	<b>Fairness</b>	<b>Predictability</b>	<b>Controllability</b>
“Make what I’m paying for clear and simple to understand.”	“I’ll pay my share, but I’m not paying for anyone else.”	“I’ll pay what I need to, but don’t increase the charge and put my budget at risk.”	“I may need to cut my budget, with some of the cut coming from IT.”

Service Providers look for the following elements in cost recovery approaches:

<b>Low Administrative Burden</b>
“We need to easily track it and bill for it.”



# Cost Allocation

ETS rates blend fixed and variable costs and



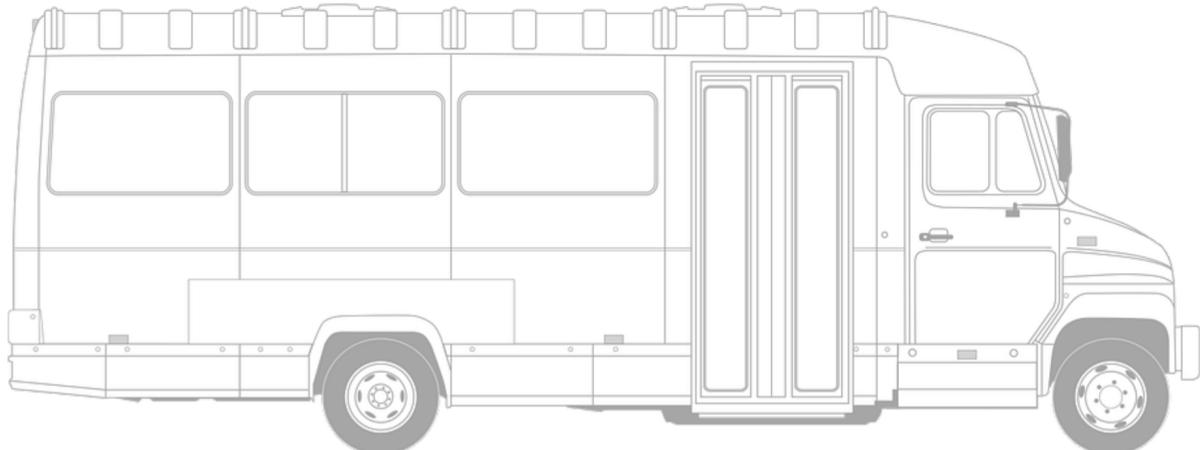
**fixed costs.** e.g., the state data center facility, network core, utilities and long-term contractual agreements (includes both “overhead” and “indirect” costs)



**variable costs.** costs associated with increased utilization of specific ETS services (includes both “direct” and “indirect” costs)



**pass through.** costs incurred on behalf of an agency on a dollar-for-dollar basis (e.g., SQL licensing)



 +  = **Blended ETS Rates**



# 2015-17 Rate-Setting

the ETS CUB proposed a **new rate** and **assessment methodology**

## CUB Leadership Perspective.

- **Rate-setting.** fulfilling the intent of the ETS CUB Charter
- **Assessments.** emphasis on use of assessments to increase predictability and reduce rate volatility
- **Engagement.** extensive engagement with agency stakeholders negatively impacted by changes
- **IT Cost Transparency.** visibility and increased control over spend



