State of California

In Partnership With:

Department of Finance
State Controller's Office
State Treasurer's Office
Department of General Services

Financial Information System for California
Special Project Report (SPR)
Project # 8860-30

November 9, 2007

Revised December 19, 2007 with Steering Committee Approval

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Executive Summary

This Special Project Report (SPR) responds to the provisional requirements of Item 8860-002-0001 of Section 65, Chapter 172 of the statutes of 2007 (Senate Bill 78), and supports the scope of the Financial Information System for California (FI$Cal) project. It also reflects the consensus among the state's financial management leaders that the state desperately needs to replace the back office systems that support the state's business.

Through a partnership of the Department of Finance (DOF), the State Controller's Office (SCO), the State Treasurer's Office (STO) and the Department of General Services (DGS), this "Next Generation" project will prepare the state systems and workforce to function in an integrated financial management system environment. To ensure the success of the project, the Partner Agencies have entered into a Memorandum of Understanding (MOU) signed by the State Controller, the State Treasurer, and the Directors of the Departments of Finance and General Services. The MOU demonstrates support for the project at the highest levels of these organizations as well as provide the framework for this partnership.

The vision statement for the FI$Cal Project developed by the Partner Agencies states:

> "To serve the best interest of the state and its citizens and to optimize the business management of the state, we will collaboratively and successfully develop, implement, utilize, and maintain an integrated financial management system. This effort will ensure best business practices by embracing opportunities to reengineer the state's business processes and will encompass the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management and human resources management."

To achieve this vision, the state must first modify its processes to adopt best practices and leverage the inherent efficiencies embedded in Enterprise Resource Planning (ERP) tools. The central systems must then be replaced in partnership with a select number of departments that will develop end-to-end processes that will meet the needs of all departments, including the four lead agencies operating in a single statewide system. To implement the statewide vision in the most efficient manner, a Master Services Agreement will be established to support the roll out of additional departments or functions statewide. The following highlights some of the objectives of this project:

- Establish a single source of financial information through the establishment of a single statewide financial management system.
- Provide more meaningful and current financial information to decision makers and program managers.
- Provide transparent financial information for better decision making.
- Share information with the public and the state's business partners.
- Provide user friendly reporting for decision makers and stakeholders.
- Track statewide purchase volumes by vendor and/or commodity type to identify areas where quantity discounts might save money.
- Facilitate workforce mobility and efficiency by establishing portable work skills.
- Automate manual processes.
- Minimize manual reconciliations among control agencies, state agencies, and other separately maintained systems and databases.

- Increase fiscal accountability at all levels of government by allowing transparency of transactions.
- Avoid significant costs of duplicate new financial management systems throughout state government.

The need to replace the state's financial management infrastructure exists from both a practical as well as a business perspective. From a business perspective, failure to modernize and replace this infrastructure will result in a continuation of the processes and limitations that exist today for managing the state's enterprise. The cost of the FI$Cal project is $1.6 Billion for a 12 year effort. Over that 12 year time frame (2005-06 through 2017-18), the state will take in and spend in excess of $10 Trillion. The cost of the FI$Cal project represents spending 0.016 percent of that amount to support the enterprise. The state will receive an overwhelming return on this investment from the business and workforce modernization efforts alone. The state must improve its ability to perform management analysis and reporting at all levels, including the Legislature, in a timely fashion for the state to operate like a business. Replacing the business infrastructure with the "Next Generation" of systems and related business processes as well as transitioning the workforce to view and operate the state's business as a dynamic enterprise will enhance the state's capability to operate as a successful business enterprise.

From a practical perspective, the FI$Cal project will ensure that the state replaces systems that have been operating since before desktop computers were standard fare and use of the internet was in use by state government as an everyday tool. The state is already suffering from the difficulty of hiring consultants to support the aging infrastructure or in hiring staff that are wiling to learn antiquated systems architecture and code. In addition, the FI$Cal project will also play a major role in the state's succession planning for much of the "Next Generation" financial management workforce. Transforming the state's business systems to an enterprise based "Next Generation" business system and workforce requires building on the backbone of ERP software which integrates and automates many of the business practices associated with operations, in this case, the financial management of the state.

To minimize the risk of this endeavor, the Project proposes a business based (aka solutions based) procurement and an incremental (phased) roll out to departments. The first transformation includes the control agencies and a very limited number of departments. At this point the project will pause and report to the Legislature on the project status. The roll out continues to the remaining departments over an additional four years.

In response to Legislative direction, the SPR includes a Funding and Finance Plan (See Appendix C). The Plan proposes to fund the FI$Cal project through a combination of financing and direct cost allocation to all state funds. The cost allocation plan (CAP) proposes a budget based interim CAP as well as a future transactional based CAP which will be the basis of charges to departments. The transition from the interim CAP to the transaction-based CAP will occur once statistically valid usage data becomes available for each deployment.

The project change included in this SPR remains consistent with the recommendations of the California Performance Review (CPR) (Volume 3, Keeping the Books and Volume 4, Issues and Recommendations). The CPR found that the state's existing financial management systems are not meeting the state's business needs or expectations and in that sense are obsolete. Many of the financial systems were reported as being at risk of failure because of age, loss of manufacturer support, and/or loss of key staff to maintain or use them.

The CPR recommended:

1. The State Chief Information Officer (CIO) should assemble a Financial Task Force to develop a statewide vision and plan for a California enterprise financial system.
2. The Governor should direct the State CIO to begin implementing the statewide basic financial system by December 31, 2005 with implementation in all state agencies and departments completed by July 1, 2007.

The project change also remains consistent with the State CIO's Strategic Plan. Partially in response to the CPR, the State CIO's 2005 Statewide Information Technology Strategic Plan includes support for the business of the state to "…operate as a seamless enterprise…" The Plan has six goals, including the following:

1. Make government services more accessible to citizens and state clients.
2. Implement common business applications and systems to improve efficiency and cost-effectiveness.
3. Ensure state technology systems are secure and privacy is protected.
4. Lower costs and improve the security, reliability and performance of the state's IT infrastructure.

The SPR reflects the concerted effort and support of an extraordinary number of individuals within all the partner organizations and state agencies over many years. While the project is a significant investment of taxpayer dollars it is a very prudent investment given the expanse of the enterprise to be encompassed in the project and the benefit that will accrue to the state once implemented. We all recognize that this endeavor will not be easy --- an endeavor of this nature will take all our skills and dedication. But it is based on a vision that sets forth what all believe is the “right thing to do” and will provide a solid foundation for the financial management of the State of California.

1.0 Project Approval Transmittal

The FI$Cal Steering Committee Members by consensus decision approved this SPR on November 7, 2007.

Fred Klass
Chair
FI$Cal Steering Committee

Project leadership SPR approval/concurrence:

Fred Klass
Sponsor
Department of Finance

Suzanne V. Bost
Project Executive
FI$Cal Project

Information Technology Project Request

Special Project Report

Executive Approval Transmittal

Department Name			
Department of Finance: In partnership with the State Controller's Office, State Treasurer's Office and Department of General Services			
Project Title (maximum of 75 characters)			**Project Acronym**
Financial Information System for California			FI$Cal
FSR Project ID	**FSR Approval Date**	**Department Priority**	**Agency Priority**
8860-30	7/26/05	1	N/A

APPROVAL SIGNATURES

I am submitting the attached Special Project Report (SPR) in support of our request to continue development and/or implementation of this project.

I certify that the SPR was prepared in accordance with the State Administrative Manual Sections 4945-4945.2 and that the proposed project changes are consistent with our information management strategy as expressed in the California Information Technology Strategic Plan.

I have reviewed and agree with the information in the attached Special Project Report.

State Chief Information Officer[1]	**Date Signed**
	11-9-2007
Printed name: Clark Kelso	
Deputy Project Director - Administration	**Date Signed**
	11-9-2007
Printed name: Terrie Tatosian	
Department Director	**Date Signed**
	11-9-2007
Printed name: Michael C. Genest	
Agency Secretary	**Date Signed**
N/A	
Printed name: N/A	

[1] The FI$Cal Project proposed in this SPR is consistent with and supports Goal 2: Implement Common Business Applications, of the State's Information Technology Strategic Plan.

2.0 Information Technology: Project Summary Package

1.	**Submittal Date**	

		FSR	SPR	PSP Only	Other:
2.	**Type of Document**		X		
	Project Number	8860-30			

			Estimated Project Dates	
3.	**Project Title**	**Financial Information System for California**	**Start**	**End**
	Project Acronym	**FI$Cal**	**August 2005**	**June 2017**

4.	Submitting Department	**Department of Finance**
5.	**Reporting Agency**	**Department of Finance**

6. Project Objectives

1. Replace the state's aging legacy financial management systems while the workforce with knowledge of those systems can facilitate the transition to a single, standardized, modernized, and supportable system.
2. Increase transparency to provide a better basis for decision making and knowledge sharing to the public and the state's business partners, including the Legislature.
3. Increase fiscal accountability and control at all levels of an organization, including state level.
4. Automate and standardize reporting mechanisms.
5. Support the state's succession planning for much of the financial management workforce through system modernization.
6. Improve access to timely and relevant revenue and expenditure information to enable decision makers to make better informed decisions at all levels and branches of the government enterprise.
7. Provide tools to monitor expenditures compared to the approved budget and provide alerts when deviations occur.
8. Track statewide purchase volumes by vendor and/or commodity type to identify areas where quantity discounts might save money.

8. **Major Milestones**	**Est. Complete Date**
See Preferred Alternative Section 3.5.6 Schedule	
Procurement	Oct 2009
Implementation - Planning and Design	Feb 2011
Implementation - Build	Nov 2011
Implementation – Testing and User Acceptance	May 2012
Implementation – Deploy Wave 1	Jun 2012
Legislative Report	Oct 2012
Deploy to Subsequent Departments	June 2016
PIER	**July 2018**
Key Deliverables	

9. Provide the ability to know where the state's assets are in the event of statewide emergency. 10. Provide a comprehensive view of the statewide account's receivable status (collection rates and account's receivable aging information). This will likely enable the state to improve the collection of account receivables. Note however that this ability would not apply to the state's large business specific systems such as child support or delinquent taxes in this system. 11. Provide information to the vendor community on business relationships with the state (e.g. status of invoice payments. 12. Increase Staff Productivity 13. Increase Information Accuracy 14. Provide Timely Access to Data 15. Replace Aging Technology Platform		

Project #	**N/A**
Doc. Type	**SPR**

7. Proposed Solution

Implement an enterprise resource planning (ERP) system to meet California's Financial Management requirements. This project begins with the replacement of the legacy budget and control accounting systems at Department of Finance and at the State Controller's Office. Departmental accounting will be phased in over time. The State Treasurer's Office will also use this system to facilitate cash management processes that relate to departmental and state level accounting. This alternative is the same as the preferred alternative contained in the Financial Information System for California Special Project Report (Project #8860-30), approved by the Office of Technology Review, Oversight, and Security and on December 15, 2006 with a few differences. The differences are:

- An adjustment to the schedule to provide for the additional planning and reporting activities requested by the Legislature to effectively demonstrate the viability of the project.
- An extension of the schedule for the Procurement and Design Phases previously approved by the Steering Committee.
- A reduced number of departments included in the initial roll-out (Wave 1 and 2) to address the risk concerns of the Legislature.
- A report to the Legislature on the success of the project prior to implementing the next planned roll-out (Wave 2) thus providing the Legislature with a desired review opportunity.
- An adjustment in the timing of the implementation of the DGS procurement solicitation functionality.

INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE
SECTION B: PROJECT CONTACTS

Project #	**N/A**
Doc. Type	**SPR**

Executive Contacts

	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
Agency Secretary								
Dept. Director	Michael	Genest	916	445-4141				
Project Administration Chief	Terrie	Tatosian	916	445-8918	3310			Terrie.Tatosian@dof.ca.gov
CIO								
Project Sponsor	Fred	Klass	916	445-4923				Fred.Klass@dof.ca.gov

Direct Contacts

	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
Doc. prepared by	Sue	Bost	916	445-8918	3310	916	324-4888	Sue.Bost@dof.ca.gov
Project Executive	Sue	Bost	916	445-8918	3310	916	324-4888	Sue.Bost@dof.ca.gov
Project Manager	Valerie	Varzos	916	445-8918	3310	916	324-4888	Valerie.Varzos@dof.ca.gov

INFORMATION TECHNOLOGY PROJECT SUMMARY
SECTION C: PROJECT RELEVANCE TO STATE AND/OR DEPARTMENTAL PLANS

1.	What is the date of your current Operational Recovery Plan (ORP)?	Date	4/2005
2.	What is the date of your current Agency Information Management Strategy (AIMS)?	Date	8/2005
3.	For the proposed project, provide the page reference in your current AIMS and/or strategic business plan.	AIMS	8/2005
		Page #	17, 27

Project #	N/A
Doc. Type	SPR

		Yes	No
4.	Is the project reportable to control agencies?	X	

If YES, CHECK all that apply:

X	a) The project involves a budget action.
	b) A new system development or acquisition that is specifically required by legislative mandate or is subject to special legislative review as specified in budget control language or other legislation.
	c) The project involves the acquisition of microcomputer commodities and the agency does not have an approved Workgroup Computing Policy.
X	d) The estimated total development and acquisition cost exceeds the Departmental cost threshold.
	e) The project meets a condition previously imposed by DOF.

INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE
SECTION D: BUDGET INFORMATION

Project #	N/A
Doc. Type	SPR

Budget Augmentation Required?		
	No	
	Yes	X

If YES, indicate fiscal year(s) and associated amount:

FY	2005-06	FY	2006-07	FY	2007-08	FY *	2008-09	FY	2009-10	FY	2010-11		
	$ 455.4		$ 1,777.6		$ 3,971.0		$ 37,649.6		$ 42,611.6		$ 78,061.0		
FY	**2011-12**	**FY**	**2012-13**	**FY**	**2013-14**	**FY**	**2014-15**	**FY**	**2015-16**	**FY**	**2016-17**	**FY**	**2017-18**
	$ 32,771.9		$ 48,034.1		$ 9,344.0		$ - 43,501.2		$ - 23,443.5		$ - 38,004.6		$ - 45,189.2

PROJECT COSTS (2005-06 thru 2011-12) ($ Thousands)

1.	**Fiscal Year**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**	**2010-2011**	**2011-12**	**SUBTOTAL**
2.	**One-Time Cost**	866.3	5,019.7	6,704.4	30,670.1	64,180.5	121,446.1	143,696.8	$372,583.9
3.	**Continuing Costs**	0	0	0	9,396.5	18,498.0	39,293.5	49,814.7	$117,002.7
4.	**TOTAL PROJECT BUDGET**	$866.3	$5,019.7	$6,704.4	$40,066.6	$82,678.5	$160,739.6	$193,511.5	$489,586.6

SOURCES OF FUNDING

5.	**General Fund**	455.4	2,233.0	6,204.0	2,417.0	2,417.0	2,417.0	2,417.0	$18,560.4
6.	**Redirection**	410.9	2,786.7	500.4					3698.0
7.	**Federal Funds**								
8.	**Special / Other Funds**								
9.	**Financing**				37,649.6	80,261.5	158,322.6	191,094.5	$467,328.2
10.	**PROJECT BUDGET**	$866.3	$5,019.7	$6,704.4	$40,066.6	$82,678.5	$160,739.6	$193,511.5	$489,586.6

* Beginning 2008-09, assumes a $2.417 million base.

Project Costs continued on following page.

INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE
SECTION D: BUDGET INFORMATION

Project #	**N/A**
Doc. Type	**SPR**

PROJECT COSTS (2012-13 thru 2017-18)) ($ Thousands)

1.	**Fiscal Year**	**2012-2013**	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017**	**2017-2018**	**TOTAL**
2.	**One-Time Cost**	176,976.0	179,342.5	125,538.9	98,578.2	52,645.4	0	$1,005,664.9
3.	**Continuing Costs**	64,570.6	71,548.2	81,850.5	85,367.7	93,295.9	100,752.1	$614,387.7
4.	**TOTAL PROJECT BUDGET**	$241,546.6	$250,890.7	$207,389.4	$183,945.9	$145,941.3	$100,752.1	$1,620,052.6

SOURCES OF FUNDING

5.	**General Fund**	22,715.3	24,950.9	28,115.9	29,238.0	31,996.7	32,175.4	$187,752.6
6.	**Redirection**							$ 3,698.0
7.	**Federal Funds**	11,592.0	12,852.0	14,652.0	15,300.0	16,740.0	18,126.0	$89,262.0
8.	**Special / Other Funds**	32,264.4	35,771.4	40,781.4	42,585.0	46,593.0	50,450.7	$248,445.9
9.	**Financing**	174,974.9	177,316.4	123,840.1	96,822.9	50,611.6	0.0	$1,090,894.1
10.	**PROJECT BUDGET**	$241,546.6	$250,890.7	$207,389.4	$183,945.9	$145,941.3	$100,752.1	$1,620,052.6

PROJECT FINANCIAL BENEFITS

11.	**Cost Savings/Avoidances**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
12.	**Revenue Increase**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

Note: The totals in Item 4 and Item 12 must have the same cost estimate.

INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE
SECTION E: VENDOR PROJECT BUDGET

Project #	**N/A**
Doc. Type	**SPR**

Vendor Cost for SPR Development (if applicable)	**N/A**
Vendor Name	

VENDOR PROJECT BUDGET

1.	Fiscal Year	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	SUBTOTAL
2.	Software Customization Budget	0	0	0	0	9,770,605	48,853,024	43,230,070	$101,853,699
3.	Project Management Budget	0	92,510	488,389	650,000	650,000	500,000	500,000	$2,880,899
4.	Independent Oversight Budget	0	97,700	312,624	327,400	997,400	997,400	997,400	$3,729,924
5.	IV&V Budget	0	97,700	235,224	250,000	920,000	920,000	920,000	$3,342,924
6.	Other Budget	0	2,590,073	365,000	433,333	3,498,667	6,013,000	7,429,000	$20,329,073
7.	TOTAL VENDOR BUDGET	$0	$2,877,982	$1,401,237	$1,660,733	$15,836,671	$57,283,424	$53,076,470	$132,136,519

1.	Fiscal Year	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	TOTAL
2.	Software Customization Budget	85,722,490	89,414,019	44,990,176	34,642,872	15,557,784	0	$372,181,040
3.	Project Management Budget	500,000	500,000	500,000	500,000	250,000	0	$5,130,899
4.	Independent Oversight Budget	437,400	437,400	437,400	437,400	218,700	0	$5,698,224
5.	IV&V Budget	360,000	360,000	360,000	360,000	180,000	0	$4,962,924
6.	Other Budget	7,094,000	6,532,000	3,025,000	1,525,000	500,000	0	$39,005,073
7.	TOTAL VENDOR BUDGET	$94,113,890	$97,243,419	$49,312,576	$37,465,272	$16,706,484	$0	$426,978,158

----------(Applies to SPR only)----------

PRIMARY VENDOR HISTORY SPECIFIC TO THIS PROJECT

8.	Primary Vendor	
9.	Contract Start Date	
10.	Contract End Date (projected)	
11.	Amount	$

PRIMARY VENDOR CONTACTS

	Vendor	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
12.									
13.									
14.									

RISK ASSESSMENT

	Yes	No
Has a Risk Management Plan been developed for this project?	X	

General Comment(s)
A summary of the risk management plan is contained in Section 5 of this document.

3.0 Proposed Project Change

3.1 Project Background/Summary

The majority of the current state accounting, budgeting, and procurement systems have been in operation past their beneficial useful life and are becoming detrimental to the state. Some systems were developed in the 1970's before desktop computers became standard operating equipment. These systems are disparate, "stovepipe" legacy systems as well as stand-alone departmental systems that lack adequate integration to meet the state's business objectives. Because of this, not only do many of the state's business processes in these areas continue to be manual in nature, supplemented with spreadsheets, personal databases, and paper documents, but the processes have not been improved to benefit the state's stakeholders and business needs.[2]

In 2005, the DOF developed a Feasibility Study Report (FSR) that proposed the implementation of a commercial-off-the-shelf (COTS) Budget Information System (BIS) to meet statewide and departmental budget development and budget administration needs.[3] The objective of the BIS Project was to develop a comprehensive statewide budget system to prepare, enact, and administer the state's annual financial plan (budget) and to provide critical information required to make budget decisions and manage state resources. The solution was also intended to address other critical information and budget deliberation needs of the Legislature and to take into account the intent to develop a future enterprise financial management system for business-related applications that are common statewide.

The BIS Project Team gathered information from a variety of sources including:

- Experience with enterprise resource planning (ERP) systems in other states, other public sector organizations and the private sector.
- Market Research on ERP systems in the public and private sectors.
- Input on business needs from state departments during comprehensive requirements-gathering workshops.
- Experience of selected state departments (such as Water Resources, Motor Vehicles, and General Services) with ERP implementations.
- Educational Workshops hosted by DOF and conducted in June 2006 by all of the leading ERP vendors.

The collaboration and discussions with the project stakeholders, along with the information gathered and shared in researching efforts in other governments (state, local and federal level) and corporations, brought into sharp focus the need to consolidate and modernize the state's entire financial management system into a single project, rather than simply developing a separate statewide budget system followed by implementation

[2] There were years of each control agency exploring solutions, including joint efforts solutions, such as the California Performance Review (CPR) to address these issues. See www.cpr.ca.gov for additional information on the CPR.

[3] The Budget Information System Feasibility Study Report (Project #8860-30) was approved by the Office of Technology Review, Oversight, and Security (OTROS) on July 14, 2005. For more information on OTROS see Chapter 183, Statutes of 2007 (SB 90).

of additional ERP modules. In addition, through these efforts, there was a clear conclusion that one of the intended objectives of the BIS Project, budget administration, could not be accomplished as envisioned within the existing project scope.

There was a broad realization among the stakeholders that the state would remain unable to conduct business efficiently or effectively using the existing numerous, independent, stand-alone administrative systems. In addition, there was a growing concern that the existing financial management infrastructure was becoming more fragile with each passing year because of the loss of knowledge and skills as state employees who developed and supported these systems began retiring. Coupled with this was the lack of manufacturer support for many of these systems and the inability to attract employees to develop the skills to support aging system architecture.

Accordingly, a collaboration and growing consensus developed among various agencies responsible for the state's financial management for the need to implement a comprehensive statewide financial management system that includes budget, accounting and procurement functionality. From this collaboration emerged a partnership of four control agencies, DOF, the State Treasurer's Office (STO), the State Controller's Office (SCO), and the Department of General Services (DGS) (Partner Agencies). The Partner Agencies collaborated to develop a Special Project Report (SPR) that recommended the development and adoption of a "Next Generation" system that would prepare the state's systems and workforce to function in an integrated financial management system environment.[4]

This section summarizes information presented in the SPR. Refer to that document for further details and information.

3.1.1 FI$Cal Vision Statement

The Partner Agencies agreed on a vision for the FI$Cal Project:

> To serve the best interest of the state and its citizens and to optimize the business management of the state, we will collaboratively and successfully develop, implement, utilize, and maintain an integrated financial management system. This effort will ensure best business practices by embracing opportunities to reengineer the state's business processes and will encompass the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management and human resources management.

3.1.2 Enterprise Resource Planning (ERP)

3.1.2.1 Background

A key element of this SPR, the Preferred Alternative, and Other Alternatives is the use of an ERP software package and technology platform. In contrast to other options for satisfying the state's business objectives, such as acquiring individual, non-integrated "best of breed" software solutions or custom developing applications, ERP solutions

[4] The FI$Cal SPR (Project #8860-30) was approved by OTROS on December 15, 2006.

have emerged as the standard software application suite for financial administration and operations.

Project research indicates large enterprises in both the private and public sector have favored acquiring an ERP solution. Major reasons for this choice include:

- ERP solutions provide configuration flexibility yet include the much lower and predictable cost of a COTS (including implementation, maintenance and operating costs) versus a customized solution.
- ERP solutions have been implemented in a broad range of public and private organizations, providing a supply of expertise and knowledge to maintain and support a COTS ERP.
- ERP applications are based on "best-practice" processes and are built on a highly scalable and maintainable technology platform.
- ERP solutions support a wide variety of well-integrated business functions, providing the option to implement other modules or systems in the future, with limited development cost and minimal configuration cost.

ERP solutions include many fundamental attributes that are seen as strengths inherent in the software design:

- Integration of data and processes—workflow is often embedded in the software.
- Provides a platform for decision support and business intelligence.
- Basic benefits are real:
    - Improved business processes, better access to data, improved productivity.
    - Elimination of legacy system costs.
    - Scalable to meet the needs of small, medium, and large organizations.
    - Implementation of best practices developed from a number of industries.
    - Continuous updates and upgrades to keep the system updated and current.
- Provides transparency and internal controls.

3.1.2.2 ERP Benefits

ERP technology offers the following benefits to improve the state's business practices and performance:

1. Increase fiscal accountability and control at all levels of an organization, including statewide.
2. Standardizes and modernizes technology, which will reduce the wide variety of programming languages, tools, and databases used in the state.
3. Eliminates redundant systems and processes by integrating all financial information into a single system.

4. Streamlines government operations and gives managers, end-users, and stakeholder's access to timely and accurate information.
5. Increases transparency to provide a better basis for decision making and knowledge sharing to the public and the state's business partners.
6. Utilize best practices for handling and processing data.
7. Supports project, grant, and activity-based reporting at multiple levels.

Based on the Project's market research, another clear benefit of a statewide ERP system is integration. Due to the expense of implementing multiple ERP systems without achieving the full benefit of integration or reengineering opportunities, it would not be in the state's best interest nor would it be fiscally prudent to develop independent systems to address the state's aging infrastructure. The development of the proposed statewide system reflects the partnership of DOF, SCO, STO, and DGS. Collectively these agencies have responsibility for:

- Developing fiscal policy.
- Providing fiscal policy oversight and advice.
- Preparation of the annual budget that ensures the state's financial integrity.
- Operation and maintenance of the state's accounting system.
- Fiscal control over the receipt and disbursement of public funds.
- Custody of all monies and securities of the state.
- Investment of the state's and locals' idle cash in a prudent manner.
- Centralized business management functions and services to support the statewide enterprise.
- Management of state-owned property.
- Procurement of commodities and information technology goods and services.

Finally, ERP solutions have matured to a point where they provide a full set of public sector features and functions. By using "out-of-the-box" or baseline capabilities, already in use at numerous federal, state and local entities, software customization and modification is significantly curtailed. The risk associated with developing and maintaining "home-grown" software applications is greatly minimized.

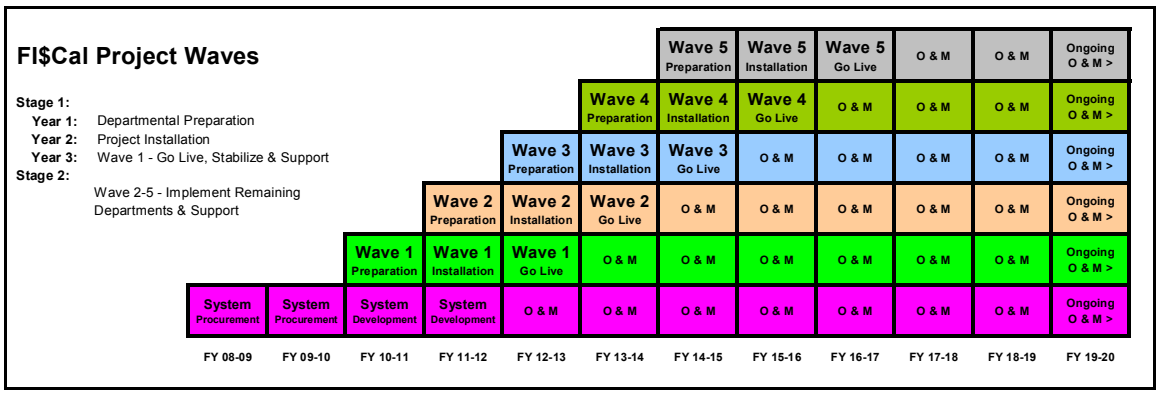
The specific advantages for FI$Cal are discussed in Section 3.5.4.1.

3.1.2.3 ERP Implementation Approach

ERP solutions are typically phased-in over time due to the scope, complexity and impact a project will have on an entity. In order to better manage risk, leverage project team resources and manage the overall project, system features, functions and capabilities may be introduced at different times and/or to different sets of users in a graduated fashion.

A phased-in approach also allows the project team to build on the success of earlier phases (i.e., stages/waves). The user community, executive management and the project team have a demonstrated success to highlight the benefits of the new system. In addition, lessons learned from past challenges can be applied to future phases.

The specific phased-in implementation approach for FI$Cal using project stages and implementation waves is discussed in Section 3.5.5 Preferred Alternative, Project Phasing. See the illustration below for a graphic depiction of stages and waves for the Preferred Alternative.



3.1.2.4 ERP Implementation Assumptions

There are several assumptions implicit in selecting an ERP solution to replace a collection of legacy systems.

- Baseline ERP Functionality: The baseline business processes available in the ERP suites are assumed to have sufficient public sector functionality to satisfy the state's requirements without significant customization. Baseline capabilities are those available in the delivered software – "out of the box" features, functions and options. Significant modification and customization to the software has historically created problems maintaining and upgrading ERP solutions[5].
- Best Practices: The baseline business processes available in ERP suites are assumed to embody industry-accepted best practices that do not require changes in transaction logic, processing algorithms or other modifications for the state to use "as is". This has been demonstrated in the implementation of ERP suites in California state agencies and municipalities, as well as other states and the federal government.
- Standardized Business Processes: The baseline business processes available in ERP suites can be used as the basis for standardized business functions used across the state. For example, the process to submit and process a purchase requisition will be the same for all state organizations.
- Standardized Commodity Codes: A critical part of the procurement system is establishing a standardized commodity and service code for the purpose of standardized descriptions and data collection.
- Chart of Accounts: ERP solutions use a single, common chart of accounts. This project must first establish common rules that can be used for both budgeting and accounting activities. Therefore, a common chart of accounts will be

[5] In 1999, Department of Water Resources (DWR) implemented an ERP system but utilized significant customizations. Based on that experience, and the lessons learned, DWR re-implemented in 2005.

established by a cross section of budget, accounting, and business stakeholders to develop a foundation or system architecture that can be later expanded and utilized for budgeting and accounting functions.

- Effective Change Management: The shift from "departmental business processes" to "standardized business processes" for common business activities implicit with ERP solutions will require significant and effective change management. It is assumed the proposed project approach and vendor(s) implementation methodology will sufficiently address this aspect of the FI$Cal Project.

3.1.3 Project Goals

The following project goals were jointly agreed to by the Partner Agencies. These goals are fundamental to the success and the future financial management health of the state. The agreed upon goals include the following:

1. Reengineer the state's outdated business architecture and processes. The FI$Cal Project provides a unique opportunity to coordinate, partner, and create new standard business architecture and focus on a statewide strategy.
2. Address workforce succession planning through the use of a common statewide system to provide homogenous business processes, practices, standardized tools, and administration to state employees performing the basic business process of the state. This will significantly reduce training costs as employees move from one agency/department to another.
3. Address workforce succession planning by modernizing the knowledge and skills of the state's financial management workforce. Modernizing the classifications and testing also support this goal.
4. Address knowledge transfer to various levels of state staff to minimize or eliminate long-term reliance on vendor operations support and maintenance.
5. Integrate the budget development, budget administration, accounting, procurement, payment/disbursements, cash management, asset management, human resources and reporting processes of the state.
6. Provide accessible management information with both depth and breadth through business intelligence applications.
7. Provide superior data quality and integrity by formulating common business terms, policies, and practices within a system that employs strong internal controls.
8. Maintain an archive of historical electronic information that can be retrieved when needed.
9. Establish the state's ERP software standard.
10. Improve understandability of the budget to the public, Legislature, and department management (especially those responsible for specific program expenditures).

3.1.4 Project Objectives

3.1.4.1 Qualitative and Quantitative Objectives

The following objectives reflect major improvements expected from the implementation of FI$Cal:

1. Replacement of the state's aging legacy financial management systems while the workforce with knowledge of those systems can facilitate the transition to a single, standardized, modernized, and supportable system.
2. Increased transparency for better decision making and knowledge sharing to the public and the state's business partners, including the Legislature.
3. Increase fiscal accountability and control at all levels of an organization, including state level.
4. Automate and standardize reporting mechanisms.
5. System modernization to support the state's succession planning for much of the financial management workforce.
6. Improve access to timely and relevant revenue and expenditure information to enable decision makers to make better informed decisions at all levels and branches of the government enterprise.
7. Provide tools to monitor expenditures against an approved budget and provide alerts when deviations occur.
8. Track statewide purchase volumes by vendor and/or commodity type to identify areas where quantity discounts might save money.
9. Provide the ability to know where the state's assets are in the event of a statewide emergency.
10. Provide a comprehensive view of the statewide accounts receivable status (collection rates and aging information). This will likely enable the state to improve the collection of accounts receivable. Note that this system ability would not apply to the state's large business specific systems such as child support or delinquent taxes in FI$Cal.
11. Provide information to the vendor community on business relationships with the state (e.g., status of invoice payments.)

3.1.4.2 Increase Staff Productivity

1. Reduce entry of the same expenditures, revenues, and personnel years (PYs) data in multiple files and multiple formats by 25 percent. Currently it is estimated that 14,000 hours of DOF staff time is spent in data entry and reporting activities, for a cost of $425,000. Additionally, it is estimated that approximately 18,000 hours of DOF staff time was spent on reconciliation activities due to the duplicate data entry efforts, for a cost of approximately $515,000.
2. Reduce the number of hardcopy handoffs (e.g., Schedule 10s and Budget Galley) by 50-75 percent. During the development of the 2004-05 Governor's Budget, it is estimated that Financial Operations maintained thirty (30) separate logs that tracked handoffs of various budget documents throughout the budget process. It is estimated that each Budget Unit also maintains approximately five

logs each to track various items throughout the budget process for a total of about thirty (30) additional logs maintained throughout DOF. As a result of the eBudget implementation in 2004-05 (to produce the 2005-06 Governor's Budget), a reduction in document handoffs was achieved. With the implementation of FI$Cal it is anticipated that these handoffs will be further reduced to fully realize the 50-75 percent reduction.

3. Reduce the number of special purpose spreadsheet drills by 50 percent since the majority of data necessary to respond to these drills will be available as part of the core functionality of FI$Cal. During the 2003-04 budget development cycle (from development through enactment), there were 175 special purpose drills. Additionally, a number of these drills were completed multiple times with different data requirements.
4. Provide interface payroll data from the SCO for purposes of projections for cash flow.
5. Eliminate the manual entry of deposits for bank reconciliation. Agencies will enter deposit records into the FI$Cal system.
6. Establish a single source for electronic positive pay files and electronic stop payment files from all agencies.
7. Eliminate redundant entries by approximately 4,000 purchasers statewide into multiple disparate data systems with multiple formats administered by the DGS. Currently it is estimated that state purchasers spend approximately 16,500 hours annually entering data into disparate systems.
8. FI$Cal will streamline departmental preparation of reports required either by statute or by policy to be submitted by departments to the DGS. Currently it is estimated that departments spend approximately 13,000 hours annually preparing these reports.

3.1.4.3 Increase Information Accuracy

1. While the number of errors and omissions to prior budgets has not been specifically tracked and would be difficult to quantify, implementation of a single system is likely to reduce the need for technical corrections to the proposed and enacted budgets by 15 percent.
2. Eliminate inconsistent data entry formats for the same data elements (e.g., whole dollars versus rounded dollars, such as $151,650 versus $152,000).
3. Eliminate the need for manual comping[6] of various budget documents such as the galley by budget unit analysts and the Central Unit. As a result of the eBudget implementation in 2004-05, a reduction in manual comping was achieved. With implementation of FI$Cal it is anticipated that the remaining comping activities will be eliminated.
4. Reduce the SCO's data entry activities related to receipts (e.g., claims, year-end reports, journal entries) by 70 percent. This reduction will be realized by capturing data entered at the department level through an electronic interface or direct utilization of the system. On average, the SCO staff re-enters data from approximately 1,100 claims and 220 receipts daily, representing approximately 275,000 claims and 56,000 receipts processed each year.

[6] Comping is a term used to describe compilation of data.

5. Reduce entry of the same expenditure and revenue data in multiple files and multiple formats by 60 percent. For example, past/prior-year revenue and expenditure data is kept in separate databases at the departments, DOF, and the SCO. Each database requires its own data entry. By having the amounts kept in one database, the information will only need to be entered once.
6. Extract and compile accruals for receipts, reimbursements, expenditures for improved cash management.
7. Provide the STO the exact amount of each warrant issued under a single claim and its means of delivery, improving the STO's ability to manage cash.
8. Increase the efficiency of reconciling physical warrants to SCO records by automatically accessing electronic files.

3.1.4.4 Provide Timely Access to Data

1. Reduce the late submission rate of year-end financial statements by 50 percent. In 2004-05 approximately 15 percent of 296 organizations submitted their year-end financial statements after the established deadline. While more current data is not available, this rate has remained relatively unchanged over time. Late submission of these reports cause delays in preparing required reports and could impact the state's credit rating. This improvement is achieved by departments having a more flexible and timesaving system that will significantly expedite their year-end preparation process.
2. Reduce inquiries regarding claim and payment status from departments and vendors to the SCO by 60 percent. This will be achieved by providing web-based access and look-up capabilities. It is assumed that department staff will also benefit from this added capability.
3. Sort and organize funds into different classifications, (e.g., certain special revenue funds and internal service funds, appropriations, and Prop 98) for cash management reporting purposes.
4. Improve the timeliness and accuracy of reported revenue and disbursement information for STO cash forecasting.
5. Reduce the time lag in reporting Centralized Treasury System deposits to the SCO.
6. Allow STO to receive deposit information directly from departments.

3.1.4.5 Replace Aging Technology Platform

1. Reduce the number of stand-alone systems supporting DOF's budget development and administration processes by 80 percent.
2. Reduce the number of shadow systems or subsystems used to collect data for external reporting purposes. The majority of data necessary to record and track the expenditure of project and grant funds will be available as part of the statewide financial management system. While the number of these systems (including special purpose spreadsheets) is unknown at this time, the readiness assessment for each department completed prior to system development will include an inventory of existing systems and their purpose to determine an appropriate baseline that can be measured.

3. Reduce the number of stand-alone accounting systems used in the preparation of reports for all reporting bases by 60 percent. Replace three separate SCO systems that support the following bases of accounting and reporting – Cash, Budget/Legal, and GAAP[7] – with a single integrated system. Automate reporting and publication of financial data to produce electronic and hardcopy financial statements.

3.2 Project Status/Milestones

The Project has made consistent progress since the FSR was approved in July 2005.

Milestone/Activity	Date(s)
Information Technology Procurement Plan Approved	8/2005
Conducted Procurement for Chart of Accounts/Acquisition Assistance	10/2005 – 2/2006
Conducted Statewide Workshops and Published Findings on the State's Chart of Accounts	4/2006 – 9/2006
Conducted Statewide Business Requirements Workshops	7/2006 – 10/2006
Developed FI$Cal SPR #1	7/2006 – 10/2006
SPR #1 approved	12/2006
Conducted additional requirements sessions/workshops dedicated to SCO, DGS and STO	12/2006 – 3/2007
Updated Information Technology Procurement Plan Approved	4/2007
Updated requirements based on two statewide reviews of Requirements	12/2006 – 4/2007
Developed Draft RFP	12/2006 – 4/2007
Reviewed first draft of RFP	4/2007
Conducted facilitated discussions on the requirements and the RFP	4/2007
Acquired Independent Verification & Validation (IV&V) and Project Oversight	3/2007 – 4/2007
Acquired Project Management Services	4/2007 - 5/2007
Consolidated/updated RFP review comments	5/2007 – 6/2007
Provided RFP to DGS & DOF/OTROS for review	7/2007
Enhanced Project Governance Structure	8/2007
Developed and implemented Partner MOU	8/2007 – 10/2007
Amended oversight/IV&V contracts to include BSA	9/2007
Developed FI$Cal SPR #2	8/2007 – 11/2007

3.3 Reason for Proposed Change

The main reason for the proposed project changes identified in this SPR are Legislative requests to the FI$Cal Project and extensions to the project schedule approved by the FI$Cal Steering Committee.

3.3.1 Legislative Request

With the 2007-08 Budget, the Legislature required the Project to pause and develop additional project planning documents. This resulted in an extension of the Planning Phase of the project by one year.

[7] Generally Accepted Accounting Principles.

Provisional language in Chapter 172, Statutes of 2007(SB 78), Item 8860-002-0001 of Section 2.00 requires the Project to do the following:

1. The Department of Finance shall submit to the Legislature, no later than April 1, 2008, an approved Special Project Report for the Financial Information System for California (Project #8860-30). The Special Project Report shall incorporate project alternatives that include, at a minimum: (a) continuing with the project as proposed in the Special Project Report approved December 15, 2006, (b) continuing with the design, development, and implementation of the Budget Information System as described in the Feasibility Study Report dated July 14, 2005, (c) developing and implementing a proof of concept including the control agencies' statewide functions and a select few departments, and (d) no action.

2. The Special Project Report shall also include: (a) a plan of funding that evaluates alternative financing options and the use of special funds and federal funds, (b) a report on the status of funding discussions with the federal government, (c) the formalization of roles and responsibilities, through the execution of memoranda of understanding, among the following project partners: the Director of Finance, the Controller, the Treasurer, and the Director of General Services, (d) a revised project management plan addressing project leadership succession planning and vendor accountability through the management of contracts, and (e) a project oversight plan that includes regular and independent reviews by the Office of Technology Review, Oversight, and Security and the Bureau of State Audits.

3. The Department of Finance shall transfer the contract administration authority for the Financial Information System for California (FI$Cal) project's contract related to Independent Project Oversight (contract) services to the Bureau of State Audits. The bureau shall monitor the contract, including assessing whether the concerns of the contractor are being addressed, and shall periodically report on the contract pursuant to Chapter 6.5 (commencing with Section 8543) of Division 1 of Title 2 of the Government Code. The department shall amend the contract to reflect the requirements of this provision and shall consult with the bureau in making that amendment, and the bureau shall approve the contents of the amendment prior to its execution. The contract shall be amended prior to any vendor payment from any amounts appropriated in this item to fund the contract. For purposes of this provision, “transfer the contract administration authority" means that the bureau's authority under the contract shall include, but not necessarily be limited to, the following:

   (a) Receiving and approving for payment by the department, all invoices for payment under the contract.

   (b) Directly receiving from the contractor any reports or other products produced under the contract, without any modification to those reports or products by the department.

(c) Receiving notice of any and all meetings held under the contract so that the bureau may attend those meetings.

(d) Receiving communications made under the contract. Nothing in this provision shall supersede or compromise the Office of Technology Review, Oversight, and Security's project oversight authority and responsibilities with respect to the FI$Cal Project.

(e) A communication plan between oversight entities and contractors shall be developed and presented to the Legislature concurrent with the Special Project Report.

3.3.2 Schedule Change

In May 2007, the FI$Cal Steering Committee voted to extend the Procurement and Design phases of the project that, in combination, added one year to the project. The FI$Cal Project had the opportunity to observe other recent California ERP project procurements[8]. Based on the actual activities of those procurements, it was decided that the Procurement Phase of the project should be extended. This will incorporate additional participation and validation, improve the quality of the documents and the process and also reduce risk.

The Partner Agencies also had significant discussion about the number of processes that must be re-engineered and the potential for policy changes. The discussions led to the reevaluation of the Design Phase schedule to ensure sufficient opportunity and time for these activities. To be conservative and to reduce schedule risk, the Design Phase of the project was also extended.

Based on this planning effort; incorporating the Legislature's requested work products and activities described in the preceding section, and adjusting to the FI$Cal Steering Committee's decision to extend the Project's schedule for procurement and design activities, the Project's schedule has been extended by an estimated two years. The additional two years are reflected in the Preferred Alternative as follows:

- Additional time to enhance the planning of the Project and to prepare the reports and materials requested by the Legislature.
- Retain the extended Procurement Phase as determined by the Steering Committee to reduce risk of schedule overages.
- Reduce the number of departments in the first wave of the Project in order to reduce project risk as suggested by the Legislature.
- Retain the extended Design Phase to ensure sufficient time for participation, analysis and develop of the re-engineered business processes.
- Additional time to provide a report and 30 day Legislative review on the progress of the Project prior to deployment of Wave 2 departments.

[8] CDCR Business Information System (BIS), SCO Human Resources Management System (21st Century, CALTRANS Integrated Financial Management System (IFMS)).

- Retain five waves, versus the proposed reduction to four waves, for system deployment to state agencies.

Related effects of these changes also include:

- Minimizing changes to the Legacy systems. This will ensure that any effect to the departments in advance of their deployment to the new system will be nominal. In order to achieve this goal, the SCO recognizes an option is to operate in two environments (both legacy and new systems) for certain programs and maintain these two environments during the transition if so deemed from the business-based procurement outcome.
- Earlier implementation of procurement tools. The change in the schedule proposed with this SPR delayed the development of automating procurement tools past the originally scheduled implementation dates. Therefore, these project functions were transferred from Stage 3 to Stage 1 with the schedule extension. The functions include: solicitations and the solicitation process, notices of intent to award, solicitation advertisement and supplier subscription services, and commercially available electronic catalogs and catalog ordering.
- The additional years increase the project cost. The recent events with other projects as well as the reexamination of project elements increased some of the other project costs as well.

3.4 Impact of Proposed Change on the Project

This project has evolved from being a statewide, budget-only project, with the intent of being the foundation for future financial management systems, to becoming the statewide financial and administrative system known as FI$Cal. The State Chief Information Officer voiced support for this change as follows:

> *"The FI$Cal Project is the single most important initiative the Executive Branch is proposing to undertake to improve the management and oversight of Executive Branch administrative operations. The pathway forward based on the former BIS approach was likely to involve billions in duplicative spending with an extraordinarily complex, and perhaps technically impossible, effort to ensure data interoperability across disparate systems. FI$Cal is the most cost-effective path forward and is consistent with private sector best practices."*[9]
>
> *J. Clark Kelso, State Chief Information Officer*

The foundation of an ERP implementation is the development of the general ledger. Implementing only the budget portion of the software requires limited development effort of the general ledger. With the addition of accounting and procurement, the activities during the implementation phases of the project are much more extensive. Based on studies from the Meta Group and lessons learned from the other ERP projects, the Project has planned for a 26 month schedule for the first implementation cycle of planning, new statewide chart of accounts, detailed requirements and design, configuration and any necessary customizations, testing, training and deployment out to the first wave of user departments.

[9] Spring 2007 Legislative briefing by the FI$Cal Project.

This system, with its anticipated functionality as indicated within scope, will be used at both departments and control agencies (DOF for statewide budgets; STO for statewide cash management; SCO for statewide accounting and reporting, claiming and disbursing; DGS for procurement). The proposed system will also have a broad impact on budget staff throughout the state, as well as Legislative budget consultant staff, Legislative Analyst's Office (LAO), and Legislative Counsel. The state's accounting and procurement workforce will also be significantly impacted. Virtually all staff that supports the state's various administrative processes must learn the features and processes of the proposed system and implement related changes in business processes.

Partner Agency staff must also learn features and processes of the proposed system and implement related changes in business processes to achieve statewide benefits. Since the proposed system will utilize modern technology to transform many antiquated and manual processes, there will be a substantial transition and "learning" curve associated with the new system. As a result, a comprehensive change leadership, education, and training program will be required for both departmental and Partner Agency staff. The Department of Personnel Administration and the State Personnel Board will also be key participants in the workforce transition process. It will be critical to keep the various unions informed about FI$Cal activities and efforts.

In addition to the anticipated impact on state staff, the proposed system could also have an impact on departmental information technology infrastructure. While the Project assumes that departmental desktop platforms and infrastructure will support the proposed financial management system, each department's connectivity will need to be evaluated to ensure optimum system performance. To the extent a department requires an upgrade of desktops and/or network connectivity, the department will be required to upgrade their systems prior to implementation and if necessary, submit a separate budget change proposal to request necessary resources. Those budget change requests will be considered, and if justified, funded as part of the traditional budget process.

3.5 Preferred Alternative – Updated FI$Cal Project

3.5.1 Description

The Preferred Alternative reflects a conceptual change in the way the state will approach financial management in the future. FI$Cal seeks to provide a single integrated platform to manage and control financial activities rather than employing separate systems to meet the constitutional responsibilities of control agencies and the program needs of departments.

In addition, FI$Cal provides an avenue for the state to revise and update current business processes. Many of the state's business processes utilize technology mainly for transaction processing. These business processes for the most part are manually intensive and a reflection of a time when there was a smaller volume of state programs, a smaller workforce and simpler business activities. The current business model does not reflect today's business environment, process requirements, program's business needs, or technology needs of the state.

State accounting, budgeting and procurement processes cross the functionality silos created by the existing legacy financial systems. FI$Cal will modernize, realign and standardize business processes to reflect the state's current and future business needs. The state will take advantage of an ERP's efficiencies while providing accurate and timely information.

The Preferred Alternative utilizes a business-based best-value procurement and seeks a solution from potential vendors that meets the state's business requirements and provides resolution on many design and implementation issues. These issues include the transition from the existing environment to the new environment over the course of the project. The implementation strategy is designed to incorporate both the departments and Partner Agencies' business needs for the proposed system.