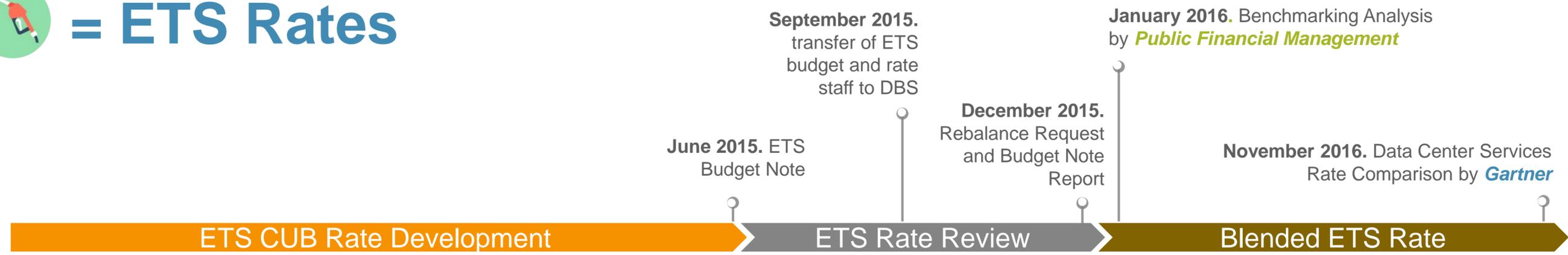
= ETS Assessment



= ETS Rates

## ETS Budget Note. SB 5502 (2015)

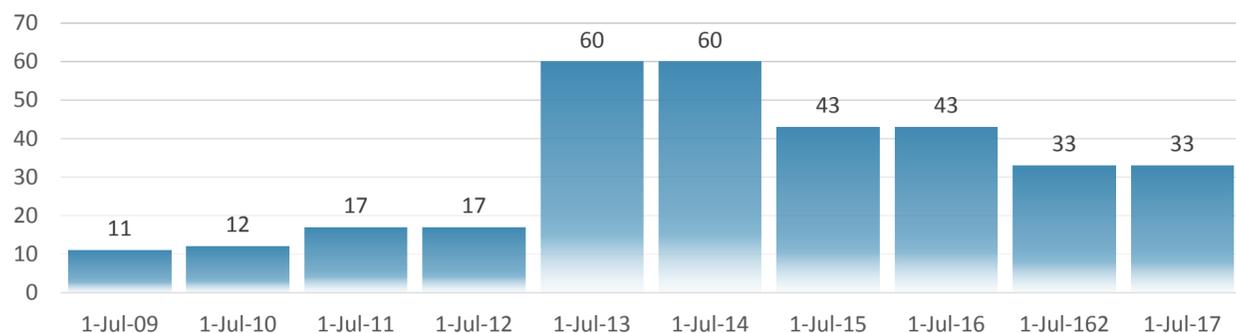
“Given the uncertainty involving which services Enterprise Technology Services will offer in the future due to the ongoing IT Common Service Delivery review currently underway and concerns over management of ETS which has led to numerous **outside reviews** and **audits**, the Subcommittee agreed to only **partially fund** the Enterprise Technology Services budget requests for 2015-17. The State Chief Information Officer (SCIO), through the Department of Administrative Services (DAS), shall return during the 2016 legislative session to the appropriate subcommittee of the Joint Ways and Means Committee with recommendations on changes to ETS information technology services provided, which services it will no longer offer and state agencies will then be responsible, the budgetary impact of these decisions on state agencies, as well as DAS, changes in ETS operations implemented or considered as a result of outside reviews and audits completed by the time of the report, and timelines for additional changes to ETS services or operations being contemplated and how those could affect budgets, In addition, SCIO shall **recommend a new funding formula** for ETS that refocuses charges to state agencies on fees for service and **deemphasizes the use of assessments** which fund all positions regardless of reductions in services delivered, show how **reductions in services purchased by state agencies would be reflected in reductions in operating expenses**, and include price list adjustments needed for implementation of a new revenue formula at the start of second year of the biennium.”



# SDC Rates

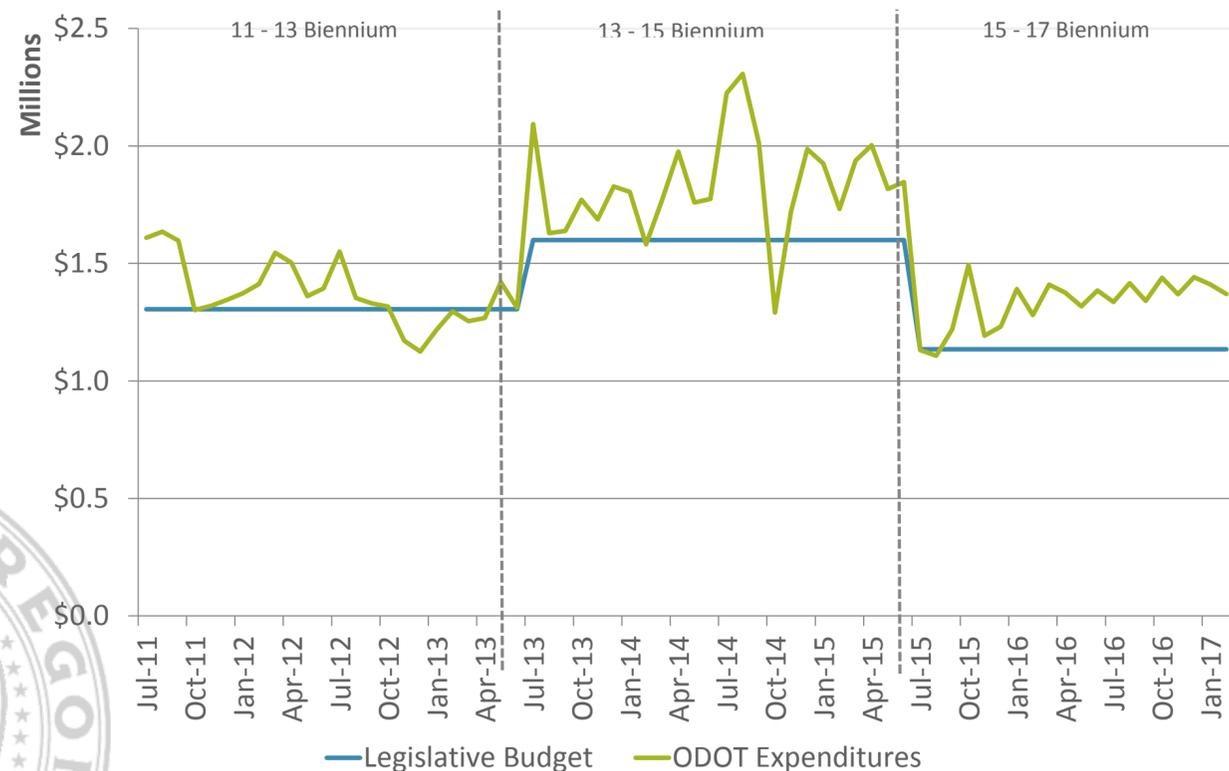
inconsistent *methodologies*, changing *incentives* and *rate volatility*