3.5.2 Scope

Affected organizations will participate in project team and leadership roles to develop and transition over time to a standardized, integrated, automated system to support administrative functions. Essentially all state governmental entities will utilize this system within defined roles and responsibilities.

To ensure the full vision can be met by the initial procurement to select a core software tool and adopt it as a standard, a series of functional and non-functional requirements workshops have been conducted. The functional, or business, requirements reflect a consensus set of application features, functions and capabilities necessary to satisfy state financial management needs.

The functional workshops, scheduled by functional area (e.g., General Ledger, Accounts Payable), were open to all departments for the purpose of defining requirements. Workshop participants contributed and reviewed the requirements, either agreeing they met their business needs or providing additional requirements. As a follow-up exercise, a series of validation workshops are planned after software selection to confirm the requirements. By its conclusion, the requirements development process should ensure

all project participants have had several opportunities to review, modify and confirm the business requirements.

3.5.2.1 Initial Scope Efforts

The following table summarizes the business functionality that will be represented by the initial product selection and has been defined by the Partner Agencies and departments.

Major Function	Sub Functions	Comments
Budget Development and Enactment	Planning	Includes all budget planning processes.
	Development and Enactment	Includes decision making support, the spring budget updates, Legislative actions and veto decision processes.
	Position Control and Salary Administration	Includes utilizing position control and salary administration data from the SCO for the purpose of budget development and administration. This information will also be used for other accounting purposes such as cost allocation.
	Revenue Forecasting	Includes revenue estimates for most non-major revenues (e.g., special funds). Complex forecasting tools used to calculate the major sources of revenue, primarily for the General Fund will continue to work independent of this system; although, summary data will be entered (or interfaced) to support the budget development process.
	Budget Documents	Includes the Governor's Budget, Salary and Wages Supplement, May Revision Highlights, Budget Highlights, etc.
Budget Administration	Budget Administration and Monitoring	Includes incorporating real-time accounting information for budget monitoring/reporting.
Appropriation Accounting	Budget Control	Includes Allotment Accounting, Budget Plans, and Budget Preparation Support for departments.

Major Function	Sub Functions	Comments
Appropriation Accounting (continued)	Budget Administration	Includes budget Executive Orders and budget revisions process among departments, DOF, and SCO maintaining and monitoring/reporting.
General Ledger Accounting	General Ledger	Includes central/shared tables for consistency (e.g., chart of accounts, commodity and service codes)
Receivables/ Collections	Revenue and Receipt Accounting	Includes revenue and receipt tracking.
	Accounts Receivable	Excludes program-based cashiering and cash receipting functions.
Payables	Encumbrance Accounting	Begins with the Requisition Process for internal control and identification of “spend” information (i.e., what are we buying for the state)
	Accounts Payable	Includes payable tracking and request for payment.
	Office Revolving Fund	Includes office revolving fund checks.
	SCO Disbursements and Audits	Creation of an electronic or paper warrant (includes internal controls, edits, parameters, and validation protocols) which will be used and monitored by SCO Audits.
Procurement	Contracts	Includes functionality to establish, manage, and administer departmental contracts and the state’s leveraged procurement agreements.
	Requisitions and Purchase Orders	Includes functionality to create requisitions, create and manage purchase documents, delivery and receipt, and manage the state’s payment cards.
	Vendor Management	Includes requirements for consistent departmental processing and statewide process including a single statewide vendor file.

Major Function	Sub Functions	Comments
Procurement (continued)	Solicitations and the solicitation process	Includes utilizing best practices for electronic Bids, Request for Information or Request for Proposals.
	Notices of intent to award and contract award	Includes award processes.
	Solicitation advertisement and supplier subscription service	Related to the solicitation processes.
	Commercially available electronic catalogs and catalog ordering	Excludes customized electronic catalogs.
Project Accounting	Project Repository	Provides a comprehensive data store for project expenditures across the state. Provides for multi-year project budgets.
	Capital Projects	Includes working in conjunction with specialized project management and engineering systems for departments focused on capital projects.
	Project Reporting	Records and reports on project financial activity as necessary to meet federal, state, and management needs.
Grant Management	Grant Tracking	Tracks grants, whether the state is a grantee or a grantor.
	Grant Repository	Provides a comprehensive data store for grant activity across the state.
Cost Accounting	Labor Distribution	Includes distribution of personnel and overhead costs across different programs, projects, grants, and other chart of account elements. Labor distribution should be as close to real time as possible.
	Indirect Costs	Includes a cost allocation and labor distribution component, addressing program, project, fund, unit, and activity. Indirect costs should be as close to real time as possible.

Major Function	Sub Functions	Comments
Cash Management	Cash Tracking/Forecast	Track and forecast cash deposits, disbursements, and cash balance; maintain and monitor cash balance of funds (STO); and borrow cash from internal and external sources (STO).
	Bank Reconciliation	Includes the monitoring and managing of the cash in depository banks.
	Deposits	Includes providing the Front-End Deposit System (FEDS).
	Check Writing	Includes a check writing system.
Bank Account / Warrant Reconciliation	Bank Reconciliation	Bank reconciliation between the STO and third-party financial institutions.
	Banking Services	The STO acts as a bank and is presented with state issued checks, vouchers, and warrants by financial institutions for redemption.
	Other Bank Account / Warrant Reconciliation	Will reconcile the agency checking accounts (e.g., Office Revolving Funds, trust accounts and other cash/general cash accounts) which are expected to remain. Includes SCO warrant reconciliation.
Asset Management	Basic Asset Management	Focusing on department and state-level asset accounting (Governmental Accounting Standards Board 34 and 35). In scope asset accounting includes the description of assets (including works of art/treasures; tracking and location of assets; useful life and depreciation; impairments (GASB 42); and the ability to reconcile the inventory to the control account.
Human Resources	Position Control and Salary Administration	The payroll system administered by SCO is the system of record including all transactions related to this functionality. Data transfer from the payroll system is used to support budget and accounting functionality requiring this information.

Major Function	Sub Functions	Comments
Human Resources (continued)	Labor Distribution data	State accounting requires labor distribution to spread costs to other funds and programs.
	Role-based Identity data	Employee identification/ authentication and role-based authority (for the FI$Cal Project only).
	Single Time Sheet	Includes Single Time Sheet for state employees for both cost accounting and leave accounting.
SCO Audits	Expenditure Audits	This is not a function of the system, but a requirement by statute for all expenditures to be audited before paid. This audit function is defined by a set of requirements and will include standard processes and audit tools to meet the requirements.
Security	Security Plans and Protocols	This is not a function but a requirement to include security plans and protocols to provide sufficient level of protection and integrity for the state's critical information, as well as Partner Agencies and department business needs.

3.5.2.2 Out of Scope in Initial Effort

The following functionalities are not in the scope of Stage 1 or Stage 2 of the FI$Cal Project. However, since it is the intent of the state to standardize its administrative software, the FI$Cal software may be used to include these functionalities in Stage 3 as separate projects.

Major Function	Sub Functions	Comments
Asset Management	DGS/Department Functions	Functions where asset management functionality is desired beyond asset accounting, identification and location.
Procurement	Inventory Management	Functions that track the warehousing, utilization, and restocking of inventory.
Human Resources	Human Resources	All functions with the exceptions noted in the Initial Scope Efforts. The payroll system administered by SCO will be the source of data.
Revenue Forecasting	Revenue Forecasting	Forecasting requirements performed by DOF for major revenues using data which originates from departments (e.g., FTB, BOE).
Payables	Employee Expense Claims	SCO has CalATERS in place which all departments are mandated to use by July 1, 2009. When CalATERS must be upgraded, just like the other A/R systems, this software may be used for the future replacement or upgrade of these systems in separate but related Stage 3 projects. There may be departments exempt from CalATERS that may require this functionality sooner as a separate but related project.

Major Function	Sub Functions	Comments
Various	Specialized Business Functionality Department Systems	Specific functionality, such as major (very large and specialized) Cashiering/Cash Receipting/Accounts Receivable, is excluded. However, a key function is to record revenue and cash and reconcile to the cashiering subsidiary systems. Accounts Receivable must be part of this system. It is a critical subsidiary to the GL and a foundation of the ERP. Very large, specialty A/R systems such as Department of Public Health's Genetic Disease billing system or Franchise Tax Board's ARCS (Accounts Receivable Collection System) are not part of this project. Therefore, the software selected will stipulate that capabilities to support these types of functions will be available because the tool selected may be used for the future replacement or upgrade of these systems in separate but related projects. There are also very specialized expenditure programs such as Medi-Cal, In Home Supportive Services, and Child Support that have special custom programs to meet their mandates. It is expected that the standard functions of these and other special expenditure programs will be part of the FI$Cal system such as payables, disbursements and bank reconciliation. In summary, while some specialized systems will reside outside of FI$Cal (for example, to determine what amounts should be apportioned to local governments, what should be paid to IHSS workers or doctors, etc.) the outcome of these computations will populate the functions of FI$Cal in the Accounts Receivable, Accounts Payable, General Ledger.

The first stage of the project will defer departments that have implemented or are in the process of implementing an ERP system; however, these departments will be required to provide data for receipts, accounting, disbursements, and year-end reporting. As these department's ERP systems require upgrades or the department desires expanded functionality, they will move to the FI$Cal system. A standard interface will be developed for these departments to either exchange data or information through the interface or to enter state-level information into the statewide ERP system as needed by one of the Partner Agencies for this stage. Most departments have not developed the budget portion of an ERP system and it is expected that they will utilize the FI$Cal system for budget development. This interim process will remain in place until the full transition to a statewide financial and administrative system is completed.

3.5.3 Assumptions

This alternative takes into account the following key assumptions:

- Enterprise Licensing: The proposed statewide ERP software will be a one time purchase; however, the implementation and configuration of the system components will be incrementally developed and installed. In terms of licensing, the state will obtain and use an enterprise license that ensures only those licensing costs applicable to a specific project phase or activity will be charged. The state does not intend to pay for licenses until they are needed to ensure the best pricing for the state and compliance with Control Section 11.10[10].

- Completed Rollout: The objectives and improvements are predicated on a fully implemented FI$Cal financial management system.

- Workforce Modernization: The state will be able to develop, recruit and retain a workforce with the necessary skills, knowledge and experience to implement, operate and maintain the selected system.
- Vendor Resources: The state will be able to supplement existing management and staff resources with vendor resources having equivalent or the necessary skills, knowledge and experience throughout the duration of the project.
- Stakeholder Participation: The key stakeholders, including, but not limited to, the Governor's Office, the Legislature, Partner Agencies and participating departments will be involved in high-level planning, management and oversight throughout the duration of the project.
- Technology Capacity: The state's technology infrastructure will be sufficient to support an ERP software solution and related performance requirements. This includes network bandwidth, processing capability, workstations. To the extent a department requires an upgrade; they will be required to submit a separate budget change proposal to request the necessary resources.
- Operational Commitment: Unlike custom-developed software, ERP suites are packaged solutions with a life cycle involving defect corrections, software updates and new releases. The evaluation, testing, implementation and training

[10] Control Section 11.10 is the Legislature's means of being informed of statewide software licensing agreements that have not been previously approved by the Legislature that obligate state funds in the current or future years.

around each of these life cycle changes will require dedicated personnel, equipment and infrastructure in a centralized support structure.

- Partner Agency Collaboration: Partner Agencies will collaborate to resolve technical, program and policy issues in order to develop a single, integrated system that meets the needs of all users.
- Phased Implementation: Since the Preferred Alternative is implemented in Waves, departments will be implemented in phases. For each single department, this process will cover three (3) years. The activities to be carried out at each department during this time period include:
    - Year 1 – Departments will establish a baseline by documenting their existing organization, staff roles and responsibilities, systems used, high-level processes, current business costs, and mapping workflows.
    - Year 2 – Departments will address differences between existing procedures and the COTS solution, documenting changes in the department procedures to conform to the standardized best-business practices of the Preferred Alternative. Departments will also address data conversion activities and other role based identification, authorities and workflow. Department staff will be trained on the Preferred Alternative. The system will be implemented at the end of this year.
    - Year 3 – Departments will start using the system. The supporting staff will be retained by the department to maintain workload and to provide continuous training to the new users (stabilization). Additional procedures may be developed and documented during this period. The department will document the new administrative organization to compare against the Year 1 baseline and report on the differences created by the project.
- Additional Functions: Stage 3 projects may be identified at any point during Stage 1 or Stage 2. These projects are expected to leverage the existing functionality provided by the Preferred Alternative. For example, DGS may choose to implement an asset management system that expands the Preferred Alternative's existing asset management and inventory functions. Stage 3 projects sponsored by the requesting department will develop a Feasibility Study Report with separate project approval prior to implementation.
- Bundled Procurement: The selection of the ERP software, supporting third-party software and system integrator (and other subcontractors) will occur in a single, bundled procurement.

3.5.4 Advantages / Disadvantages

3.5.4.1 Advantages:

- Improved Financial Information Quality: Standardized and streamlined business processes result in timely information, consistent financial data and reduced error correction. The improved quality of financial information introduces greater financial accountability and the opportunity for effective financial management.
- Increased Business Process Efficiency: FI$Cal will establish standardized accounting, budgeting and purchasing processes and procedures.

Partner Agencies and departments should be able to more effectively focus on program execution while meeting the fundamental financial management business requirements of the state.

- Reduced Timing/Reconciliation Errors: The reduction in systems that provide the same information, between Partner Agencies and departments will reduce current timing and system reconciliation steps that result in inconsistent, out-of-date or erroneous financial information.
- Increase Transparency: FI$Cal will provide a better basis for decision making and information sharing to the public and the state's business partners, including the Legislature.
- Reduced Technology Costs (compared to other alternatives for the state): A single, statewide enterprise financial management system addressing accounting, budgeting and purchasing functions will avoid significant costs to the state from multiple implementations of ERPs, other COTS or custom-developed software applications to provide the same functionality. Savings in license fees and on-going maintenance costs compared to those same costs for systems from multiple vendors should be substantial.
- Reduced Staff Costs (compared to other alternatives presented): A single, statewide development allows the state to access and pool the talents of qualified staff from several state departments to define business practices and how the system works, rather than reliance on departments to undertake separate projects on their own. Similarly, once established, accounting, budget and business services (purchasing) staff development and training throughout the state will be based on consistent processes and tools rather than disparate ones. For instance, lower training costs are required when state staff transfers between departments.
- Reduced Interface Complexity: Consistent integration standards and protocols of information and systems for the state results in fewer interfaces.
- Reduced Risk of Technology Failures: FI$Cal accelerates the replacement of aging legacy systems that will fail at some point in the future due to lack of supportable hardware, qualified resources or inability to support changes in business requirements.
- Simplified Operations and Maintenance: Avoids conflicts with future software versions and updates by utilizing a single business platform instead of multiple platforms. In addition, FI$Cal uses a modern technology infrastructure and phases out legacy infrastructure.
- Comprehensive Approach: Business processes are standardized and coordinated from an overall, consistent viewpoint rather than in a piecemeal fashion.

3.5.4.2 Disadvantages:

- Limits Business Process Options: The selection of an ERP suite commits the state to a standardized set of business processes. Although the software supports some degree of tailoring to support the needs of each Partner Agency and/or department, the core business processes are defined by the software

design and cannot be changed without customization. The state cannot customize the source code of the software without losing the benefits of COTS and creating future problems in maintenance and cost.

- Introduces Greater System Complexity: ERP systems have a much greater level of complexity compared to the state's legacy systems due to the broader set of business functions and integrated nature of the modules. The increased complexity expands the role of the support and maintenance organization, and requires an increased level of skills and knowledge to administer.
- Introduces Significant Change: The rollout of FI$Cal will disrupt existing Partner Agency and departmental processes, and generate changes that may produce temporary uncertainty and stress for the impacted organizations and individuals. It is envisioned that project management processes and organizational change management will reduce risk and resolve issues during the project lifecycle.
- Restricts Resources: The implementation of the system is a substantial commitment of resources during the project time frame.
- Creates Vendor Dependence: Selection of this Preferred Alternative may force the state to depend upon a single software vendor (or limited number of vendors) and effectively adopt the vendor's business model, technology, and staff for a long-term relationship.

3.5.5 Project Phasing

The project will be implemented in phases, using project stages and implementation Waves. Stage 1 will include two waves to account for the complexities of transitioning departments to the Preferred Alternative. Following Wave 1, the FI$Cal Project will report to the Legislature on the success, lessons learned, and corrections incorporated from Wave 1. Upon receiving the Legislature's approval, implementation of the Preferred Alternative will be continued through Stage 2. Projects identified as a part of Stage 3 will be conducted under a separate procurement and require Feasibility Study Reports on each proposed project.

3.5.5.1 Stage 1

- Stage 1 includes the implementation of the enterprise accounting, budgeting, and procurement functions.
- Stage 1 is divided into two (2) waves. Wave 1 includes the statewide functions of the Partner Agencies, plus departmental accounting, budgeting, and procurement functions for four (4) selected departments and their five (5) client departments. In Wave 2, the departmental accounting, budgeting, and procurement functions of eleven (11) additional departments and their six (6) client departments will be implemented.
- Some of the departments included in Waves 1 and 2 provide accounting or budgeting services for other client departments within their span of control.

STAGE AND WAVE	DEPARTMENTS
Stage 1/Wave 1: Partner Agencies Go Live July 2012	Department of Finance
	Department of General Services
	State Controller's Office
	State Treasurer's Office
Stage 1/Wave 1: Departments Go Live July 2012	Board of Equalization
	Department of Justice
	Department of Parks and Recreation
	San Joaquin River Conservancy
	Baldwin Hills Conservancy
	Coachella Valley Mountains Conservancy
	Department of Social Services
	Secretary for Ca Health and Human Services
	State Council on Developmental Disabilities

STAGE AND WAVE	DEPARTMENTS
Stage 1/Wave 2: Departments Go Live July 2013	Department of Technology Services
	Department of Education
	Office of the Secretary for Education
	Department of Conservation
	Department of Rehabilitation
	Department of Mental Health
	State Water Resources Control Board
	Employment Development Department
	California Workforce Investment Board
	Secretary Labor and Workforce Development
	Energy Resources Conservation and Development Commission
	State Coastal Conservancy
	San Diego River Conservancy
	Delta Protection Commission
	Native American Heritage Commission
	State Lands Commission
	State Teachers' Retirement System

3.5.5.2 Stage 2

- Roll-out to remaining state departments for accounting, budgeting, and procurement will occur in Stage 2. See Appendix I: Stage 2 Departments.
- The deployment of Stage 2 will be accomplished through separate procurement(s) for system integrator services and/or by state staff that have been cross-trained through an active knowledge-transfer process during Stage 1. These procurements will be conducted under a statewide Master Services

Agreement administered by DGS. Stage 2 will use the state standard FI$Cal system configuration that is adopted and deployed in Stage 1. Thus, Stage 2 represents “more of the same” in terms of “bringing” departments onto the FI$Cal system, established during Stage 1.

STAGE AND WAVE	DEPARTMENTS
Stage 2/Wave 3:	Air Resources Board
Departments	*Secretary for Environmental Protection*
	Commission on Peace Officer Standards and Training
Go Live July 2014	DGS - Contracted Fiscal Services
	Alfred E. Alquist Seismic Safety Commission
	California Gambling Control Commission
	California Law Revision Commission
	California Medical Assistance Commission
	California State Library
	California Tahoe Conservancy
	California Transportation Commission
	California Victim Compensation and Government Claims Board
	Children and Families Commission
	Commission on State Mandates
	Commission on Teacher Credentialing
	Commission on the Status of Women
	Department of Finance
	Education Audit Appeals Panel
	Electricity Oversight Board
	Emergency Medical Services Authority
	Fair Employment and Housing Commission
	Fair Political Practices Commission
	Managed Risk Medical Insurance Board
	Milton Marks "Little Hoover" Commission on CA State Government Organization and Economy
	Office of Administrative Law
	Office of the Inspector General
	San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy
	Sierra Nevada Conservancy
	State Independent Living Council
	State Public Defender
	Department of Housing and Community Development
	California Coastal Commission
	California Conservation Corps
	California Integrated Waste Management Board

STAGE AND WAVE	DEPARTMENTS
Stage 2/Wave 3: Departments (Continued) Go Live July 2014	California Student Aid Commission
	Department of Aging
	Commission on Aging
	Department of Alcohol and Drug Programs
	Department of Alcoholic Beverage Control
	Alcoholic Beverage Control Appeals Board
	Department of Child Support Services
	Department of Corporations
	Department of Fair Employment and Housing
	Department of Financial Institutions
	Department of Managed Health Care
	Department of Personnel Administration
	Department of Pesticide Regulation
	Department of Real Estate
	Office of Real Estate Appraisers
	Franchise Tax Board
	Governor's Office
	Military Department
	Public Utilities Commission
	San Francisco Bay Conservation and Development Commission
	Secretary of State
	State Controller's Office
	California Institute for Regenerative Medicine
	California Senior Legislature
	State Personnel Board
	State Treasurer's Office
	California Alternative Energy & Advanced Transportation Financing Authority
	California Debt and Investment Advisory Commission
	California Debt Limit Allocation Committee
	California Health Facilities Financing Authority
	California Industrial Development Financing Advisory Commission
	California School Finance Authority
	California Tax Credit Allocation Committee
	Scholarshare Investment Board

STAGE AND WAVE	DEPARTMENTS BY WAVE
Stage 2/Wave 4:	Agricultural Labor Relations Board
Departments	California Horse Racing Board
	California Postsecondary Education Commission
Go Live July 2015	Commission on Judicial Performance
	Department of Boating and Waterways
	Department of Community Services and Development
	Department of Consumer Affairs
	Boards
	Bureaus, Programs, and Divisions
	Board of Chiropractic Examiners
	Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun
	Department of Developmental Services
	Department of Health Care Services
	Department of the California Highway Patrol
	Secretary for Business, Transportation and Housing
	High-Speed Rail Authority
	Department of Fish and Game
	Wildlife Conservation Board
	Office of Emergency Services
	Office of Environmental Health Hazard Assessment
	Office of Planning and Research
	Office of Statewide Health Planning and Development
	Office of Traffic Safety
	Public Employment Relations Board

STAGE AND WAVE	DEPARTMENTS BY WAVE
Stage 2/Wave 5:	Board of Governors of the California Community Colleges
Departments	California Housing Finance Agency
	California Arts Council
Go Live July 2016	*California State Summer School for the Arts*
	California Science Center
	Colorado River Board of California
	Department of Food and Agriculture
	Department of Industrial Relations
	Department of Insurance
	Department of Public Health
	Department of Toxic Substances Control
	Dept of Forestry and Fire Protection
	Secretary for Resources
	Department of Veterans Affairs
	Office of the Lieutenant Governor

3.5.5.3 Stage 3

- The state intends FI$Cal to be an integrated solution that includes business-related functions beyond those listed in the Section 3.5.2 Scope; this additional functionality will be part of Stage 3.
- The scope, approach, and timing for deploying Stage 3 have not been finalized; however, Stage 3 does include Functional Areas and requirements for software that will address anticipated functionality, such as inventory management and employee expense claims.
- Stage 3 is qualitatively different than Stage 1 or Stage 2. It includes a set of separate but related projects that leverage the software acquired in Stage 1, but involves the implementation of expanded system functionality. Other Stage 3 Modules may be acquired beyond those acquired in Stage 1. With regard to timeline, the implementation of Stage 3 will be scheduled after the implementation of Wave 1 has been accepted by the state. Additionally, Stage 3 must be implemented with the collaboration of the FI$Cal Project.

3.5.6 Schedule

Project Phases	Phase Deliverables	Proposed Schedule
Initial Planning	• Convene Steering Committee • Conduct procurement for chart of accounts analysis and acquisition assistance	July 2005 – January 2006 (Completed Task - No Change)
Chart of Accounts and Standards and Requirements Workshops	• Analyze the existing Uniform Codes Manual • Develop a strategy for statewide chart of accounts and standards • Explore market alternatives • Develop business requirements	February 2006 – October 2006 (Completed Task – No Change)

Project Phases	Phase Deliverables	Proposed Schedule
Special Project Report	• Reevaluate Project, goals, and statewide approach • Review of report	August 2006 – November 2006 (Completed Task – No Change)
Procurement	• Develop Draft RFP	December 2006 – August 2007 (Completed Draft RFP)
Memorandum of Understanding (MOU)	• Complete MOU to provide the framework for the partnership of DOF, SCO, STO and DGS in compliance with Budget Bill language.	July 2007 - October 2007
Special Project Report #2	• Develop SPR #2 at the direction of the Legislature in compliance with Budget Bill language	August 2007 – January 2008
Procurement	• Finalize RFP based on direction from the Legislature.	April 2008 – October 2008
Procurement	• Conduct business based procurement for statewide software and system integrator services	October 2008 – October 2009
Special Project Report #3	• Complete SPR to report solution and updated costs. • Review of SPR #3 by OTROS and LAO, and other authorizations as required	November 2009 – December 2009 (Develop SPR #3) January 2010 - February 2010
Implementation: Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis • Change management program development • Requirements specification and decomposition	March 2010 – February 2011
Implementation: Build	• Site preparation and configuration • Solution build, configuration, customization and installation • Configuration management and change control • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	March 2011 – November 2011
Implementation: Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing • Change management program	December 2011 – May 2012
Implementation: Release and Deploy Solution – Partner Agencies and selected departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Production deployed to DOF, SCO, STO, DGS and selected departments • Evaluation Report after first department roll-out.	Stage 1, Wave 1—April 2012 –June 2012

Project Phases	Phase Deliverables	Proposed Schedule
Legislative Report	• Assess Deployment results • Prepare Legislative Report • Legislative Commitment to Continue Project	July 2012 – October 2012
Implementation: Release and Deploy In a Phased Approach	• Implementation event and deployment schedule • Change management program • Training – technical, administrator and user • Production deployed to departments and agencies in a staggered process	Stage 1, Wave 2 – June 2013 Stage 2, Wave 3 – June 2014 Stage 2, Wave 4 – June 2015 Stage 2, Wave 5 – June 2016
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • PIER	June 2017 July 2018

3.5.7 Budget Information (Assumptions)

- Sufficient resources to implement this alternative will be obtained through the annual budget development process.
- This alternative will develop an acceptable cost allocation model that distributes the cost of the Preferred Alternative to all fund sources, including federal funds.
- Alternative financing methods are successfully employed.
- Higher priority projects will not divert state resources from this Preferred Alternative.
- The estimating methodologies for determining Project cost have correctly assessed the level of resources needed for the scope and schedule reflected for this alternative.
- The state's infrastructure is adequate to handle the Preferred Alternative.
- Legacy systems will not require major modification and can be maintained using existing resources until they are retired.
- Legacy systems will be maintained throughout the Preferred Alternative to reduce the risk involved with data conversion.

3.5.8 Rationale for Selected Alternative

In contrast to the Preferred Alternative, the other alternatives considered only meet some of the project objectives. The following table illustrates how each alternative either meets or does not meet a particular project objective.

Goals/Objectives	Preferred Alternative FI$Cal	Alternative 1 FI$Cal SPR as approved Dec 2006	Alternative 2 Budget Information System (BIS)	Alternative 3 Modified Budget Information system (BIS)	Alternative 4 Proof of concept	Alternative 5 No Statewide Project
Project Goals 3.1.3	✓	✓		Partially	Partially	
Objective 1 Replace Legacy Systems	✓	✓	Partially	Partially	Partially	
Objective 2 Increase Transparency	✓	✓			Partially	
Objective 3 Increase Fiscal Accountability	✓	✓			Partially	
Objective 4 Standardize Reporting	✓	✓			Partially	
Objective 5 Financial Mgmt Succession Planning	✓	✓			Partially	
Objective 6 Access to Expenditure Information	✓	✓			Partially	
Objective 7 Tools to Monitor Expenditures Compared to Budget	✓	✓			Partially	
Objective 8 Track Statewide Purchase Volumes	✓	Partially			Partially	
Objective 9 Track State Assets	✓	✓			Partially	
Objective 10 Comprehensive View of Statewide Accounts Receivable	✓	✓	Partially		Partially	
Objective 3.1.4.2 Increase Staff Productivity	✓	✓		✓	Partially	
Objective 3.1.4.3 Increase Information Accuracy	✓	✓			Partially	
Objective 3.1.4.4 Timely Access to Data	✓	✓		✓	Partially	
Objective 3.1.4.5 Replace Aging Technology Platform	✓	✓				
Reasonable Schedule	✓					

The following table summarizes alternatives presented in this SPR across major parameters, including implementation time frame and cost.

	Preferred Alternative	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Alternative Description	FI$Cal Project: Statewide administrative enterprise system for financial management and procurement. Sponsored by the Partnership of DOF, SCO, STO, and DGS.	FI$Cal as proposed December 2006. (Note dates are only revised to reflect the additional year of legislative activities.)	BIS as proposed (Budget Information System). This is a DOF centric budget system only that may or may not be an ERP.	BIS with the addition of state agency accounting functionality to address lessons learned during the discovery stage of the BIS Project.	FI$Cal Proof of Concept	No Statewide Project
Release RFP	October 2008	October 2008	October 2008	October 2008	October 2008	Individual Projects
Time to Deployment	July 2012	July 2011	July 2012	July 2012	July 2012	Varies with individual projects.
Time to project completion	July 2017	July 2016	July 2014	July 2015	Proof of Concept ends at Wave 1 – 2012. If continued deployment approved – 2021.	Varies with individual projects.
Total Cost	$1.6 Billion	$1.3 Billion	$137.9 Million	$1.2 Billion	$784.2 Million	$6.2 Billion
Difference from proposed alternative ***Definition:*** *Wave is defined as a group of departments that are implementing the system concurrently.*	This is the Preferred Alternative. It is a comprehensive system that includes the Partner Agencies and departments. The first wave was reduced in size to 4 departments. A reporting period to the Legislature after implementation of Wave 1 was added to ensure the Legislature had the opportunity to clearly determine if the project should continue deployment to all state agencies.	The schedule in this alternative is too aggressive and the schedule does not include the additional years. The Steering Committee added an additional year to this project that is reflected in the Preferred Alternative. The additional year reflects recent lessons learned from state projects to reduce project risk.	This is a budget-only system. DOF has determined that the project would not deliver the anticipated solution because: (1) It could only encompass budget preparation unless the accounting portion was implemented. (2) Adding the accounting element at just a high summary level would not provide more benefit than provided by SCO today.	This would be a DOF lead project. The project would coordinate with SCO, STO, and DGS as financial systems historically have coordinated. STO and SCO would develop their own system. DGS could add procurement and asset management to this system at a later date but at the risk of requiring a reimplementation. Without the integrated partnership, the benefits desired would be limited.	Reduce the Preferred Alternative Wave 1 to the Partner Agencies and a limited number of departments. If successful, the Partnership would request continued deployment of the system to all other agencies. Repeating the project, funding, and procurement processes adds 4 years and project completes July 2021. A major risk is the continued viability of the legacy systems.	This alternative: ▪ Assumes that there is no coordinated statewide effort. ▪ State departments and control agencies would request new systems as each individual business case would demand (i.e., DWR, DMV, PERS, Lottery, DGS, DTS, CDCR, Caltrans) ▪ Assumes that over the next 10 years, most departments would make this request. ▪ Assumes there is no coordinated effort to replace CALSTARS since that is presented within Alternative 3.

3.6 Other Alternatives Considered

In addition to the Preferred Alternative presented in Section 3.5, the Budget Bill Provisional language in Chapter 172, Statutes of 2007, Senate Bill 78, Item 8860-002-0001 of Section 2.00 requested specific scenarios be considered as part of this SPR.

Based on the Budget Bill language, the following alternatives or project scenarios are presented in this section.

- Alternative 1 – FI$Cal SPR: This alternative is the original FI$Cal Project approved by the Office of Technology, Review, Oversight and Security on December 15, 2006. This alternative was not selected because of the impact of its aggressive schedule and the number of departments included in the first implementation wave.

- Alternative 2 – BIS FSR: This alternative is the original BIS Project approved on July 14, 2005. Early discovery in project planning phase determined that BIS would not operate as originally approved.

- Alternative 3 – Modified BIS: This alternative modifies the original BIS implementation approach to make it operational. This alternative was rejected because it did not meet the project objectives.

- Alternative 4 – Proof of Concept: This alternative implements the FI$Cal Project with the Partner Agencies and a few selected departments. Based upon the success of the proof of concept, the Project would seek approval to continue implementation to the remaining departments. This alterative was not selected because it extends the project schedule at least three years and adds significant costs for a statewide implementation. This three year “break” in project activities is due to compliance with state project initiation processes including (1) the pilot project close out, and (2) a new project approval and procurement to deploy the solution statewide.

- Alternative 5 – No Statewide Project: This alternative projects the outcome of not implementing a statewide solution to address the state’s aging financial systems.

Because of the many similarities relative to scope, schedule and implementation approach of the alternatives, for readability, this section describes the differences from the Preferred Alterative. Full descriptions of each alternative are available in the Appendix A of this report.

In all cases, the feasibility of each alternative was measured against the overall objectives stated in Section 3.1.4 Project Objectives.

3.6.1 Alternative 1 - FI$Cal SPR as approved December 2006

3.6.1.1 Description

This describes the FI$Cal Project as approved by the Office of Technology Review, Oversight, and Security on December 15, 2006 (the original FI$Cal SPR), and includes adjustments for the schedule.

Although this alternative is similar to the Preferred Alternative there are a few distinct differences. This alternative does not provide:

- An extension of the schedule for the procurement and design phases previously approved by the Steering Committee.
- A reduced number of departments included in the initial roll-out (Wave 1 and 2) to address the risk concerns of the Legislature.
- A report to the Legislature on the success of the project prior to implementing the next planned roll-out (Wave 2).
- An earlier implementation of the DGS procurement solicitation functionality.

3.6.1.2 Scope

The scope of this alternative slightly differs from the Preferred Alternative. Stage 1 procurement functions do not include procurement solicitation tools such as:

- Solicitations and the solicitation process (such as utilizing best practices for electronic Bids, Request for Information or Request for Proposals).
- Notices of intent to award and contract award.
- Solicitation advertisement and supplier subscription service.
- Commercially available electronic catalogs and catalog ordering (this would not include customized electronic catalogs).

3.6.1.3 Assumptions

The assumptions for this alternative are the same as the Preferred Alternative.

3.6.1.4 Advantages / Disadvantages

3.6.1.4.1 Advantages

In addition to the advantages listed in the Preferred Alternative:

- The project would be completed a year early (2016).

3.6.1.4.2 Disadvantages

In addition to the disadvantages listed in the Preferred Alternative:

- More departments are included in the first wave, thereby creating more risk to the initial implementation.

3.6.1.5 Project Phasing

As in the Preferred Alternative, the implementation has been divided into three distinct stages to account for the complexities involved in implementing an enterprise accounting, budgeting, and limited procurement system for the state.

3.6.1.5.1 Stage 1

Stage 1 includes the implementation of the enterprise accounting, budgeting, and limited procurement functions. As a result, major activities of both DOF and SCO will be subject to Stage 1 and select activities of STO and DGS will be affected. Stage 1 is divided into two waves. Wave 1 includes the statewide functions of the Partner Agencies, plus departmental accounting, budgeting, and limited procurement functions for seven selected departments and their six client departments. In Wave 2, the departmental accounting, budgeting, and limited procurement functions of fifteen additional departments and their client departments will be implemented.

3.6.1.5.2 Wave 1 Partner Agencies (Statewide Functions)

- Department of Finance
- State Controller's Office
- State Treasurer's Office
- Department of General Services

3.6.1.5.3 Wave 1 Departments (Departmental Functions)

- Department of Justice
- State Board of Equalization
- Department of Parks and Recreation (Parks)[11]
- Department of Social Services (DSS)[12]
- Employment Development Department (EDD)[13]
- Department of Technology Services
- State Water Resources Control Board

3.6.1.5.4 Wave 2 Departments (Departmental Functions)

- California Housing Finance Agency
- Department of Rehabilitation
- Franchise Tax Board
- Department of General Services—Contracted Fiscal Services[14]
- Department of Housing and Community Development
- Department of the California Highway Patrol (CHP)[15]

[11] Parks provides services to three commissions.
[12] DSS provides services to Health and Human Services.
[13] EDD provides services to Labor and Workforce Development Agency and one department.
[14] DGS-CFS provides services to 28 departments.

- Energy Resources Conservation and Development Commission
- Department of Conservation
- State Teachers' Retirement System
- State Lands Commission (SLC)[16]
- State Coastal Conservancy (SCC)[17]
- Department of Education
- Department of Developmental Services
- Commission on Peace Officer Standards and Training
- Department of Consumer Affairs (DCA)[18]

3.6.1.5.5 Stage 2

Roll-out to all remaining state departments for accounting, budgeting, and limited procurement will occur in Stage 2.

3.6.1.5.6 Stage 3

There are no differences from the Preferred Alternative.

3.6.1.6 Schedule

The shaded areas of the schedule depict the change from the Preferred Alternative.

Project Phases	Phase Deliverables	Proposed Schedule
Initial Planning	• Convene Steering Committee • Conduct procurement for chart of accounts analysis and acquisition assistance	July 2005 – January 2006 (Completed Task - No Change)
Chart of Accounts and Standards and Requirements Workshops	• Analyze the existing Uniform Codes Manual • Develop a strategy for statewide chart of accounts and standards • Explore market alternatives • Develop business requirements	February 2006 – October 2006 (Completed Task – No Change)
Special Project Report	• Reevaluate Project, goals, and statewide approach • Review of report	August 2006 – November 2006 (Completed Task – No Change)
Procurement	• Develop Draft RFP	December 2006 – August 2007 (Completed Draft RFP)
Memorandum of Understanding (MOU)	• Complete MOU to provide the framework for the partnership of DOF, SCO, STO and DGS in compliance with Budget Bill language	July 2007 - October 2007

[15] CHP provides services to Business, Transportation and Housing Agency.
[16] SLC provides services to two (2) departments.
[17] SCC provides services to one (1) department.
[18] DCA provides services to two (2) departments – other boards identified as DCA programs.

Project Phases	Phase Deliverables	Proposed Schedule
Special Project Report #2	• Develop SPR #2 at the direction of the Legislature in compliance with Budget Bill language	August 2007 – December 2007
Procurement	• Finalize RFP based on direction from the Legislature.	April 2008 – October 2008
Procurement	• Conduct business based procurement for statewide software and system integrator services	September 2008 – April 2009
Special Project Report #3	• Complete SPR #3 to report solution and updated costs. • Review of SPR #3 by OTROS & LAO and other authorizations as required	May 2009 – June 2009 (Develop SPR #3) June 2009 - July 2009
Implementation: Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis • Change management program development • Requirements specification and decomposition	August 2009 – January 2010
Implementation: Build	• Site preparation and configuration • Solution build, configuration, customization and installation • Configuration management and change control • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	February 2010 – September 2010
Implementation: Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing • Change management program	October 2010 – March 2011
Implementation: Release and Deploy Solution – Partner Agencies and selected departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Production deployed to DOF, SCO, STO, DGS and selected departments • Evaluation Report after first department roll-out.	Stage 1, Wave 1—April 2011 – June 2011
Implementation: Release and Deploy In a Phased Approach	• Implementation event and deployment schedule • Change management program • Training – technical, administrator and user • Production deployed to departments and agencies in a staggered process	Stage 1, Wave 2 – June 2012 Stage 2, Wave 3 – June 2013 Stage 2, Wave 4 – June 2014 Stage 2, Wave 5 – June 2015

Project Phases	Phase Deliverables	Proposed Schedule
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • Final Evaluation Report	June 2016

3.6.2.7 Budget Information (Assumptions)

There are no differences from the Preferred Alternative.

3.6.2 Alternative 2 – Budget Information System (BIS)

3.6.2.1 Description

This solution is presented solely as a required item in Senate Bill 78, Provision 1b of Item 8860-002-0001 of the 2007 Budget Act (Chapter 172 of the Statutes of 2007). This alternative was originally introduced with the Budget Information System (BIS) Feasibility Study Report dated July 14, 2005. However, during requirements development, the Project determined this alternative would not work as originally scoped because the accounting functionality was not included. Accounting and budgeting functions are closely related. Implementing statewide budgeting alone would not provide the functionality relative to providing statewide-integrated data. It would be very difficult to produce data to reflect a holistic view of budgeted versus detailed actual expenditures under the original project scope.

The alternative includes the statewide deployment of a COTS solution using either appropriate modules of an ERP application or a stand-alone application (or multiple applications). All relevant existing control agency and departmental systems used for budget development and administration will be replaced. This alternative does not include the SCO, the STO and the DGS as Partner Agencies.

The BIS Project reflected the use of a single technology platform for budget development and budget administration/management needs. This new platform would support the budget needs of both the DOF and other departments. In addition, the platform would address the budget deliberation and other information needs of the Legislature.

From a business process perspective, BIS focused on replacement of technology used for budget preparation and budget administration/management. A major focus was leveraging technology to improve business processes (e.g., electronic workflow, distributed data entry) but not on a wholesale reengineering of the budget preparation (or administration) process.

3.6.2.2 Scope

BIS includes budget-related business functions, specifically budget development and budget administration. These functions are used both statewide (i.e., budgeting processes managed by DOF) and across the enterprise (i.e., budgeting processes managed at the department level.)

BIS *does not include* any accounting functionality or purchasing functionality. Also, other "budget systems" in place, such as SCO's Fiscal system used for appropriation monitoring, are excluded from the project scope.

The anticipated scope of budgeting functions includes the:

- Budget Development.
- Capital Outlay.
- Forecasting Revenues/Receipts.
- Position Management (using the SCO Payroll System as the system of record).

3.6.2.3 Assumptions

This alternative takes into account the following key assumptions:

- COTS Budgeting Solution Availability: There are COTS budgeting solutions available that address the business requirements identified in the BIS FSR. Selecting a COTS budgeting solution implies the baseline functionality will satisfy the state's requirements without significant customization. Baseline capabilities are those available in the delivered software – "out of the box" features, functions and options. It is assumed a minimal level of customization will be required to meet the needs of statewide (DOF) activities and enterprise (standard departmental) business processes.
- Best Practices: The baseline business processes available in a COTS budgeting solution are assumed to embody industry-accepted best practices that do not require changes in transaction logic, processing algorithms or other modifications for the state to use "as is".
- Effective Change Management: The rollout of a COTS budgeting solution and adoption of best practices will result in changes to existing budget processes, which will require significant and effective change management. It is assumed the proposed project approach and vendor'(s) implementation methodology sufficiently addresses this aspect of the project.
- Stakeholder Participation: The key stakeholders, including, but not limited to, the Governor's Office, the Legislature and participating departments will be involved in high-level planning, management and oversight throughout the duration of the project.
- Project Scheduling: The project schedule will accommodate DOF and department staff duties, and minimize impact to annual budget activities (e.g., development of the Governor's Budget, development of May Revision)
- Operational Commitment: Unlike custom-developed software, COTS software applications are packaged solutions with a life cycle involving defect corrections, software updates and new releases. The evaluation, testing, implementation and training around each of these life cycle changes will require dedicated personnel, equipment and infrastructure.

3.6.2.4 Advantages / Disadvantages

3.6.2.4.1 Advantages:

- Improved Budget Information Quality: BIS will standardize and streamline budget processes resulting in timelier budget information, more consistent (but not standard) budget data and reduced error correction. The improved quality of budget information will support better policy and decision making, and the limited opportunity for more effective financial management.
- Increased Business Process Efficiency: BIS will establish revised budget processes and procedures. Control agencies and departments should be able to more effectively focus on program execution while meeting the budget development and budget administration requirements of the state.

- Reduced Timing/Reconciliation Errors: The reduction in systems that provide budget information between DOF and the departments will reduce current timing and system reconciliation steps that result in inconsistent, out-of-date or erroneous budget information.
- Limited Project Scope/Impact: A budget-only project approach reflected in BIS would be less disruptive to departments than a full-scale ERP because generally only their budget and accounting offices will be impacted by the implementation. Other units will have minimal to no impact.
- Reduces Risk of Technology Failures: BIS accelerates the replacement of aging legacy systems used for budget development and administration. The systems will fail at some point in the future due to lack of supportable hardware, qualified resources, or inability to support changes in business requirements.
- Reduced Cost (compared to other alternatives proposed): BIS would have a lower cost than a full-scale ERP due to the limited scope of the project. However, this alternative would end up as the most costly if other components were implemented at a later date in a piecemeal fashion.

3.6.2.4.2 Disadvantages:

- Original Objectives Unattainable: The major disadvantage with this alternative is it will not work as originally anticipated. It was anticipated that this system could be the basis for and develop into a fully functional, statewide financial system.
- Inconsistent with State CIO's Strategic Plan: A budget-only implementation such as BIS is not consistent with the CIO's direction to implement enterprise solutions.[19]
- Limited Overall Impact: BIS would not address other needs the state has for improving accounting and purchasing business processes.
- Introduces Significant Change to Budget Processes: The rollout of BIS will disrupt existing DOF and departmental budget processes, and generate changes that may produce temporary uncertainty and stress for the impacted organizations and individuals.
- Creates Vendor Dependence: BIS may force the state to depend upon a single software vendor (or limited number of vendors) for budget development and administration, and effectively adopt the vendor's business model, technology, and staff.
- Perpetuates Known Problems/Issues: BIS does not address core business issues such as data redundancy, system reconciliation issues, inefficient business processes and legacy technology constraints.
- Increases Interface Complexity: Disparate standards and protocols of information and systems for the state results in more interfaces needed between the BIS and existing applications.

[19] California State Information Technology, Strategic Plan, Update to the 2005 Plan (November 2006). Goal 2 – Implement common business applications and systems to improve efficiency and cost effectiveness.

- With a smaller procurement (i.e., only budget functionality initially) a smaller tier company could potentially get the bid, implementing a solution that may not be scalable statewide.
- The extended implementation time frame to eventually provide the same business functions as the Preferred Alternative will mean that experienced staff necessary will not be available (e.g., retired, change jobs).
- The extended implementation time frame to eventually provide the same business functions as the Preferred Alternative will mean that there will be a greater likelihood of system failure or maintenance issues.

3.6.2.5 Project Phasing

The original BIS provided for standard project implementation phases that included initiation, procurement, implementation, testing, deploy, and close out.

3.6.2.6 Schedule

The originally approved BIS Project schedule is shown below. This SPR did not update the project intervals to reflect current dates because of the flaw in the project scope. However, this SPR includes a modified scope and schedule to make the BIS implementation operational.

Project Phase	Phase Deliverables	Project Interval
Project Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis • Change management program development • Requirements specification and decomposition	July 2007 – June 2008
Implementation	• Site preparation and configuration • Solution build, configuration, customization and installation • Configuration management and change control processes • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	May 2008 – June 2009
Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing • Change management program	Jan 2009 – June 2009
Release and Deploy Solution – DOF and selected departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Production deployed to DOF	March 2009 – Aug 2009
Release and Deploy Solution – Statewide	• Implementation event and deployment schedule • Change management program • Training – technical, administrator and user • Production deployed to departments and agencies in a staggered process	Jan 2010 – July 2011
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • PIER Report	Sept 2009 – July 2012

3.6.2.7 Budget Information (Assumptions)

- A BCP(s) will be approved to provide the necessary resources.
- Project funding will be available throughout the project lifecycle.
- Higher priority projects will not impact the schedule or resource requirements.
- Vendor resources (product and system integrator) will be utilized during implementation and operations phases.

3.6.3 Alternative 3 – Modified Budget Information System (BIS)

3.6.3.1 Description

This solution is presented as an alternative to continuing BIS as described in the FSR dated July 14, 2005. This alternative reduces the scope of the FI$Cal Project, as envisioned in the Preferred Alternative, by replacing it with a modified scope of the original BIS Project, so that it addresses only budget development, budget administration departmental accounting and limited procurement.

This modified approach to the BIS Project reflects the use of a single technology platform for budget development, budget administration/management and departmental accounting needs. This new platform would not only address the goals of BIS but would expand the "footprint" of the system to include additional systems used for departmental accounting (i.e., CALSTARS and other departmental systems that are not using CALSTARS). Although the broader scope of the Project would cover more business processes under a single platform, it still does not address all systems such as the State Controller's Office (SCO) system to monitor appropriation balances. As a result, multiple technology platforms would continue to be used for essentially the same purpose.

A modified BIS Project also enhances the opportunity for business process improvements by adding departmental accounting processes to the BIS scope. However, the expanded footprint only covers departmental accounting processes, which limits the opportunity for making process revisions.

3.6.3.2 Scope

The modified BIS Project would include both budget-related business functions (i.e., budget development and budget administration) and departmental accounting functions. This scope further extends on the original BIS concept by integrating the budget and accounting functions departments need, while also supporting the centralized budgeting responsibilities of the DOF.

This alternative does not include statewide accounting functions (i.e., accounting processes managed by SCO and STO); it will replace departmental accounting systems only.

The scope of accounting, budgeting and limited procurement functions includes the following:

- Accounts Payable (excludes SCO Disbursement/Warrants/EFT payments).
- Accounts Receivable.
- Asset Accounting and Management.
- Bank/Warrant Reconciliation (for departments only, excludes SCO/STO).
- Bond Accounting.
- Cash Management.
- Cost Accounting/Cost Allocation.
- Encumbrance Processing.

- General Ledger (for departmental accounting and budget administration only).
- Grants.
- Loans.
- Vendor Management (excludes Vendor Master for SCO but includes it for DGS).
- Budget Development.
- Capital Outlay.
- Forecasting Revenues/Receipts.
- Position Management (payroll system administered by the SCO).
- Contracts.
- Procurement Card (P-Card).
- Requisitions and Purchase Order.