Number of SDC Rates Over Time\*



\*excluding network charges

ETS LAB Budget vs Actual Expense



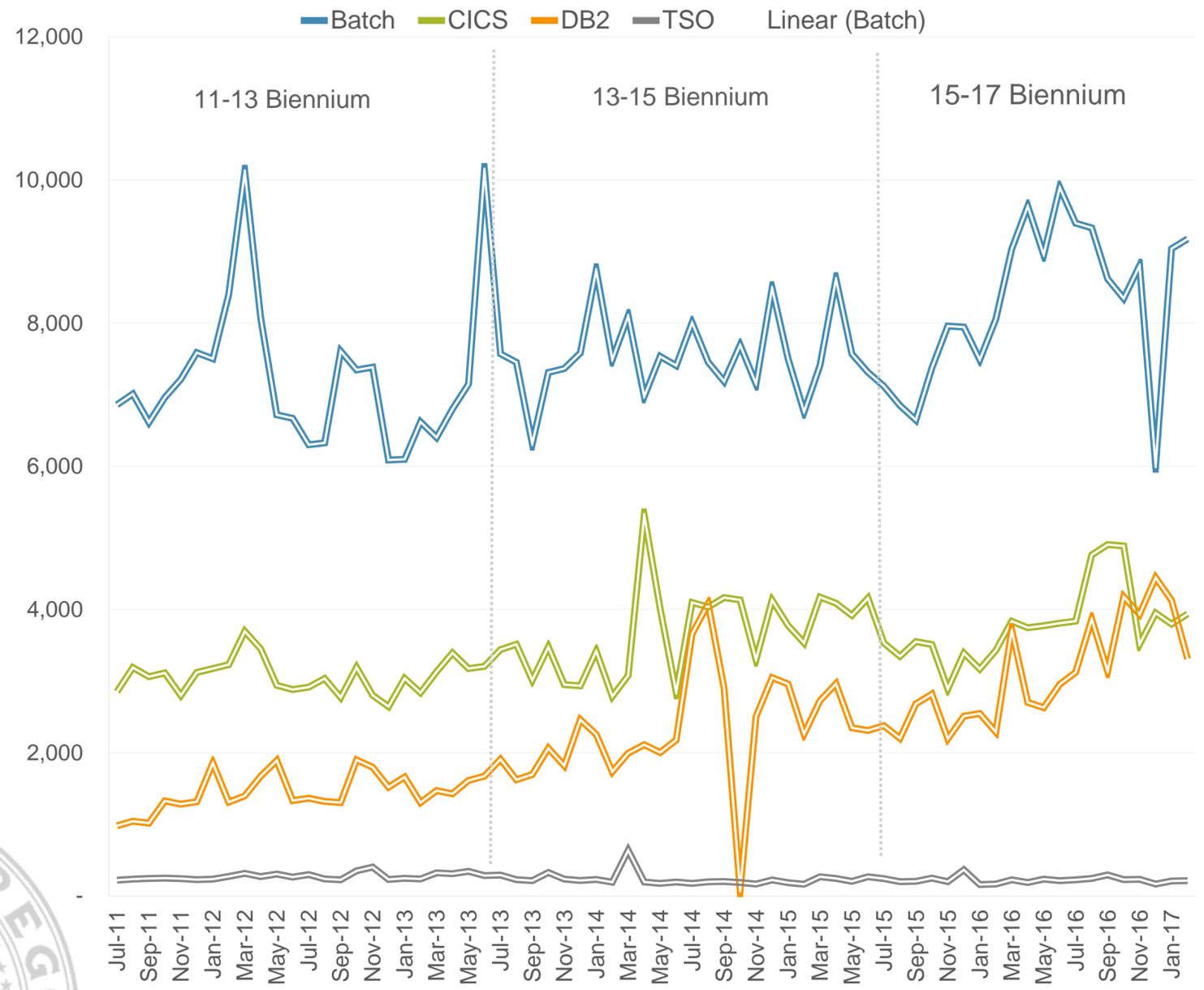
Data Storage Rates



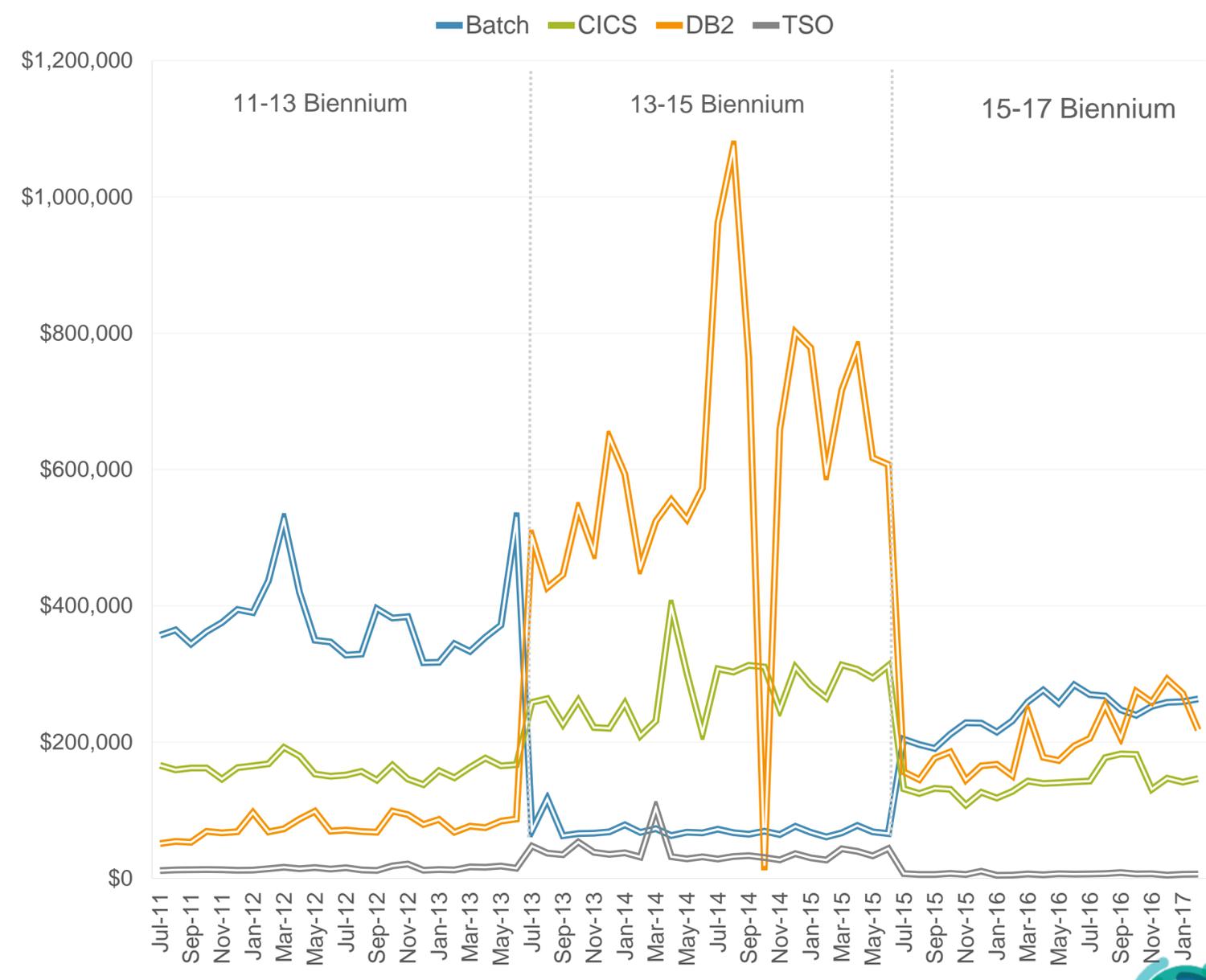
# SDC Mainframe Rates

the impact of *mainframe rate volatility* on ODOT

### ODOT MAINFRAME DATA USAGE (GB)



### ODOT MAINFRAME SPENDING (\$)





where do we go from here?