3.6.3.3 Assumptions

The key assumptions do not deviate from the original BIS Project.

3.6.3.4 Advantages / Disadvantages

3.6.3.4.1 Advantages:

- Partially Supports the CIO's Strategic Plan: The modified BIS departmental accounting and budgeting implementation partially supports the CIO's direction to implement enterprise solutions.
- Limited Project Scope/Impact: Modified BIS would be less disruptive to departments than a full-scale ERP because generally their accounting and budget offices will be impacted by the implementation but other units will have minimal to no impact.
- Reduces Risk of Technology Failures: Modified BIS accelerates the replacement of aging legacy systems used for departmental accounting and budgeting. The systems will fail at some point in the future due to lack of supportable hardware, qualified resources or inability to support changes in business requirements.
- Reduced Cost (compared to other alternatives): Modified BIS would have a lower cost than a full-scale ERP due to the limited scope of the Project.

3.6.3.4.2 Disadvantages:

- Limited Overall Impact: Modified BIS would not address other needs the state has for improving statewide accounting and purchasing business processes.
- Introduces Significant Change to Departmental Accounting and Budgeting Processes: The rollout of modified BIS will disrupt existing DOF and departmental accounting and budget processes, and generate changes that may produce uncertainty and stress for the impacted organizations and individuals.
- Creates Vendor Dependence: Modified BIS may force the state to depend upon a single software vendor (or limited number of vendors) for departmental

accounting and budgeting, and effectively adopt the vendor's business model, technology, and staff.

- Perpetuates Known Problems/Issues: Modified BIS does not fully address core business issues such as data redundancy, system reconciliation issues, inefficient business processes and legacy technology constraints.
- Succession Planning Not Addressed: This alternative does not include succession planning.
- The extended implementation time frame may mean that experienced staff necessary may not be available (e.g., retired, change jobs).
- The extended implementation time frame may mean that there will be a greater likelihood of system failure or maintenance issues.

3.6.3.5 Project Phasing

This alternative will utilize a phased implementation that rolls out to departments in waves.

3.6.3.6 Schedule

The shaded areas of the schedule depict the change from the Preferred Alternative.

Project Phases	Phase Deliverables	Proposed Schedule
Initial Planning	• Convene Steering Committee • Conduct procurement for chart of accounts analysis and acquisition assistance	July 2005 – January 2006 (Completed Task - No Change)
Chart of Accounts and Standards and Requirements Workshops	• Analyze the existing Uniform Codes Manual • Develop a strategy for statewide chart of accounts and standards • Explore market alternatives • Develop business requirements	February 2006 – October 2006 (Completed Task – No Change)
Special Project Report	• Reevaluate project, goals, and statewide approach • Review of report	August 2006 – November 2006 (Completed Task – No Change)
Information Technology Procurement Plan	• Update ITPP based on SPR 1; receive approval of ITPP from DGS	April 2007 – (Completed Task – No Change)
Procurement	• Develop Draft RFP	December 2006 – August 2007 (Completed Draft RFP)
Special Project Report #2	• Develop SPR #2 at the direction of the Legislature in compliance with Budget Bill language	August 2007 – December 2007
Procurement	• Finalize RFP based on direction from the Legislature	April 2008 – October 2008
Procurement	• Conduct business based procurement for statewide software and system integrator services	October 2008 – October 2009

Project Phases	Phase Deliverables	Proposed Schedule
Special Project Report #3	• Complete report on solution and updated costs based on actual winning bid. • Review of report and other authorizations required	November 2009 – December 2009 (Develop SPR #3) January 2010 - February 2010
Implementation: Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis • Change management program development • Requirements specification and decomposition	March 2010 – February 2011
Implementation: Build	• Site preparation and configuration • Solution build, configuration, customization and installation • Configuration management and change control • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	March 2011 – November 2011
Implementation: Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing Change management program	December 2011 – May 2012
Implementation: Release and Deploy Solution – DOF and selected departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Production deployed to DOF, and selected departments • Evaluation Report after first department roll-out.	April 2012 – June 2012
Implementation: Release and Deploy In a Phased Approach	• Implementation event and deployment schedule • Change management program • Training – technical, administrator and user • Production deployed to departments and agencies in a staggered process	Wave 1 – June 2012 Wave 2 – June 2013 Wave 3 – June 2014
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • Final Evaluation Report	June 2015

3.6.3.7 Budget Information (Assumptions)

- A BCP(s) will be approved to provide the necessary resources.
- Project funding will be available throughout the project lifecycle.
- Higher priority projects will not impact the schedule or resource requirements.

3.6.4 Alternative 4 – Proof of Concept

3.6.4.1 Description

This alternative represents a limited deployment of the Preferred Alternative as a proof of concept; therefore, the project descriptions are similar. The differences are:

- At the end of Wave 1 deployment, the proof of concept ends. The Project reports to the Legislature on the success of the project, lessons learned and changes to be incorporated prior to receiving approval for future implementation.
- Approval for future implementation would require development of a new Feasibility Study Report (FSR) for additional project approval and a subsequent procurement phase.

3.6.4.2 Scope

The proof of concept includes accounting, budgeting and purchasing business functions utilized both statewide (i.e., business processes managed by the Partner Agencies) and across the enterprise (i.e., business processes managed at the department level). The FI$Cal business functions will be "rolled out" in a single proof of concept implementation to the Partner Agencies and a limited number of departments.

3.6.4.3 Assumptions

In addition to the assumptions of the Preferred Alternative, this alternative includes the following:

- The solution implemented by the Partner Agencies and the selected departments will be the statewide solution for future state financial system implementation.
- The solution implemented by the Partner Agencies and the selected departments will become permanent for those entities.

3.6.4.4 Advantages / Disadvantages

3.6.4.4.1 Advantages

In addition to the advantages described in the Preferred Alternative, this alternative includes the following:

- Reduced *Initial* Cost (compared to other alternatives presented): The proof of concept would have a lower initial cost due to the limited scope and number of participating departments but would be more costly in the long run.

3.6.4.4.2 Disadvantages

In addition to the disadvantages described in the Preferred Alternative, this alternative includes the following:

- Repeat planning and procurement effort: The proof of concept would conclude. If successful, project initiation, planning and the project procurement cycles would have to be repeated. This would add an additional three years and

significant cost to the project before the system could be deployed to other departments.

- Project Team Continuity: The skilled project team developed with the proof-of-concept could not be maintained while requesting the Project to be continued.
- Legacy System Failure Risk: Creates an increased risk to the state's legacy financial management environment by extending the overall schedule of the Project. This will place critical operations of state departments at greater risk.
- Requires Partner Agencies to operate in dual environments and to continue the support and operation of the legacy systems for a time period longer than the Preferred Alternative. This assumes that the Legislature will ultimately approve a second project to deploy the solution to the other state organizations.
- Different Versions: Increases the likelihood the proof of concept departments would be implemented differently than later waves to take advantage of technology and creates the potential for separate support until funds are identified to convert earlier adopters to the latest version.
- Vendor and State Staff Turnover: With a planned interruption for approval of the proof of concept and application to re-start the project, vendor staff and state employee turnover is highly likely and continuity of service suffers.
- Limited Overall Impact: The proof of concept would not provide as complete a test of the required functionality of the system for statewide deployment as proposed by the Preferred Alternative.
- Additional FSR: Because this alternative would only allow for a pilot project, another FSR would need to be prepared to restart the rollout of the system.
- Additional Procurement: Under current procurement processes, an additional systems integrator procurement would be required, which could result in another vendor being awarded the bid.
- Personnel Availability: With the extended time frame, experienced staff necessary to ensure the success and required functionality of the system may not be available (e.g., retired, change jobs).
- SME Availability: The state would not be able to secure the participation of subject-matter experts from departments needed to design and develop the system.
- Project Funding: The Legislature may choose to not fund the Project after the completion of the proof of concept. This would perpetuate the state's dependency on obsolete legacy systems that would continue to operate alongside the implemented system.

3.6.4.5 Project Phasing

Project phasing replicates that of the Preferred Alternative. However, the proof of concept ends with Wave 1.

- Proof of concept – completed 2013.
- Request Project Approval for statewide deployment – completed 2014.
- Procurement Phase – completed 2016.
- Development, reconfiguration and first wave implementation - completed 2018.

- Complete four additional implementation waves, one each year until completion 2022.

3.6.4.6 Schedule

The shaded areas of the schedule depict the change from the Preferred Alternative.

Project Phases	Phase Deliverables	Proposed Schedule
Initial Planning	• Convene Steering Committee • Conduct procurement for chart of accounts analysis and acquisition assistance	July 2005 – January 2006 (Completed Task - No Change)
Chart of Accounts and Standards and Requirements Workshops	• Analyze the existing Uniform Codes Manual • Develop a strategy for statewide chart of accounts and standards • Explore market alternatives • Develop business requirements	February 2006 – October 2006 (Completed Task – No Change)
Special Project Report	• Reevaluate project, goals, and statewide approach • Review of report	August 2006 – November 2006 (Completed Task – No Change)
Information Technology Procurement Plan	• Update ITPP based on SPR 1; receive approval of ITPP from DGS	April 2007 – (Completed Task – No Change)
Procurement	• Develop Draft RFP	December 2006 – August 2007 (Completed Draft RFP)
Memorandum of Understanding (MOU)	• Complete MOU to provide the framework for the partnership of DOF, SCO, STO and DGS in compliance with Budget Bill language.	July 2007 – October 2007
Special Project Report #2	• Develop SPR #2 at the direction of the Legislature in compliance with Budget Bill language	August 2007 – December 2007
Procurement	• Finalize RFP based on direction from the Legislature	April 2008 – October 2008
Procurement	• Conduct business based procurement for statewide software and system integrator services	October 2008 – October 2009
Special Project Report #3	• Complete report on solution and updated costs based on actual winning bid. • Review of report and other authorizations required	November 2009 – December 2009 (Develop SPR #3) January 2010 – February 2010
Implementation: Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis • Change management program development • Requirements specification and decomposition	March 2010 – February 2011

Project Phases	Phase Deliverables	Proposed Schedule
Implementation: Build	• Site preparation and configuration • Solution build, configuration, customization and installation • Configuration management and change control • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	March 2011 – November 2011
Implementation: Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing Change management program	December 2011 – May 2012
Implementation: Release and Deploy Solution – DOF and selected departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Production deployed to DOF, and selected departments • Evaluation Report after first department roll-out.	April 2012 – June 2012
Implementation: Release and Deploy	• Implementation event and deployment schedule • Change management program • Training – technical, administrator and user • Production deployed to departments and agencies in a staggered process	Wave 1 – June 2012
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • Final Evaluation Report	June 2013
Statewide Rollout	• Schedule for this phase located in Appendix A	July 2013 – 2021

3.6.4.7 Budget Information (Assumptions)

In addition to the budget assumptions in the Preferred Alternative:

- The cost of the proposed project is based upon the assumption that the system is designed, developed, and implemented between 2008 and 2013.
- Deployment of the system to the remaining departments, using the existing state processes for information technology projects will begin in 2013 and be completed in 2021.

3.6.5 Alternative 5 – No Statewide Project

3.6.5.1 Description

This alternative proposes the state will take no coordinated effort to implement a system to support statewide business functions and control agencies and departments will replace their legacy systems with applications (or application suites) which are specific to their needs, such as ERP systems, other COTS systems and, possibly, custom-developed software applications.

The replacement of legacy systems will occur as a result of three drivers. First, the state's legacy systems, while still supporting basic functions, are at risk of failure because of age, loss of manufacturer support, or loss of key staff to maintain and use them. These systems were largely developed between 1965 and 1975 and while many of these systems provide reliable and dependable services, the state must acknowledge that some have been neglected and fallen into disrepair. Increasingly, staff needed to maintain these systems are retiring or leaving state service and manufacturer support for both hardware and software is quickly evaporating.

Second, state departments will increasingly seek ways to capture the value of new technologies to handle their business functions, better manage their resources, and respond to demands for accountability and performance. Over time, departments will come forward with requests to expand the performance of legacy systems or replace these systems. Since the cost of bundling other administrative functions is marginal, departments are likely to select a single solution that addresses core administrative functions as well.

Third, while some accounting applications are regularly updated by the Department of Technology Services, there are legacy systems that are not integrated with functionalities such as budgets, procurement, account receivables, and asset management. Because of the lack of integration, departments cannot obtain timely expenditure information from the state's legacy batch accounting processes. Centrally posted expenditure data, including budget adjustments and revisions and DGS administrative service charges, for example, are posted monthly. Departments, in their pursuit of timely information, efficiency and integration will begin to seek alternatives that provide this scope of functions and request the authority to obtain an integrated system.

Since the state will take no concerted action, departments will independently procure systems that support their business activities. The number of systems that result will not provide a single business platform on which the state conducts its core accounting, budgeting, and procurement. To achieve integration, the state will need to rely on bridges between systems – no partnered effort will be made to provide coordinated management and control through the business platform.

At the time they procure their systems, departments, including control agencies, will have the option to revise their business processes to leverage new capabilities within these technologies. Business reengineering can improve and streamline processes and activities. In the absence of a single platform, any business reengineering will be carried out independently by each department, limiting the overall value to the state in terms of process efficiency and streamlining.

Unlike the other alternatives, which explicitly recommend a transition to a shared business platform for one or more business functions, a choice to terminate FI$Cal leaves that decision to each individual Control Agency and department. This specifically contradicts the objectives as stated in the state's strategic objective.

3.6.5.2 Scope

Terminating FI$Cal effectively transitions the project scope to the individual control agencies and departments. Each organization will include tailored accounting, budgeting and purchasing functions rather than standardized business processes. However, the scope of business functions will be substantially similar to FI$Cal.

3.6.5.3 Assumptions

- Required Critical System Replacements: The majority of the state's financial management systems will likely reach the end of their useful life in the next 10 years or less, necessitating replacement with either ERP systems, other COTS systems or, possibly, custom-developed software applications. Each year, more and more systems are reaching critical support issues due to deferred maintenance of administrative systems, obsolescence, and retiring systems expertise. Although some systems will continue to technically function, they do not provide the required range of business functionality departments need. As a result, departments will begin to replace or update other legacy systems or procure new technologies to address departmental needs.
- Sufficient Funding Capacity: The state will have the capacity to fund the multiple, redundant individual system replacements during the next 10 years.
- Workforce Modernization and Expansion: The state will be able to develop, recruit and retain a workforce with the necessary skills, knowledge and experience to implement, operate and maintain the multiple selected systems, for each of the relevant ERP or other COTS systems.
- Vendor Resources: The state will be able to supplement existing management and staff resources with vendor resources having equivalent or better skills, knowledge and experience throughout the duration of each of the multiple projects, for each of the relevant ERP or other COTS systems.
- Technology Capacity: The state's technology infrastructure will be sufficient to support multiple ERP software solutions or other COTS systems. This includes network bandwidth, hardware processing capability, and so on.
- Operational Commitment: Unlike custom-developed software, ERP suites are packaged solutions with a life cycle involving defect corrections, software updates and new releases. The evaluation, testing, implementation and training around each of these life cycle changes will require dedicated personnel, equipment and infrastructure. There is the assumption that the state will be able to recruit and retain this personnel for multiple projects, for each of the relevant ERP or other COTS systems. These projects will be concurrent to a great extent.

3.6.5.4 Advantages / Disadvantages

3.6.5.4.1 Advantages

- Some Improvements to Partner Agency and Departmental Business Processes: Since Partner Agencies and departments will craft the requirements for their specific system replacements; the processes internal to each organization will be improved. However, the improvements would be limited since departments would still have to interface and exchange data with the external Partner Agencies – each of which could be on a different system.
- Tailored Business Solutions: Distributes the responsibility for designing, developing, and implementing financial systems to departments who can make the decisions needed to address their specific business needs. In addition, this approach avoids the need to "refresh" technology in the later implementation phases, because each departmental implementation is timed to only meet that department's needs.
- Reduced Change Management Coordination: Less coordinated change management is needed within a department than a statewide effort; although it still represents a significant change that requires a continuing change management program assuming each project sponsor changes existing business processes.
- Decreased Project Workforce Impact (compared to other alternatives presented): Avoids the need for departments to redirect key staff to a statewide effort and backfilling the loss of subject matter experts with less experienced staff. Departments would still have to redirect staff internally and in greater numbers without the statewide coordinated effort.
- Lowers Risks Associated with Stakeholder "Buy-in": More "local" ownership of each project because it is "their" project rather than something they are mandated to do. This may increase the probability of stakeholder buy-in. Independent projects result in more individual department responsibility and possibly better levels of cooperation. In addition, this approach eliminates potential jurisdictional issues between constitutional offices.

3.6.5.4.2 Disadvantages

- Limited Modernization: The modernization and standardization of the state's financial management workforce will be limited, and will continue to vary by department, which will continue the proliferation of new classifications. Since each department operates differently with different systems, the modernization of the workforce would be piecemeal.
- Addressing Personnel Trends: Recruitment and retention would become a departmental issue instead of a global statewide issue. Departments have a core expertise in their programs; not in administrative systems. Financial management systems have become more complex over time and require specialized knowledge. Accounting and procurement bodies of knowledge are also expanding. Efforts to address the issue will be fragmented and inconsistent.

- Never Upgrade: The possibility some departments will not upgrade within the next 10 years is possible and the same existing problems will compound in severity.
- Organizational Retention: Because each department could make different selections and choices with varying degree of success, organizational change management could have no effect or increase complexity resulting in employees migrating to other better run departments. New employees would not have an incentive to stay.
- More Expensive: Independent efforts are more expensive than a coordinated effort that takes advantage of economy of scale. Departments would be required to staff all the functions of each project as well as acquire multiple software licenses without benefit of leveraging the purchases, resulting in repeated developments of the same functionality throughout the state.
- Less Transparent: Allows entities the ability to interpret state rules inconsistently.
- Limited Overall Financial Information Quality: Departments will still have individually tailored business processes: so the opportunity to improve information timeliness, financial data consistency and error correction reduction will be limited. It will be difficult or impossible to develop standardized processes and ensure standard implementation on a statewide basis when multiple systems are in place.
- Limits the Application of Best Practices: With departments pursuing their own solutions, the state will be limited in adopting best business practices or reengineering existing business processes to capture the value of new technology. The complexity of timing the replacement of individual systems makes reengineering the statewide process impossible without a statewide project for coordination and standardization.
- Data Redundancy: Multiple systems will perpetuate existing issues with redundant data and the inevitable data reconciliation and error correction procedures required to keep data “in sync”.
- Increased Technology Costs: Deploying multiple systems during the same time period will tax state resources and ultimately cost more for hardware, software, vendor staffing, and state personnel than a single replacement effort.
- Increased Staffing Costs: Deploying multiple systems will utilize the same pool of limited state subject matter experts, technical staff, and vendor resources increasing the cost of retaining and/or procuring necessary project staff.
- Increased Interface Complexity: Deploying multiple systems will increase the number of system interfaces, the volume of interfaced data and the overall complexity of designing, developing, testing and maintaining system interfaces.
- Complicates Operations and Maintenance: Deploying multiple systems will create numerous instances of ERP and other COTS software installations. Due to the additional complexity of ERP operation and maintenance, these multiple deployments will require considerably more operational staff and maintenance efforts than current legacy systems without the benefit of operational efficiencies of a single system.

- Lack of Coordinated Succession Planning: Each department responsible for succession planning will have inconsistent quality and outcome. It will be very difficult to align and modernize the financial management classification series with each department operating differently.
- Limited Departmental Resources: Departments will lack the resources to configure and implement new systems in a cost effective and efficient manner, risking service continuity.
- Delay or Inability to Deliver Program Services: The departmental learning curve for new systems may cause the delayed delivery of program services. In addition, system configuration decisions and the integration approach with external systems may delay or otherwise affect the ability to deliver program services.
- Lack of Subject Matter Expertise: The state will fail to capitalize on the institutional knowledge held by key staff before they retire or leave the state workforce.
- Lack Qualified Vendor Staff: Multiple procurements increase the risk that bidders, in this competitive market, will be able to provide the needed resources to complete all projects or the possibility that they will experience financial or organizational instability that would keep them from meeting the terms of one or more contract agreements.
- Lack of Available Funding: The state will lack the resources to fund the updating or replacement of all systems needing to do so, leaving some processes at risk because the supporting systems were not replaced in time.

3.6.5.5 Project Phasing

No project is planned under this alternative, so no project phasing is provided.

3.6.5.6 Schedule

No project is planned under this alternative, so no project schedule is provided.

3.6.5.7 Budget Information

3.6.5.7.1 Partial List of the Existing Legacy Systems

Departments are expected to replace or upgrade legacy systems within 10 years based on the problem statement discussed above.

Table 1 lists legacy systems used by the Partner Agencies to administer their statewide functions and the replacement cycle of those known to be approaching obsolescence.

Table 1

Partner Agency	Legacy Statewide Administrative Systems	Estimated Replacement Cycle
Department of Finance	• Legislative Information System • Budget Decisions Support System/Planning Estimate (BUDDS/PE) • Change Book	All systems and databases are designated for replacement

Partner Agency	Legacy Statewide Administrative Systems	Estimated Replacement Cycle
Department of Finance (continued)	• Budget Preparation System (BPS) • Fund Condition • Personnel Year • Fund Maintenance System • Organization Maintenance • Capital Outlay Project Tracking System (COPTS) • Policy Decision Support (PDS) • Governor's Budget Presentation System (GBPS) • Revenue System (Schedule 10Rs)	

State Controller's Office[20]	• Accounting and Reporting Systems (ARMS)
	• SCO Fiscal System –
	  ○ Control accounting
	  ○ Program accounting
	  ○ Disbursements
	  ○ Claims Audits
	• GAAP Reporting System
	• Legal-Budgetary Reporting System
	• Loan Accounting on behalf of former Trade and Commerce Agency in CALSTARS
	• Agency Treasury Trust System
	• Investment Accounting System
	• Accounting Inquiry System
	• Legal-Budgetary Basis Reporting Inquiry System
	• GAAP Reporting Inquiry System
	• GAAP Capital Asset Reporting System
	• Legal Basis Bonded Debt Accounting and Reporting System
	• Payroll Clearance System
	• Local Agency Investment Fund Interest Distribution
	• School Building Aid Loans
	• Public Works Bond Proceeds Funded Projects
	• Year-end Accrual Letters for PMIB Loans
	• Lottery Offset Database
	• Agency Trust Database
	• Fund and Agency Database
	• Systems Index
	• Loan Tracking
	• County Coding
	• Warrant Reconciliation
		Components of ARMS, including the Fiscal, Claims Audits, and the Agency Treasury Trust Systems that are designated for replacement within 5 years.

[20] Also provides accounting services for the California Senior Legislature and the Institute of Regenerative Medicine.

Partner Agency	Legacy Statewide Administrative Systems	Estimated Replacement Cycle
SCO (continued)	• Signature Card File	
Department of General Services	• Procurement Information Network (PIN) • Business Information System (BIS) • State Contract and Procurement Registration System (SCPRS) • Transportation Management Information System (TMIS) • Statewide Property Inventory (SPI) • Fleet Focus (Maximus) • Office of Legal Services Contracting System • California State Contracts Register (CSCR) • Fleet Asset Management System (FAMS)	PIN system, CSCR, and SCPRS systems designated for replacement within 5 years or less. DGS will implement contracted interim system until new system is implemented.
State Treasurer's Office	• Electronic Deposit Form (EDF) • Front-End Deposit System (FEDS) • Item Processing System (IPS) • Check Writing System (CWS) • Recon Plus for Windows • New Data Delivery Systems (NDDS) • CALSTARS for some statewide functions	All systems and databases, except NDDS, are designated for replacement within 5 years. NDDS are designated for replacement within 10 years or less.

Table 2 provides a selected listing of legacy departmental systems and their estimated replacement cycle.

Table 2

Department	Legacy Departmental Systems	Estimated Replacement Cycle
State Controller's Office	• PACE (formerly Public Sector Accounting Software) • HP Open View Asset Center (AC), Service Center (SC), and Connect IT • Contracts Database • Budget and Procurement databases	PACE designated for replacement within 5 years or less
Department of General Services	• Facilities Management System (MAXIMO) • Activity Based Management System (ABMS) • Project Accounting and Leave (PAL) • Division of State Architect Project Tracking (eTracker) • Case Management • Radio Maintenance Manual Billing Vault • Internet Based Valley Oaks System (iVOS) • Spars Printing and Reporting systems	System maintenance will continue to be required on all systems.

Department	Legacy Departmental Systems	Estimated Replacement Cycle
Department of Justice	• Accounting Information System (AIS) • California Automated Position Roster • IT Asset/IntelliTrack System • Vehicle Tracking Database	Designated for immediate replacement
State Board of Equalization	• ACPAC • NCR MP-RAS System • BT-666	Designated for immediate replacement
Department of Technology Services	• Purchase Order Log/Access DB • PeopleSoft Purchase Order and Accounting • PeopleSoft HR • Bilacces • MICS-Cannery • Paradox	Designated for immediate replacement
California Housing Finance Authority	• In-house developed accounting system (UNIX-based)	Designated for replacement within 5 years.
Department of Rehabilitation	• Client Invoicing System (CIS) • Client Encumbering System (CES) • Client Accounting System (CAS) • Financial Management System (FMS) • Administrative Claims System (ACS) • Business Enterprise Financial System (BEF) • Bank Check Matching System (BCMS) • Dashboard Management System (RDMS) • Automated Travel Card (ATC) • Property Records System (PRS)	Designated for replacement within 5 years
Employment Development Department[21]	• Auto Claim Schedule • Cash Management Reporting (CMRS) • Cost Accounting (CAS) • Cost Accounting General Ledger (CGL) • Multiple GL (MLS) • Cost Monitoring System (CMS) • Encumbrance Tracking System (ETS)	Designated for replacement within 5 years
132 CALSTARS Departments[22] (Administered by the Department of Finance)	• CALSTARS • Shadow Systems: In a survey of a sample of departments conducted by the California Performance Review over 1000 “shadow” systems supporting accounting, procurement, and budgets were identified. These shadow systems have evolved	Many of the shadow systems are being proposed for replacement at a cost of $2 to $5 million each. The scope of the FI$Cal Project includes the replacement of

[21] Also provides accounting services for the California Career Resource Network.
[22] In this analysis, departments were considered to be separate entities even though they may receive administrative services from other departments.

Department	Legacy Departmental Systems	Estimated Replacement Cycle
	because CALSTARS and other existing legacy systems do not meet the departments' administrative needs. Extrapolating from these survey results, the cost to the State of maintaining and upgrading these "shadow" systems and spreadsheets is substantial.	CALSTARS.

3.6.5.7.2 Cost of No Statewide Project Alternative

The estimation of the cost for this alternative is based on the assumption that the current legacy systems can not and should not be replaced with similar systems since that would not take advantage of improvements in changing technology. State agencies and departments should replace their legacy systems with applications (or application suites) which are specific to their needs, such as ERP systems, other COTS systems and custom developed software applications.

Independent efforts are more expensive than a coordinated effort that takes advantage of economy of scale. Departments would be required to staff all the functions of the project as well as multiple software licenses without benefit of leveraging the purchase and multiple repeated development of the same functionality.

The majority of the state's financial management systems will reach the end of their useful life in the next 10 years or less, necessitating their replacement. Each year, more and more systems are reaching critical support issues due to deferred maintenance of administrative systems.

In the previous SPR, this alternative was estimated to cost from $3.4 billion to $5.3 billion. An extensive review of the costs of this alternative by the department was completed using adjusted methods derived from industry research and analogous estimating methods.

The estimates are based upon three costing methods.

- The first method applies a per user cost based on an ERP study by the Meta Group. This method resulted in a total cost of $6.3 billion.
- The second method applies a per user cost by size of entity based on the same Meta Group Study. This method resulted in a total cost of $6.2 billion.
- The third method estimates the cost of replacing legacy systems using comparable costs from systems recently implemented by state or local governmental organizations. This method resulted in a total cost of $6.2 billion.

The average of these methods resulted in a cost of $6.2 billion to modernize and replace the state's existing systems when procured independently by agencies and departments.

3.6.5.7.3 Assumptions

- The cost of replacing legacy systems in departments is based upon the cost of similar systems. Information was gathered from the recent implementation of

ERP systems at California Department of Corrections and Rehabilitation, County of Los Angeles, County of Marin, Department of Water Resources, Department of Conservation, SCO, and others.

- The Department of Corrections and Rehabilitation (CDCR) Business Information System is implementing a COTS ERP Solution that will be the foundation for the integration of CDCR department-wide business information systems that will link together the department's entire business operations, including but not limited to; accounting, budgeting, financing, human resources, procurement, contract, facilities, and construction project management. Moreover, the system will build interfaces to connect with other internal and external state agencies systems to enable electronic data interchange. The system will have 6,855 users and is estimated to cost $144,465,388. The system provides a good comparison for a large, widely distributed network of users, but one which does not include grant or federal funds accounting.
- The County of Los Angeles' eCAPS Phase 1, 2, and 3 replaces the County's legacy financial systems with an ERP providing a full suite of financial management tools, capital asset management, inventory control and procurement, limited time keeping, grants management, and human resources management functions. Portions of Phase 2 are still being implemented. Phase 3 was to begin implementation in 2006 and conclude in 2012. Total cost of the system, serving approximately 5,000 users, is estimated to be $187,037,187. The system is a re-implementation of a prior existing financial management system using the same software and operated by the County; therefore, the cost is lower than the cost of a completely new system. Adjusting the cost for this fact, the system could be used as a comparison for a large state department.
- The County of Marin's Business Information System replaced legacy financial systems with an ERP providing budget control, accounts receivable, accounts payable, project administration, grant administration, fixed assets, purchasing, general ledger, and inventory functions to manage work orders, projects, grants, recruitment and employee self-service, and budgeting. Total cost of the system is estimated at $15,879,000. Adjusted for the limited size and functionality, the system provides a comparison for a small state department.
- The Department of Water Resources' ERP project, involving accounting, grants management, project management, cost accounting, asset management and work clearance management is a re-implementation of a prior existing system. The system is used by less than 200 staff. Total costs of the system for the reimplementation were estimated to be $34,651,512. The original implementation cost was over $68 million.
- The Department of Conservation's Division of Recycling Integrated Information System (DORIIS) provides comprehensive, integrated information to support the Division of Recycling programs and services related to the administration of the California Beverage Container and Litter Reduction Act. The system is a COTS ERP providing financial management, customer relations management, case management, and geographic information system functions to a widely distributed organization, including state operations and private retailers. The cost of the system is estimated at $22,729,410 and provides a fair comparison to small state departments with a widely distributed service area.

- The SCO's Human Resources Management System will provide a COTS human resource management and payroll system to replace the existing state-level systems. The project costs, estimated at $140 million, included separate procurements for the Software, System Integrator, Business Case Benefits Study, and Project Oversight. The system will provide self-service use for all state employees. Therefore, the total number of users will approach 250,000 but only for limited functionality. The project is set to implement the final system in June 2009. Because of its specific functionality, the system does not provide a good comparison for other system costs but can be used to determine the cost of a single statewide module.
- For the purposes of this analysis, existing statewide and departmental systems were assumed to be replaced with ERP systems. Replacing legacy systems with ERP systems makes it possible for departments to obtain the needed management and administrative tools to operate at a level expected by the Administration, the control agencies, the Legislature and the public.
- ERP systems typically have a much greater level of complexity due to the broader set of business functions supported and the integrated nature of the modules. Therefore, an ERP system that might have supported only financial accounting business processes becomes a system designed to support other business processes generating accounting events, such as asset management, purchasing and budget development/control. The increased complexity expands the role of the support and maintenance organization, and requires an increased level of skills, knowledge, and training in order to administer the ERP system.
- ERP Systems have been traditionally viewed as modular functionality. The cost of an ERP project is a factor of the number of functions, the number of organizations, the geographic distribution of the organizations, and the number of users.
- Departments currently operating ERP systems for departmental functions or in the process of procuring systems, including DGS, California State Lottery Commission, Department of Corrections and Rehabilitation, Department of Motor Vehicles, Department of Water Resources, the Department of Technology Services and the Public Employees' Retirement System will need to upgrade or re-implement these systems in the future. A reimplementation of a large system is estimated to cost $30 million to $40 million each.
- In this analysis, CALSTARS was not replaced with a single ERP system to be used by those departments now using CALSTARS. This solution is considered in Alternative 3. Instead, existing CALSTARS agencies were evaluated to determine the feasibility of transitioning to an independent ERP. Those deemed to be too small, based upon number of staff, budget, or fund structure, were grouped together in a shared services environment. The assumption was made that the state would employ economies of scale to serve these departments together and a cost was estimated based upon the combined staff and budget of these departments. It was assumed that all other CALSTARS departments would procure ERP systems independently because the coordinated efforts were rejected.
- It was assumed that departments currently receiving accounting services through the DGS's Contracted Fiscal Services (CFS) section would continue to receive

services from a centralized service organization. The cost of replacing CFS was based upon the combined staff and budget of these departments.

Based upon each department's total budget, or combined budgets in the case of CFS or small CALSTARS departments, state departments were divided into three groups.

- Large departments were those with budgets greater than $1 billion.
- Medium departments were those with budgets between $1 billion and $200 million.
- Small departments were those with budgets less than $200 million.

Using this method, there are 15 large departments, 13 medium departments, and 32 small departments. This is consistent with the Meta Group Study methodology.

4.0 Updated Project Management Plan

4.1 Project Manager Qualifications

The Project uses both an independent contracted project manager to partner with a state project manager to provide the breadth of skills necessary for a project of this size. The qualifications of this individual must include:

- Knowledge of the public sector budgeting, accounting, and procurement functions and the potential application of information technology to support those functions.
- Knowledge and experience in structured project management principles.
- Operational experience in developing and implementing project management practices.
- Familiarity with state procurement policies and procedures.
- Extensive knowledge of state project approval procedures and criteria.
- Practical experience in defining business requirements for large ERP software application development projects.
- Experience in IT budgeting, planning, and coordination.
- Knowledge of computer hardware, software, applications, and networks, with a focus on current enterprise financial systems.
- Knowledge of industry standards and best practices.
- Strong communication and leadership skills and an ability to work with diverse teams and communicate difficult and complex issues clearly and concisely both orally and in writing.

Duties of the project manager include:

- Plan, execute, and control activities necessary to support the implementation of a statewide enterprise financial system.
- Provide leadership to state staff assigned to manage the multidisciplinary project teams including business process teams, technology teams, acquisition teams, change management teams, project administration teams, and training teams.
- Maintain and monitor the project plan and performance, including performance of vendor teams such as the contract project manager, acquisition assistance vendor, software vendor, and system integrator
- Coordinate with the independent verification and validation (IV&V) and independent oversight consultants to address and incorporate findings and recommendations.
- Participate in the identification, quantification, and mitigation of information technology project risks. Participate in quality planning, assurance, and control.
- Direct the development of project documentation required by control agencies.

4.2 Project Management Methodology

The Project uses a project management methodology based on Project Management requirements outlined in the State Administrative Manual (SAM), the State Information Management Manual (SIMM), and the Project Management Institute's (PMI) Body of Knowledge (PMBOK).

4.3 Project Organization

Since the product and system integrator have not yet been selected, the final project organization structure is still unknown; however, the following changes to the project organization have been made to reflect the strategic direction for a comprehensive enterprise strategy and the relationship to the new FI$Cal Project.

4.3.1 Project Structure

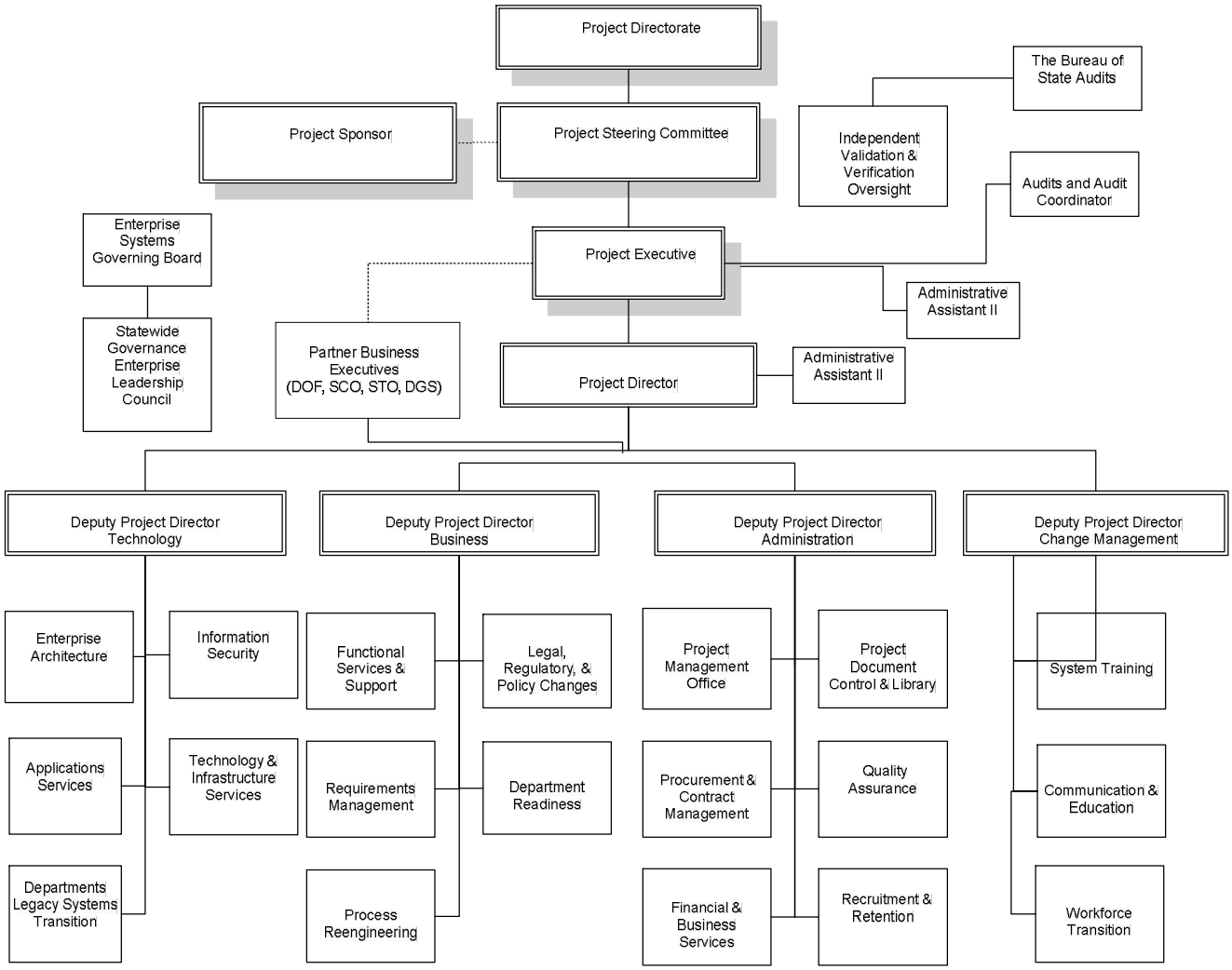
This is an unusual project because of the collaboration of the Partner Agencies. The project will be led by a Project Director (Project Manager) that will apply structured project management methodologies. The Project Director will also perform the duties of the state project manager. The FI$Cal Project will be organized into four primary teams:

- A Technical Team will provide the infrastructure to support the project and maintain the system.
- The Business Team will provide overall expertise for the various business areas addressed by the project. This represents the largest of the four teams, because the project is best represented as a business transformation project effort; rather than solely a technology project. The primary emphasis of the project will be to change business processes to be more effective and efficient by adopting the best practices inherent in the COTS. For this reason, the Business Team is a key partner of the Change Management Team.
- The Change Management Team will work to lead the state workforce through the changes initiated by this system. The people are the most important part of this project; the project is considered a critical element of succession planning and is dedicated to preparing the Next Generation of state employees to manage the finances of California.
- The Project Administration Team includes the Project Management Office (PMO), project financial management and reporting, quality assurance, project documentation, and project recruitment and retention.

In addition, the project includes four Partner Business Executives to ensure the necessary participation, rapid communication and coordination of business vision, goals, objectives, policies and processes between the project and the project partners.

The system integrator's staff will be incorporated into the state teams identified above and are therefore not separately reflected in the project organization chart. This structure is necessary because of the intensive knowledge transfer program that will be part of the project to support a transition of the primary system deployment activities from the system integrator at early project stages to state staff in later project stages. The system integrator's project manager will report to the state's Project Director.

The following organization chart illustrates the anticipated project structure:



4.3.2 Project Governance

Project Governance is represented by a Project Directorate, Project Sponsor, a Steering Committee, a Project Executive, and a Project Director.

The project Steering Committee reflects the project's primary financial business functions and a partnership among the Partner Agencies and departments:

- Chair, Project Sponsor (Currently DOF).
- Two representatives from DOF (budgets and accounting).
- Two representatives from DGS (procurement and asset management).
- Two representatives from SCO (accounting and disbursements/claim audits).
- One representative from STO (cash management).
- Three representatives from participating departments or agencies.

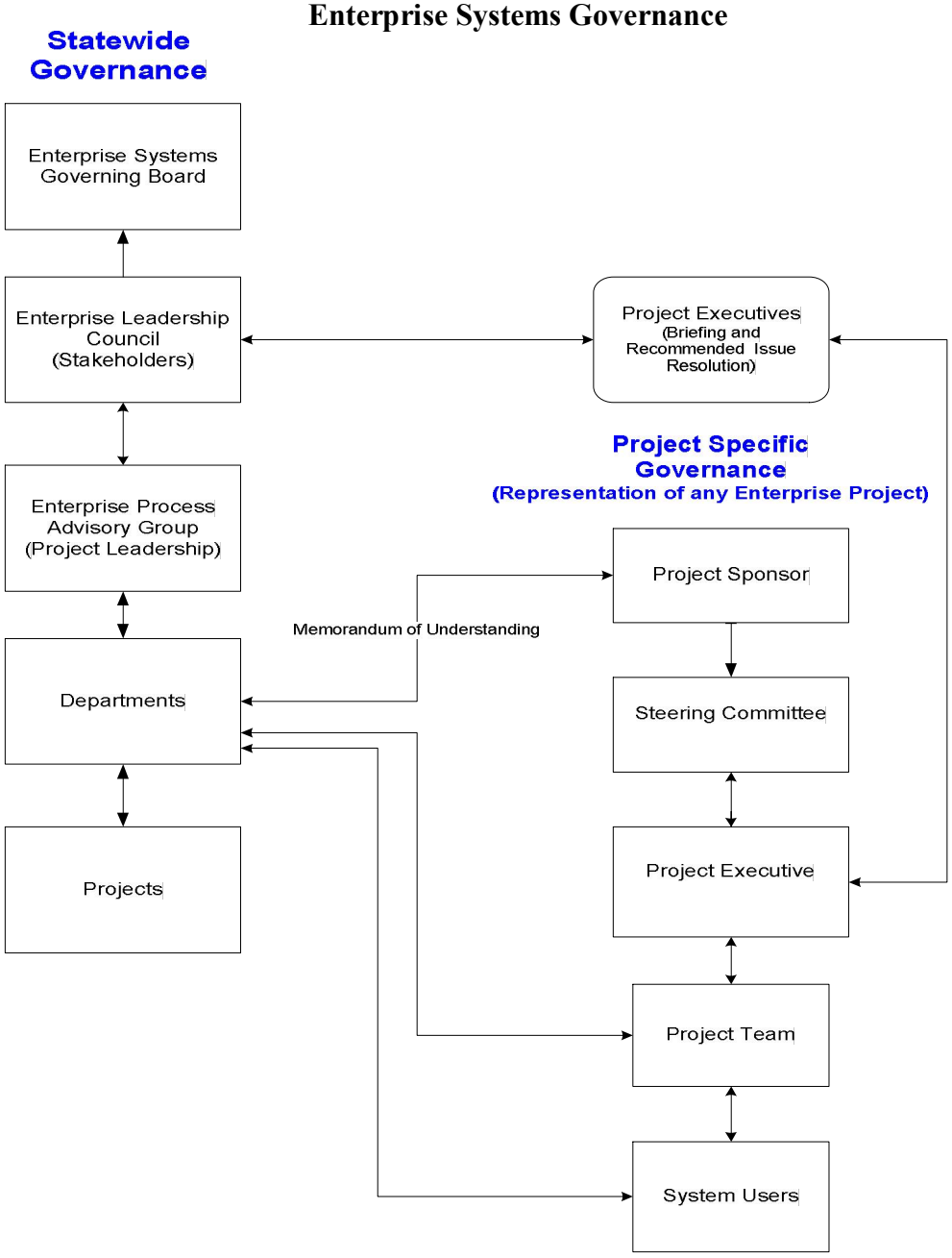
4.3.3 Statewide Governance

As the state moves forward with the development of statewide enterprise activities, the need for leadership and governance related to statewide (enterprise) level issues has been established in the Enterprise Leadership Council (ELC). Through a charter of the members, the ELC provides the forum and structure for stakeholders of the FI$Cal Project as well as other enterprise projects in development by other state agencies. Should the FI$Cal Project encounter issues than are broader that the project, the ELC provides the forum for issue resolution.

The ELC is co-sponsored by the State Chief Information Officer (CIO), who has primary responsibility for overall ELC management, support and coordination. The diagram on the following page displays the relationship of enterprise projects to the ELC. The ELC consists of the following voting statewide enterprise project stakeholders:

- State Chief Information Officer
- Director, Department of DOF
- Agency Secretary, Business, Transportation and Housing
- Agency Secretary, Corrections and Rehabilitation
- Agency Secretary, California Environmental Protection Agency
- Agency Secretary, Education
- Agency Secretary, Food and Agriculture
- Agency Secretary, Health and Human Services
- Agency Secretary, Labor and Workforce Development
- Agency Secretary, Resources
- Agency Secretary, State and Consumer Services
- Agency Secretary, Veteran's Affairs
- Director, Department of Personnel Administration
- State Controller
- State Treasurer
- Executive Director, Board of Equalization
- Military Department
- Office of Emergency Services
- Office of Homeland Security

Enterprise Systems Governance



This model represents any enterprise project and its relationship to the Enterprise Leadership Council (ELC). The ELC may advise the FI$Cal Steering Committee or any enterprise project, and is a key stakeholder of the FI$Cal Project.

The statewide enterprise governance structure also includes the Enterprise Systems Governing Board which is charged with ratifying recommendations of the ELC. The most sensitive policy decisions of statewide importance and impact will be referred by the ELC to the collective decision making authority of the Director of Finance, the Secretary of the State and Consumer Services Agency, the State CIO, the State Controller and the State Treasurer for ratification.

4.4 Project Priorities

The three variables that project managers can change on a project to maintain project performance is resources, schedule, and scope. These three factors are interrelated – a change in one impacts the others as well.

	Resources	Schedule	Scope
CONSTRAINED (Cannot change)			X
ACCEPTED (Could be changed)		X	
IMPROVED (Can Be Changed)	X		

- Project **resources** can be **improved** in response to specific issues or impacts. Additional resources may be available utilizing state staff or through contracting with vendors.
- The project **schedule** is classified as **accepted**; changing the schedule may be necessary to preserve scope. Changes in schedule, however, must not conflict with state mandated timeframes for producing the annual budget or year end financial statements.
- The project **scope** is **constrained**. The project scope cannot be changed if core project objectives are to be met. However, certain elements of the project scope can be shifted if necessary to ensure that state mandated timeframes are met.

4.5 Project Plan

4.5.1 Project Scope

The FI$Cal Project scope is described in the Preferred Alternative. It should be emphasized that a key point of this project specifies that the state intends to purchase an ERP software solution that will be the standard for the state. Establishing the standard helps achieve the vision. The statewide governance process will be the forum should this standard no longer serve the state.

4.5.2 Project Assumptions

Refer to the Assumptions section of the Preferred Alternative.

4.5.3 Project Phasing

Refer to the Project Phasing section of the Preferred Alternative.

4.5.4 Roles and Responsibilities

The following roles and responsibilities have been developed for the FI$Cal Project:

Roles	Responsibilities
Project Directorate	• Resolve policy issues or other critical issues in the event that the Steering Committee has reached an impasse. Makes final decisions on outstanding item(s) that cannot or will not be resolved by the Steering Committee. Composition of the Directorate is the four Partners (SCO, DGS, STO, and DOF); representation will be the Director of Finance, the Director of General Service, the Controller or his/her chief of staff, and the Treasurer or his/her chief of staff.
Project Sponsor	• Chair the Steering Committee. • Champion statewide support for the project. • Provide sponsorship and support for project. • Ensure project funding and resources.
Steering Committee	• Establish project goals and priorities. • Review and approve actions by the Change Control Board (significant changes to project scope, budget or schedule). • Appoint Steering Committee Chair, who will also be the Project Sponsor. • Assign authority to the Project Executive. • Assist in the selection of the Project Executive. • Provide statewide leadership and support for project. • Participate in coordination and allocation of departmental and project resources. • Support the project by communicating the vision and working to reduce barriers and mitigating risk. • Facilitate the interdepartmental collaboration of a statewide system. • Provide issue resolution across agencies. • Participate in the identification of issues that have statewide impact and require Enterprise Leadership Council (ELC) review. • Provide advice regarding consistency with statewide strategies, direction and policies. • Participate in succession planning.
Project Executive	• Promote the vision for the Project. • Provide leadership for the project. • Liaison to the Legislature, State CIO, Governor's Office, departments, and agencies. • Provide Executive oversight for the project and the delivery of the solution. • Report project achievements and status to the Steering Committee. • Elevate issues to the Steering Committee. • Coordinate information and issues with the Partner Business Executives when the project management processes (project management plans) do not provide an approach or resolution. • Chair the Change Control Board. • Serve as a project spokesperson responsible for communicating project strategy, benefits, direction, status, and recommendations to stakeholders, public, Legislature, and the ELC. • Take Steering Committee issues forward to the ELC, as needed for statewide issues. • Approve final project deliverables. • Approve risk mitigation strategy and action. • Participate in succession planning.

Roles	Responsibilities
Partner Business Executives	• Appointed by and report to their representative Partner agencies. • Coordinate activities between the project and their respective partner agencies. • Ensure that the project business vision, goals, objectives, policies and procedures are identified and met. • Assist with prioritizing and resolving business priorities related to the project. • Serve as a project spokesperson responsible for communicating project strategy, benefits, direction, status, and recommendations to their respective department. • Coordinate with and provide guidance to the project management team, review and provide input on key project deliverables and acceptance criteria. • On an as needed basis, coordinate significant project deliverable concerns with their representative partner management. • Ensure the coordination and integration of project activities and transition activities within their respective agency. • Identify project risks and issues, participates in approval of risk mitigation strategy and actions. • Perform responsibilities within the project management structure to participate with critical problem solving. • Participate as a member of the Change Control Board (with the Project Executive). • Responsible for escalating issues within the established project management processes documented in the project management plans. The Project and Business Executives may meet and choose alternative resolution processes which may include an emergency meeting of the Steering Committee in the event of an immediate or critical need. • May elevate project concerns with their representative management at the highest levels in the event a critical need is not being addressed in a timely manner. • Participates in succession planning.
Project Director (State Project Manager)	• Provide a centralized structure to coordinate and manage the project, its staff resources, teams, activities, facilities, communication, and outreach using structured project management methodologies. • Elevate requests or issues to the Change Control Board. • Report to the Project Executive. • Ensure overall project process and deliverable quality – responsible for the delivery of the solution. • Ensure the solution implemented addresses the project's and associated program objectives. • Ensure quality control and quality assurance are performed in accordance with the quality plan. • Serve as central point of communication and coordination for the project. • Ensure timely communication with the Project Executive and Partner Business Executive through the established project management process (project management plans). • Direct the activities of state and vendor personnel assigned to the project. • Monitor the planning, execution, and control of all activities necessary to support the implementation of a statewide enterprise financial system. • Provide leadership to state staff assigned to manage the multidisciplinary project teams including business process teams, technology teams, acquisition teams, change management teams, project administration teams, and training teams. • Maintain and monitor the project plan and performance, including performance of vendor teams such as the acquisition assistance vendor, software vendor,

Roles	Responsibilities
Project Director (State Project Manager) (continued)	and system integrator • Coordinate with the independent verification and validation (IV&V) and independent oversight consultant to address and incorporate findings and recommendations. • Participate in the identification, quantification, and mitigation of information technology project risks. • Participate in quality planning, assurance, and control. • Direct the development of project documentation required by control agencies. • Participate in succession planning.
Deputy Project Directors	• Establish the project management policies, planning, processes, coordination, tracking, reporting, and communications requirements for the project. • Ensure that the administrative and reporting activities of the project are met. • Responsible for coordination and management of the project funding and resources. • Responsible for ensuring the successful implementation of the system within the user community. • Direct the collaborative efforts needed to configure, install and design the system to support the state's administrative function. • Direct the effort to modify existing or create new state processes as required for process improvements. • Collect and manage the business requirements identified by the subject matter experts and ensure they are embodied in the software solution. • Assist with validating requirements, and completing requirements decomposition and gap analysis. • Conduct integration, system testing, and user acceptance testing, documenting the results. • Ensure the successful conversion of data from the source systems to the new system. • Provide input into the design and development of custom programs. • Participate in transition to the post-implementation support organization. • Participate in user training and knowledge transfer activities. • Facilitate the identification and modification of statute, regulation, and policy that supports the project objectives. • Direct activities designed to prepare the users and stakeholders for the change they will experience before, during, and after transition to the new system. • Direct the activities required for the rollout of the infrastructure and installation of the system within the user community. • Execute appropriate implementation and roll out, "go-live" strategies. • Review and recommend approval of key project deliverables. • Incorporate change management team activities. • Work with stakeholders to ensure communication between end-users, stakeholders and the project. • Design and execute the communication plan. • Develop and implement a change management program. • Assess change readiness. • Monitor change impact and develop/execute mitigation strategies. • Plan, track, and approve all communication methods and communication vehicles related to Project. • Manage the network architecture and infrastructures. • Manage software configuration management. • Design and develop the training plan and strategy. • Execute the training strategy statewide.

Roles	Responsibilities
Deputy Project Directors (continued)	• Monitor the training program and develop/execute mitigation strategies. • Coordinate the resolution of policy, standard and procedure issues across the state, related to the implementation of the FI$Cal solution. • Monitor the impact of policy, standard and procedure changes and develop/execute mitigation strategies. • Provide input into project risk and issue efforts, and resolve as assigned. • The Security Team will conduct Project Security Risk Assessments. • The Security Team will review and validate processes to ensure security requirements are met.
Vendor Team	• Work with the statewide project team to develop the system while transferring knowledge and building an experienced state project team and maintenance organization. • Establish and manage related components of the project schedule in coordination with the Deputy Project Director – Administration. • Participate in Steering Committee meetings. • Provide technical architecture recommendations and direction. • Guide definition of technical requirements and design. • Participate in requirements validation, requirements decomposition and gap analysis. • Provide technical recommendations regarding data and data conversion. • Provide technical input into implementation activities. • Provide input into project risk and issue efforts, and resolve as assigned. • Make recommendations regarding the project organization. • Lead development of the system and acceptance Test Plan. • Conduct unit, integration and system testing, documenting the results. • Create and manage configuration control and change control procedures. • Plan and lead user training and knowledge transfer activities. • Establish implementation and roll out, “go-live” strategy. • Design and develop custom programs. • Lead transition to the post-implementation support organization.
Project Oversight	• Meet the requirements of the state’s Information Technology Project Oversight Framework. • Help detect risks and variations that may occur during the project. • Recommend corrective action.
Audit Team	• Conduct system audit to ensure strong internal controls and accountability. • Review audit findings of both internal and external audits. • Coordinate with team leaders to identify resolution to audit findings. • Track and ensure audit finding is resolved and audit organization repeats review indicating finding resolved.
Project Quality Assurance	• Support and review project process planning to help ensure quality is inherent in how the project is executed. • Assess project process performance to identify ways to overcome problem areas and improve project performance. • Assess project artifacts to identify and prevent defects in dependent work products. • Review project deliverables to ensure consistency with FI$Cal Project management standards. • Provide input to project team pertaining to the quality of project deliverables. • Participate in and provide guidance to activities regarding project quality. • Verify project processes for adherence to documented project plans.

Roles	Responsibilities
Project QA (continued)	• Verify project artifacts for completeness and ability to meet dependent project processes and work products.
Independent Project Oversight Consultant	• Follows the state's Information Technology Oversight Framework. • Report the risks and overall health associated with the project. • Ensure that project deliverables are satisfied.
Independent Verification & Validation Vendor	• Verify that the project approach and deliverables will produce the desired outcome. • Validate that the system developed meets the accepted requirements by performing independent tests on the developed system and reporting the results.

4.5.5 Project Schedule

Refer to the Project Schedule section of the Preferred Alternative.

4.6 Project Monitoring

The FI$Cal Project is monitored in accordance with state approved policies and documented in the State Administrative Manual (SAM) and the State Information Management Manual (SIMM). The Project employs practices embodied in the Project Management Institute's (PMI) Project Management Body of Knowledge (PMBOK®) and the Software Engineering Body of Knowledge.

The state's Project Manager, manages the day-to-day activities of the FI$Cal Project. The Project has also obtained the assistance of a contracted project manager that operates within the Project Management Office (PMO). The PMO provides oversight focused on project management best practices and coordination of information technology initiatives. The Project Steering Committee provides leadership and guidance with a state executive perspective, focused on scope, schedule and resource management.

The FI$Cal Project is governed by the following Project Management Plans that have been approved by the Project Steering Committee. The Project Management Plans are updated and approved quarterly by the Project Steering Committee:

Project Document	Description
Project Charter	Defines the manner in which the FI$Cal Project will be managed and the governance structure of the project. The charter includes role and responsibilities.
Change Control Plan	Describes the plan for assuring that the project has adequate control over changes to all items necessary for creating or supporting the project deliverables.
Scope Management Plan	Describes all the processes required to ensure that the project includes all the work required, and only the work required, to complete the project successfully. It consists of initiation, scope planning, scope definition, scope verification, and scope change control.
Schedule Management Plan	Describes the processes required to ensure timely completion of the project. It consists of activity definition, activity sequencing, activity duration estimating, schedule development, and schedule control.

Project Document	Description
Human Resource Management Plan	Describes the processes required to make the most effective use of the people involved with the project. It consists of organizational planning, staff acquisitions, and team development. This plan also includes the succession planning for the project management and team as well as succession planning for the project's leadership.
Quality Management Plan	Describes the processes required to ensure that the project will satisfy the needs for which it was undertaken. It consists of quality planning, quality assurance, and quality control.
Cost Management Plan	Describes the processes required to ensure the project is completed within the approved budget. It consists of resource planning, cost estimating, cost budgeting, and cost control.
Communication Management Plan	Describes the processes required to ensure timely and appropriate generation, collection, dissemination, storage, and ultimate disposition of project information. It consists of communications planning, information distribution, performance reporting, and administrative closure.
Risk Management Plan	Describes the processes concerned with identifying, analyzing, and responding to project risk. It consists of risk identification, risk quantification, risk response development, and risk response control.
Issue Management Plan	Provides a mechanism for organizing, maintaining, and tracking the resolution of problems and issues that cannot be resolved at the individual, team, or project level. The approach consists of a defined process that enables the project team to identify, address, and prioritize problems and issues.
Contract Management Plan	Provides guidance and direction for assessing project deliverables for completeness to contract requirements, adherence to project quality standards and delivery according to project performance standards. Vendor accountability within the terms and conditions of the contract is addressed in the Contract management plan. Other areas of vendor accountability are addressed in the project approach and the structure of the procurement. SB 954 Chapter 556, Stat. of 2005 addresses the procurement processes (business based and solutions based) and procurement risk management that have been incorporated into the project, including addressing data center performance.

4.7 Project Quality

The Project will enforce quality assurance in accordance with the FI$Cal Quality Management Plan. This is another key area to ensure project accountability for both the vendor and state staff. Project quality is assured using the state's established quality control procedures as documented in the SAM/SIMM. The project management plan

includes separations of duties, acceptance testing, version control tools, a requirements traceability matrix, and customer walkthroughs.

The Project will also utilize traceability to track requirements beginning with the RFP development. This will continue during the vendor selection process and throughout implementation of the solution. Traceability is a key methodology for ensuring consistent compliance with the requirements, and is used to document approved changes in scope and requirements.

4.8 Change Management

Projects that significantly change business processes require organizational change management as well as project change management. Recognizing the effect that this project will have on the state workforce cannot be underestimated. It is not sufficient to train end users on the system. The need to understand the types of changes this will bring to the workplace, their role in the change, and the definition and support of their new role in the organization is of utmost importance.

4.8.1 Project Change Control

Project Changes will be made in accordance with the FI$Cal Change Control Plan. Change control is performed in accordance with the software implementation best practices and consistent with state requirements. Changes are carefully managed because they can adversely impact cost, schedule and project performance. Changes can also disrupt schedules, delay target dates and unbalance resources. Change management for the project includes the following types of change:

- Scope changes.
- Schedule changes.
- Cost changes.
- Quality changes.
- Risk changes.

4.8.2 Organizational Change Management

Additionally, for the benefits of the project solution to be fully achieved affected budget and accounting staff across the state must understand what is changing and be ready, willing and able to adapt to new ways of conducting work using the project solution. This requires careful planning and execution of activities to manage and deploy change well in advance of project “go-live”. Consequently, business process transition/organizational change management will be managed at every stage of the project and will encompass not only the technical changes but also process changes and the accompanying impacts to fiscal offices across the state. Change management activities focus on understanding how new processes and organizational change result from the implementation of the project. Change management involves:

- Communicating the changes.
- Sponsoring state personnel to assist in communicating the benefits of the changes.

- Identifying risks associated with the changes.
- Recognizing that new roles and procedures may need to be created to support new processes.
- Training.

The Project reflects a planned approach to change with the objective to maximize benefits and minimize risk. This is critical because several facets of the state's financial management will change during the course of this project. This includes processes and technology. An ERP system will change the way we work within the state. Clear communication is needed to demonstrate that this is a positive change to prepare the state for the next generation as a significant number of experienced state employees retire. As part of the FI$Cal Project, a more formal change management program will be put in place, including the following:

- Develop a change management plan (organization readiness assessment) to identify resistance points and issues that may impede change. This assessment should also provide recommendations, interventions, and activities to address anticipated change such as developing a strategy, identifying staff affected, identifying skill set needs, identifying training needs, performing a readiness assessment, and empowering participants.
- Develop an organization transition guide to assist the state in addressing any changes in roles and jobs. This guide is also used to plan for organization, role and job adjustments, and new opportunities to support new business processes resulting from the implementation of the Project.
- Deploy the Project Change Management Team. During project initiation, and during each production release, the project team and the User Advisory Team will define activities to prepare and gain buy-in, commitment and involvement of the change agents and plan for intervention and transition management activities.
- Update and document a communications program - An effective communications program will be essential to the success of the Project. Project related information including milestones, benefits and impacts will be disseminated to all affected staff and targeted stakeholders. Currently the Project uses various tools including a project website, project distribution lists, project bulletins, periodic stakeholder meetings, and agency briefings to disseminate this information.

Although some change management began at the project's inception, formal change management begins with project planning and will focus on communication, documenting our existing processes, identifying opportunities for improvements and identifying a skills assessment of state staff. The project has planned for dedicated staff as part of the change management and training team throughout the Project. These staff will be assigned to work with specified agencies during each project stage. The team will be assigned to provide full support to approximately 73 departments that will fully utilize the system, as well as some support to 61 departments which are considered indirect system beneficiaries.

4.9 Authorization Required

Approval of this SPR will be required from DOF's Office of Technology Review, Oversight and Security as part of the standard SPR review process. A copy of this SPR will also be provided to the Legislative Analyst's Office.

4.10 Vendor Accountability

Due to the scope and magnitude of the FI$Cal Project and level of involvement by third-party resources, vendor accountability is a critical aspect of managing the FI$Cal Project. The various components of the Project, ranging from hardware, software and professional services, will be provided by vendors and by state staff throughout the life of the Project. In addition, the FI$Cal Project team will learn from the expertise provided by vendors to ensure success of the project. Knowledge transfer from the vendor is critical for state succession planning.

The Legislature has specifically requested that the FI$Cal Project address vendor accountability which is discussed in detail in Appendix B.

4.11 Project Leadership Succession Planning

Due to the duration and scope of the FI$Cal Project, succession planning is critical. In the past, succession planning typically targeted only key leadership positions in projects. In today's organizations, in addition to leadership positions it is important to include key positions in a variety of job categories. In addition, succession planning can help develop a diverse workforce, by enabling decision makers to look at the future make-up of the organization as a whole. This plan focuses in three specific areas: (1) the Partner Leadership (the Director of Finance, the Controller, the Treasurer, and the Director of General Services) including the state executive leadership levels; (2) the Project Executive and Director; and (3) the Project Staff.

To be successful, succession planning should encompass the following criteria:[23]

- Involvement of top management, employees, and other stakeholders.
- Identification of the critical skills and competencies required.
- Strategies to address gaps and conditions that need attention.
- Build the capability needed to address administrative, educational, and other requirements.
- Monitor and evaluate the progress toward goals and objectives.

4.11.1 Project Leadership at the State Executive Level

The long-term success of organizations requires continuity in top management. The commitment and involvement of the Partner's at the highest level is the key to leadership succession planning for the Project. The strategy to ensure organizational leadership and support that will bridge the inevitable changes in government leadership is:

- Utilizing a Memorandum of Understanding between the four partners to memorialize the vision, the governance and the structure of the Project; and

[23] GAO-04-39, Human Capital: Key Principles for Effective Strategic Workforce Planning.

- Establishing in statute the requirement for the Project partnership to develop and implement the Project.

As part of the budget process, the FI$Cal Project will introduce proposed legislation to address these issues.

It must also be recognized that the project leadership at the state executive level must not only support the FI$Cal Project and its vision, but also support the project management to ensure successful recruitment and transition overtime.

4.11.2 Project Executive and Director

Leadership succession planning should be implemented with a focus on where the organization is heading in the future. What will the top positions look like in the next two, three, and five years? Planning for the competencies of the current positions is necessary, but more important and essential is the need to project what competencies the positions will require in two to five years. Instead of automatically replicating and reproducing an existing leader, the strategy is to make a selection based upon the phase of the Project and skill sets required to lead the Project though specific phase(s). The plan includes ensuring an overlap of leaders for development purposes and to ensure continuity of leadership. It is also important that the Steering Committee participate in the determination of the Project Executive hiring.

Strategies for replacement of the Project Executive include:

- Determine the competencies needed to lead the FI$Cal implementation the next 2 – 5 years.
    - The Project Steering Committee will participate in selecting the new Project Executive.
    - Provide at least a three month overlap when a new Project Executive is brought to the team to ensure a successful transition of leadership between the outgoing and incoming Project Executive.

The Project Director is selected by the Project Executive with the consensus of the Steering Committee. The Project Director is the state's project manager. It is critical for the project manager of an ERP project to have both a strong understanding of the state's business environment, familiarity with ERP products and structure, the principals and practices of project management, as well as a fundamental understanding of information technology principals. The Project Director is anticipated to be selected from within the state ranks to ensure a strong understanding of the state's business environment and a vision of the future. The succession plan includes the development of critical skills and competencies within the project team required for this and other leadership roles to ensure a strong pool of candidates for the continued health of the project leadership.

4.11.3 Project Team

Successful leadership requires a competent project team structure and staff. Succession planning ensures that there are highly-qualified people in all positions, not just today, but tomorrow, next year, and five years from now. Succession planning establishes a process that recruits employees, develops their skills and abilities, and prepares them for advancement, all while retaining them to ensure a return on the organization's training investment. Succession planning involves:

- Understanding the organization's long-term goals and objectives
- Identifying the workforce's developmental needs
- Determining workforce trends and predictions

A successful project requires the human infrastructure to continue to support the anticipated transition of individuals at all levels throughout the project lifecycle and continued into the operations and maintenance of the system in the future. The FI$Cal Project is committed to the concept of quality succession planning and will undertake, at a minimum, the following activities to support quality succession planning throughout the Project:

- Develop and implement a rigorous communication strategy.
- Identify expected vacancies in a timely fashion.
- Determine critical positions.
- Identify current and future competencies for positions.
- Develop and implement a rigorous recruitment strategy.
- Create assessment and selection tools.
- Supplement human resource functions to include active recruiting and staffing.
- Identify gaps in current employee and candidate competency levels.
- Develop Individual Development Plans for employees.
- Align training plans to support the Development Plans.
- Develop and implement coaching and mentoring programs.
- Assist with leadership transition and development.
- Develop an evaluation plan for succession management.
- Participate in state level human resource task forces, committees, and activities.

4.12 Data Center and System Performance

The performance of the system is critical. The procurement utilizes the experience of the vendor to design a solution based on the states business requirements (business based procurement). The best application will not be accepted and used if the performance of the system (speed) is not acceptable. These complex systems do not operate with the sub-second response of the flat file legacy systems, but the Project expects that they will operate within defined boundaries.

To provide the vendor the flexibility to meet these performance standards and to also incorporate knowledge transfer, the state is considering using the data center service offering of Customer Owned Equipment Managed Services hosting model. This would provide an environment where the vendor could develop and implement their recommended solution at the state data center, and have control over performance while initially maintaining the system, but still provide the knowledge transfer to the state technology staff so that the state ultimately will take over maintenance of the system. This model would also eliminate the need for a subsequent project to migrate the system back to the state if the vendor is allowed to use the data center for development and testing.

5.0 Risk Management Plan

The FI$Cal Risk Management Plan describes the processes used by the Project to identify and manage risks. Risk is a concept that describes any factor that may potentially interfere with the successful completion of a project. Risks typically result in increased costs, diminished product quality, schedule delays, or project failure. This includes identifying potential risks early in the planning phase to ensure that these risks receive commensurate attention from internal and potential external program and information technology organizations. Risks are inherent in IT projects and this process enables program areas to formulate strategies to avert potential disasters. An effective risk management approach involves continually assessing what can go wrong and implementing strategies to prevent or manage such risks.

A formal risk management approach, including a process to manage, communicate, escalate and resolve a risk, allows clear direction to be established. This typically has the added benefit of strengthening the project team's enthusiasm and commitment to success. Preparation for the unexpected eliminates the wasted time and resources often associated with emergency reaction to problems.

5.1 Risk Management Worksheet

Several initial risks are identified that may confront the FI$Cal Project. As the Project continues, these and other risks are entered and maintained in a database for tracking, updating reporting and resolving. A number of the risks identified below are currently being managed through the preventative measures that are identified.

The SPR to be provided following the project procurement will expand this risk analysis to include loss hours and risk hours. The table below describes these risks in the format prescribed by DOF guidelines. It includes the following columns:

- **Risk Category/Event:** Potential risks that may occur during a project to implement the proposed solution.
- **Probability:** Likelihood of the risk occurring (0=no chance, 1=100 percent chance).
- **Preventative Measures:** Actions that may be taken to minimize the potential of the risk occurring.
- **Contingency Measures:** Actions that may be taken if the risk does occur.

Risk Category/Event	Probability	Preventative Measures / Mitigation	Contingency Measures
Personnel			
Insufficient Partner Agencies and department resources assigned to the project team may result in missing or inaccurate requirements, lack of quality control and inadequate testing.	0.5	Establish time requirements of staff at the outset of the project, and obtain commitment from executive management to apply resources to the project. Prior to the start of the project, develop a resource transition plan. This plan should include cross-training as well as resourcing staff to be assigned to assume the day-to-day responsibilities of resources assigned to the project. Budget for staff to provide for adequate transition time for organizational responsibilities to project responsibilities.	Management to perform ongoing assessment of level of effort and adjust staff workload as necessary to ensure that necessary resources available are dedicated to the project. Implement software functionality in a phased manner.
The effort required to retain historical/legacy data currently maintained in the state's legacy financial systems is not known so the cost and schedule impact to the project is not known.	0.5	An initial analysis of the data conversion requirements to preserve historical/legacy data was completed in the RFP version 3 and an initial scope was defined. The initial analysis of requirements to preserve historical/legacy data done in RFP version 3 needs to be validated and finalized so the bidders for the RFP will include the cost of data retention in their bids.	TBD
Turnover of key state and contractor staff is likely during the ten year project implementation resulting in the loss of skill sets and knowledge to efficiently implement the system.	0.80	Cross-train backup and second backup staff to fill in as needed. Implement a retention pay and bonus program to encourage recruitment and stability of staff. This will have the added benefit of assisting with recruitment	Develop a succession plan and assign backup staff to primary role. Refer to the HR Management Plan - Succession Planning.

Risk Category/Event	Probability	Preventative Measures / Mitigation	Contingency Measures
The project implementation and development activities may require skills that the project's technical staff members do not possess which could adversely affect project implementation and ongoing maintenance.	0.70	Hire staff members after the technology platform is established Hire candidates who have experience using the technology platforms (refer to the HR Management Plan) Set up a formal training program	Request for an exemption to the current exam process and run an open exam to increase the size of the state's pool of candidates.
Key individuals with the most knowledge of the business processes and current applications may not be available or will be retiring prior to the completion of the project which could negatively affect the project's implementation.	0.7	Provide ongoing training programs for existing and newly hired staff members prior to and during the project. Implement regular 'informational sharing' staff meetings to educate and increase budget staff knowledge. Provide project staff to departments to allow time to transfer business knowledge prior to vendor selection. 9/20/2007 The Department of Personnel Administration has identified that over 35% of the state government workforce are eligible to retire in the next five years. With the state employing approximately 235,000 people, there is the possibility of losing of over 80,000 people. These are the state's most seasoned employees, with institutional knowledge and high quality skills and abilities. These experienced staff members have established and maintained the state's legacy systems. The	Management to assign the key resources to the project. Resource project to document information from key knowledgeable staff.

Risk Category/Event	Probability	Preventative Measures / Mitigation	Contingency Measures
		legacy systems have become outdated and will be difficult to maintain without the experienced staff members' knowledge. The FI$Cal Project is designed to replace the legacy systems with a system based on current technology. Not only will the current technology be more efficient than the legacy systems, but will updated to stay current. Staff trained on the new technology will have received the knowledge necessary to maintain and keep up the new system for the foreseeable future.	
Staff adverse to change - The FI$Cal solution could substantially impact the state's current business processes and may affect staff adverse to change.	0.7	Implement change management processes early in the project as well as throughout the project. Provide for workforce transition. Demonstrate incremental results. Provide sufficient and appropriate training for users. Execute the communication plan. Executive management will clearly communicate importance of dedication to the project.	Elevate issues to the Executive Steering Committee. Hold focus groups with employees to address issues. Reassign resources. Utilize the Enterprise Leadership Council FI$Cal Human Resources Plan
Architecture and Infrastructure			
Currently, the state does not have the facilities to house the proposed project team which could impact project delivery.	0.5	Begin facility search as soon as SPR is approved, contingent on funding availability. Identify interim space as needed.	House some staff on-site (by combining offices) and house some staff at vendor facility until sufficient on-site space is located. Delay the start of the project.

Risk Category/Event	Probability	Preventative Measures / Mitigation	Contingency Measures
Software			
Heavy reliance on vendor for technical expertise and other critical components of the project. Limited control over frequency of new releases (as source code is typically owned by the vendor with enhancements and maintenance performed offsite).	0.5	Develop in house expertise on the application. Work with vendor to prioritize enhancements and scheduled maintenance. State staff should actively participate in vendor user groups.	Hire staff members that have experience using the tools in which the new system will be implemented. Provide sufficient funding for contracts to incorporate the costs of enhancements and maintenance.
The business based procurement solution could result in an implementation of technology that is not consistent with the Department of Technology Services (DTS) standard environment. Ongoing maintenance and operations costs will increase as DTS' rates increase.	0.7	Ensure the procurement process is aligned with state's technical direction. Writing an issue paper which addresses: Housing the development, test and training environments at the FI$Cal site Housing acceptance test and production environments at DTS employing a Customer Owned Equipment Managed System (COEMS) model, where floor space is obtained from DTS and the technology is maintained by the project.	Establish maintenance contracts with the product vendor to support the technology.
Requirements Management			
Missed business requirements introduced after agreed upon specifications are completed could possibly increase the scope of the project.	0.4	Meeting should be held early in the project to validate and achieve consensus on requirements. Functional requirements (as well as any specifications) should be accepted by the steering committee and signed off by the project manager prior to development. Implement formalized change control/approval processes.	Ensure Partners and departments are adequately represented in the RFP development. Execute change control/approval process. Adjust project timelines as needed.

Risk Category/Event	Probability	Preventative Measures / Mitigation	Contingency Measures
		With the extension of the schedule, the project staff, partner agencies and certain other departments will have additional time to research questions and review the requirements. The IV&V team will map the requirements to the State Administrative Manual. Since the State Administrative Manual provides the instructions for the current administrative process, this will provide additional assurance that no major requirements have been missed.	
External Environment			
Management Processes			
Delay of solution contract award: A vendor protest during the project procurement could result in a project delay.	0.5	Include the submittal of draft proposals and vendor demonstrations as part of the procurement process. The project developed an Alternative Procurement Decision Document.	Work with DGS and legal staff, providing sufficient review of the solicitation document.
Lack of formalized/timely issue resolution process – not easy to get management review and decisions in a timely manner	0.5	Get agreement on who has decision-making capabilities/final authority. Develop formalized review timelines and roles/ responsibilities for issue research and resolution. Utilize issue tracking software to identify/record issues and the status/resolution. Utilize the escalation process for obtaining appropriate approvals. The Project has developed an Issue Management Plan that describes issue tracking and escalation.	Assess impact to schedule and budget; meet with project leadership to determine an issue resolution process.

Risk Category/Event	Probability	Preventative Measures / Mitigation	Contingency Measures
		Additionally the Project Steering Committee has adopted a governance structure and a Consensus Decision Making Process. Recommend closing this risk when the Steering Committee approves the Issue Management Plan in Oct. 2007.	
Contractor Performance			
Vendor/contractor providing software/solution may cease operations	0.1	Require that the vendor provide information regarding the financial stability of its company. Establish an escrow account to hold source code on the state's behalf. Require a vendor to provide a performance bond as collateral to assure that funds are available to reimburse the state for damages if the contractor fails to perform or causes damage while performing the contract such as ceasing to operate.	Obtain the rights to the source code and perform development maintenance of the software either in-house or using another vendor
Other			
Conversion of data – level of effort underestimated	0.8	Begin data clean-up efforts prior to conversion start up. Require a conversion plan to be documented prior to commencing conversion	Adjust project timelines as needed.
Department does not have adequate documentation for developing gap analysis prior to the system installation which may delay project implementation.	0.5	Provide department with sufficient notification to allow for the documentation of existing systems. Provide department with resources to assist with the additional workload.	Postpone department implementation to later date.

Risk Category/Event	Probability	Preventative Measures / Mitigation	Contingency Measures
		A department readiness team will be assigned to each department to ensure that the documentation is completed and a gap analysis is performed.	
Improving the statewide business processes through the utilization of the best practices incorporated in the COTS may be restricted by existing statutes.	0.8	Identify and recommend changes to existing statutes and regulations. Initiate a change to existing statute that allows certain requirements to be waived to facilitate the adoption of best practices and opportunities to reengineer existing processes.	Customization of functions outside the COTS solution may be required. This will increase costs and reduce benefit.
Lack of agreement on a statewide coding structure (chart of accounts)	0.5	Work with stakeholders to reach consensus early in the project. Determine authority to establish a statewide coding structure.	Adjust project scope to reflect areas where consensus is not reached. Seek legislation to mandate a statewide chart of accounts.
IPO-001.The lack of a formal schedule management process may result in schedule delays due to a diminished ability to proactively mitigate schedule variances.	0.3	The project has developed a Schedule Management Plan and is proactively tracking the project schedule. Recommend this risk is retired after the Schedule Management Plan is formally adopted and implemented.	
IPO Risk 003. Based on the size of this procurement, the limited pool of potential bidders may result in a lack of competition and/or higher costs.	0.5	The Project Team has accepted the risk and will address this risk through contract strategy. The 2007-08 provisional BBL has changed the project deliverables and delayed the procurement. Based upon recent research by the procurement vendor, the Project believes is an adequate pool of software vendors and system integrators capable of implementing FI$Cal.	TBD

Risk Category/Event	Probability	Preventative Measures / Mitigation	Contingency Measures
Late SPR submission could jeopardize the project: Provisional language is the 2007 Budget Act related to the FI$Cal Project establishes a deadline of April 1, 2008, for specified deliverables including a new SPR. After consultation with DOF Budgets, the Steering Committee directed the Project to establish a schedule to meet the provisional language requirement in time to be incorporated in to the Governor's January budget proposal rather than an April Finance Letter.	0.9	The Project Team has drafted a schedule to deliver an SPR for approval by November 2007. The Steering Committee adopted the schedule to complete the SPR #2 in November 2007. The Project Team will require significant overtime to meet the goal for the Governor's Budget.	The project team is preparing an SPR and BCP for the Jan. 10 Governor's Budget.
Acceptance of Electronic Signature: The State Controller's Office (SCO) considers electronic signature an acceptable protocol for payment authorization for the FI$Cal Project. However, additional research for specific instances of signatures is required. Without electronic or digital signatures it would significantly reduce the efficiency and benefits of the solution.	0.5	The Steering Committee directed the Project Team to provide further research and develop next steps. Obtain existing statutes and case law that authorize electronic and digital signatures.	Work with effected legal staff to determine acceptable practice.

5.2 Assessment

The Risk Management Worksheet identifies the potential sources of risk associated with this project. The risks identified on the worksheet will be re-evaluated on a monthly basis, or more frequently if required, throughout the Project. In addition, the project manager, using the standard project management planning tools adopted by this project, will include required corrective actions associated with a risk in the detailed project plan. This plan will encompass the entire structure of the project and its deliverables, providing a comprehensive framework for assessing each aspect of the project for potential risk.

5.2.1 Risk Identification

The following tools were used to aid in the identification of risks:

- SIMM Categories and Examples of Risk.
- Historical Information.
- Project Team Brainstorming.
- Interviews with Stakeholders.
- Business Process Reengineering - Transition Report (March 2005).

The characteristics of each identified risk are captured on the Risk Management Worksheet.

6.0 Updated Economic Analysis Worksheets (EAWS)

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EXISTING SYSTEM/BASELINE COST WORKSHEET

Department: Finance, General Services, State Controller's Office, State Treasurer's Office

All costs to be shown in whole (unrounded) dollars.

Date Prepared: 12/13/07

Project: FI$Cal

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
Continuing Information Technology Costs /1, 3, 4																												
Staff (salaries & benefits)	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	131.1	12,514,060	**1,704.3**	**162,682,778**
Hardware Lease/Maintenance		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		1,731,705		**22,512,165**
Software Maintenance/Licenses		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		2,805,802		**36,475,426**
Contract Services		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		2,746,090		**35,699,170**
Data Center Services		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		5,701,195		**74,115,535**
Agency Facilities		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		717,932		**9,333,116**
Other		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		**12,664,184**
Total IT Costs	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**1,704.3**	**353,482,374**
Continuing Program Costs /2, 3, 4																												
Staff	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	**107,295.5**	**7,756,786,362**
Other		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		**1,262,111,305**
Total Program Costs /4	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**107,295.5**	**9,018,897,667**
TOTAL EXISTING SYSTEM COSTS /4	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**108,999.8**	**9,372,380,041**

/1 IT costs are approximated from data provided by various departments and do not include non-CALSTARS departments that are part of the project, nor costs related to the support of the numerous accounting shadow systems that exist.

/2 Costs are estimated based on information provided by various departments and an extrapolation of budget costs and an estimated accounting and procurement staff cost for departments that are part of the project.

/3 Department costs will be measured/verified throughout the project lifecycle as outlined in SPR 8860-30, October 30, 2006, Appendix D.

/4 Costs are reported from SPR #8860-30 October 30, 2006 (does not include subsequent General Salary Increases).

Proposed Alternative: FISCal as Proposed

Date Prepared: 12/13/07

All Costs Should be shown in whole (unrounded) dollars.

Department: Finance, General Services, State Controller's Office, State Treasurer's Office

Project: FI$Cal

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time IT Project Costs																												
Staff																												
Project Staff (Salaries & Benefits) /6	5.0	600,543	16.8	1,888,843	17.2	2,175,934	113.7	12,537,775	191.6	21,595,192	268.3	30,323,594	260.2	30,192,204	225.1	25,988,884	207.9	23,018,861	189.5	21,443,922	170.8	19,200,069	151.0	16,912,690	0.0	0	1,817.2	205,878,510
Program Staff (Salaries & Benefits) /6	0.0	0			12.3	1,498,945	70.4	8,071,775	139.2	15,627,101	184.1	20,436,860	236.4	26,819,847	326.6	36,615,211	350.1	39,377,487	316.9	35,623,731	213.3	24,327,417	138.3	15,834,654	0.0	0	1,987.7	224,233,028
Total Staff /1	5.0	600,543	16.8	1,888,843	29.5	3,674,879	184.0	20,609,550	330.9	37,222,293	452.4	50,760,454	496.6	57,012,051	551.8	62,604,095	558.1	62,396,348	506.4	57,067,653	384.1	43,527,486	289.3	32,747,344	0.0	0	3,804.9	430,111,539
Hardware Purchase				5,994		20,000		1,444,750		645,293		813,860		127,789		84,094		0		0		0		0				3,141,780
Software Purchase/License				22,185		20,000		542,316		345,915		904,833		25,924,888		12,987,220		12,900,000		12,900,000		12,900,000		0				79,447,357
Telecommunications						44,400		133,142		941,858		500,000		200,000		0		0		0		0		0		0		1,819,400
Contract Services																												
Software Customization		0		0		0		0		9,770,605		48,853,024		43,230,070		85,722,490		89,414,019		44,990,176		34,642,872		15,557,784		0		372,181,040
Project Management /7		0		92,510		488,389		650,000		650,000		500,000		500,000		500,000		500,000		500,000		500,000		250,000		0		5,130,899
Project Oversight /2, 4		0		97,700		312,624		327,400		997,400		997,400		997,400		437,400		437,400		437,400		437,400		218,700		0		5,698,224
IV&V Services /2		0		97,700		235,224		250,000		920,000		920,000		920,000		360,000		360,000		360,000		360,000		180,000		0		4,962,924
Other Contract Services		0		2,590,073		365,000		433,333		3,498,667		6,013,000		7,429,000		7,094,000		6,532,000		3,025,000		1,525,000		500,000		0		39,005,073
TOTAL Contract Services		0		2,877,982		1,401,237		1,660,733		15,836,671		57,283,424		53,076,470		94,113,890		97,243,419		49,312,576		37,465,272		16,706,484		0		426,978,159
Data Center Services		0		0		100,000		0		0		0		0		0		0		0		0		0		0		100,000
Agency Facilities		132,392		136,562		344,203		2,544,151		1,731,574		1,808,600		72,600		0		0		0		0		0		0		6,770,081
Other																												
Project Other (Std Comp., Travel, Training)		133,321		88,099		652,388		2,995,179		5,991,571		7,436,919		4,795,058		3,748,758		3,117,411		2,923,411		2,440,096		1,736,242		0		36,058,452
Program Other (Std Comp.,)						447,264		740,308		1,465,308		1,937,962		2,487,962		3,437,962		3,685,308		3,335,308		2,245,308		1,455,308		0		21,237,997
Total Other		133,321		88,099		1,099,652		3,735,487		7,456,879		9,374,880		7,283,019		7,186,719		6,802,719		6,258,719		4,685,404		3,191,550		0		57,296,449
Total One-time IT Costs	**5.0**	**866,256**	**16.8**	**5,019,665**	**29.5**	**6,704,371**	**184.0**	**30,670,129**	**330.9**	**64,180,483**	**452.4**	**121,446,051**	**496.6**	**143,696,818**	**551.8**	**176,976,018**	**558.1**	**179,342,487**	**506.4**	**125,538,948**	**384.1**	**98,578,162**	**289.3**	**52,645,378**	**0.0**	**0**	**3,804.9**	**1,005,664,764**
Continuing IT Project Costs																												
Staff																												
Project Staff (Salaries & Benefits) /6											23.8	2,585,913	31.8	3,537,929	66.9	7,665,868	84.4	9,770,015	105.6	12,251,152	116.0	13,555,559	136.8	15,959,095	145.1	16,479,498	710.3	81,805,030
Program Staff (Salaries & Benefits) /6													12.4	1,355,681	20.9	2,389,114	29.5	3,348,606	62.7	7,118,557	64.6	7,321,886	79.8	9,111,187	83.6	9,498,127	353.4	40,143,159
Administrative Services (Salaries & Benefits)							31.4	2,630,488	39.9	3,286,454	40.9	3,339,710	40.9	3,339,710	40.9	3,339,710	40.9	3,339,710	39.0	3,172,267	32.3	2,600,199	31.4	2,507,829	19.0	1,515,142	356.3	29,071,219
Total Staff /1	0.0	0	0.0	0	0.0	0	31.4	2,630,488	39.9	3,286,454	64.6	5,925,623	85.0	8,233,320	128.6	13,394,693	154.7	16,458,331	207.3	22,541,977	212.9	23,477,644	248.0	27,578,112	247.7	27,492,767	1,420.0	151,019,408
Hardware Lease/Maintenance								149,591		177,730		220,890		232,510		234,495		199,260		233,855		210,615		192,355		149,195		2,000,496
Software Maintenance/Licenses										127,546		197,926		383,794		4,796,986		7,007,901		9,199,621		11,341,756		13,493,167		13,395,595		59,944,292
Telecommunications								138,546		138,546		138,546		138,546		1,638,546		1,638,546		1,638,546		1,638,546		1,638,546		1,638,546		10,385,460
Contract Services																										5,000,000		5,000,000
Data Center Services								0		8,136,635		25,675,313		32,739,974		35,739,974		37,189,974		38,639,974		39,089,974		40,439,974		41,031,211		298,683,004
Agency Facilities								6,082,799		6,082,799		6,082,799		6,082,799		6,082,799		6,082,799		6,082,799		6,082,799		6,082,799		8,378,799		63,123,990
Other (Std Comp, Travel, Training)								395,059		548,309		1,052,395		2,003,726		2,683,116		2,971,366		3,513,716		3,526,406		3,870,996		3,666,013		24,231,103
Total Continuing IT Costs	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**31.4**	**9,396,483**	**39.9**	**18,498,019**	**64.6**	**39,293,492**	**85.0**	**49,814,670**	**128.6**	**64,570,609**	**154.7**	**71,548,177**	**207.3**	**81,850,488**	**212.9**	**85,367,740**	**248.0**	**93,295,949**	**247.7**	**100,752,126**	**1,420.0**	**614,387,754**
Total Project Costs	**5.0**	**866,256**	**16.8**	**5,019,665**	**29.5**	**6,704,371**	**215.4**	**40,066,612**	**370.8**	**82,678,502**	**517.0**	**160,739,542**	**581.6**	**193,511,488**	**680.4**	**241,546,627**	**712.7**	**250,890,664**	**713.7**	**207,389,436**	**597.0**	**183,945,902**	**537.3**	**145,941,327**	**247.7**	**100,752,126**	**5,224.9**	**1,620,052,518**
Continuing Existing Costs																												
Information Technology Staff /3	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784	131.1	26,216,784			1,573.2	314,601,406
Other IT Costs		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168				11,690,016
Total Continuing Existing IT Costs	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**131.1**	**27,190,952**	**0.0**	**0**	**1,311.0**	**326,291,422**
Program Staff (Existing) /3, 5	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	107,295.5	7,756,786,362
Other Program Costs (Existing)		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		1,262,111,305
Total Continuing Existing Program Costs	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**107,295.5**	**9,018,897,667**
Total Continuing Existing Costs	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,384.6**	**720,952,311**	**8,253.5**	**693,761,359**	**108,868.7**	**9,345,189,089**
TOTAL ALTERNATIVE COSTS	**8,389.6**	**721,818,567**	**8,401.4**	**725,971,976**	**8,414.1**	**727,656,682**	**8,600.0**	**761,018,923**	**8,755.4**	**803,630,813**	**8,901.6**	**881,691,853**	**8,966.2**	**914,463,799**	**9,065.0**	**962,498,938**	**9,097.3**	**971,842,975**	**9,098.3**	**928,341,747**	**8,981.6**	**904,898,213**	**8,921.9**	**866,893,638**	**8,501.2**	**794,513,485**	**114,093.6**	**10,965,241,607**
INCREASED REVENUES		0		0		0		0		0		0		0		0		0		0		0		0		0		0

/1 Project Staff Salaries include Salary Increases up to July 1, 2007.

/2 Contract for Project Oversight and IV&V services have been consolidated into one contract, therefore these costs have been split 50% 50% among these two line items.

/3 Continuing Existing Costs are reported from SPR #8860-30, October 30, 2006 (does not include subsequent General Salary Increases)

/4 Contract for Bureau of State Audits is included in Project Oversight line item.

/5 Continuing Existing Program Costs will be measured/verified throughout the project lifecycle as outlined in SPR 8800-30, October 30, 2006, Appendix D.

/6 The FI$Cal Project is a business transformation project as well as a technology project. To develop and implement the anticipated business changes, the project, has included one-time program staff. These business analysts will redesign and restructure the state's business processes to adopt the best practices provided by the software. To provide visibility to the two types of staffing costs, traditional project staff are shown in one-time costs as "project staff"; the additional business staff are shown as one-time program staff. These business staff will be co-located as part of the statewide project team that will be responsible for standardizing the state's business processes. Also included in program staff line are the "on-sight" departmental teams that will be realigning the processes at each department to meet the new standards and assisting with each individual department's transition.

/7 The contracted Project Management budget includes funds for 2 years only for a certifiec Project Management Scheduler to mentor state staff for developing and maintaining a structured project schedule.

ALTERNATIVE 1: FISCal as Approved

All Costs Should be shown in whole (unrounded) dollars.

Date Prepared: 12/13/07

Department: Finance, General Services, State Controller's Office, State Treasurer's Office

Project: FI$Cal

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time IT Project Costs																												
Project Staff (Salaries & Benefits) /1	5.0	600,543	17.0	2,013,697	123.5	13,241,845	226.5	22,631,746	204.9	20,987,162	183.6	18,837,483	162.4	16,687,805	151.7	15,612,965	141.1	14,538,126	130.4	13,463,287	0.0	0					1,346.1	138,614,659
Program Staff (Salaries & Benefits) /1	0.0	0	0.0	0	110.2	10,499,914	186.7	18,549,645	283.4	26,336,796	405.9	36,997,988	464.9	42,604,318	402.9	37,324,979	280.4	26,663,787	196.4	19,026,577	0.0	0					2,330.8	218,004,004
Hardware Purchase		0		0		1,098,290		781,671		0		0		0		0		0		0		0						1,879,961
Software Purchase/License		0		0		211,447		61,776,514		0		0		0		0		0		0		0						61,987,961
Telecommunications										0		0		4,000,000		0		0		0		0						4,000,000
Contract Services		0																										
Software Customization		0		0		0		92,000,000		92,000,000		92,000,000		46,000,000		10,000,000		10,000,000		10,000,000		0						352,000,000
Project Management		0		457,000		500,000		500,000		500,000		500,000		500,000		500,000		500,000		500,000		0						4,457,000
Project Oversight		0		171,000		360,000		540,000		540,000		540,000		360,000		360,000		360,000		360,000		0						3,591,000
IV&V Services		0		171,000		360,000		1,300,000		1,300,000		1,300,000		720,000		360,000		360,000		360,000		0						6,231,000
Other Contract Services		67,578		1,072,346		1,105,783		3,600,000		19,450,000		3,250,000		3,250,000		3,250,000		0		0		0						35,045,707
TOTAL Contract Services		67,578		1,871,346		2,325,783		97,940,000		113,790,000		97,590,000		50,830,000		14,470,000		11,220,000		11,220,000		0						401,324,707
Data Center Services		0		0		0		0		0				0		0		0		0		0						0
Agency Facilities		132,392		220,928		5,296,123		624,000		0		0		0		0		0		0		0						6,273,443
Project Other (Standard Comp, Travel, Training)		133,321		104,354		3,774,715		3,669,908		2,382,132		1,900,025		1,865,417		1,848,113		1,830,810		1,813,505		0						19,322,299
Program Other (Standard Comp.,)		0		0		871,643		1,511,770		1,685,725		2,524,590		2,918,955		2,475,638		1,608,821		1,011,503		0						14,608,645
Total One-time IT Costs	**5.0**	**933,834**	**17.0**	**4,210,325**	**233.7**	**37,319,760**	**413.2**	**207,485,254**	**488.3**	**165,181,815**	**589.5**	**157,850,086**	**627.3**	**118,906,495**	**554.6**	**71,731,695**	**421.5**	**55,861,543**	**326.8**	**46,534,872**	**0.0**	**0**					**3,676.9**	**866,015,679**
Continuing IT Project Costs																												
Staff (Salaries & Benefits) /1	0.0	0	0.0	0	3.0	304,442	5.0	505,094	21.3	2,149,679	42.6	4,299,357	63.8	6,449,036	74.5	7,523,875	85.1	8,598,714	95.8	9,673,553	171.0	16,172,146					562.1	55,675,896
Hardware Lease/Maintenance		0		0		18,181		18,181		18,181		18,181		1,093,007		18,181		18,181		18,181		730,412						1,950,686
Software Maintenance/Licenses		0		0		21,478		21,478		9,721,478		9,721,478		9,997,727		9,721,478		9,721,478		9,721,478		9,811,099						68,459,172
Telecommunications		0		0		72,380		72,380		72,380		72,380		72,380		1,972,380		1,972,380		1,972,380		1,972,380						8,251,420
Contract Services		0		0		0		0		0		0		0		0		0		0		10,000,000						10,000,000
Data Center Services		0		0		0		10,000,000		29,500,000		36,800,000		39,800,000		41,250,000		42,700,000		43,150,000		44,500,000						287,700,000
Agency Facilities		0		0		0		2,892,623		2,892,623		2,892,623		2,892,623		2,892,623		2,892,623		2,892,623		2,772,263						23,020,624
Other		0		0		531,100		647,115		1,171,015		1,224,257		2,937,692		1,304,121		1,330,742		1,357,364		2,546,177						13,049,583
Total Continuing IT Costs	**0.0**	**0**	**0.0**	**0**	**3.0**	**947,581**	**5.0**	**14,156,871**	**21.3**	**45,525,356**	**42.6**	**55,028,276**	**63.8**	**63,242,465**	**74.5**	**64,682,658**	**85.1**	**67,234,118**	**95.8**	**68,785,579**	**171.0**	**88,504,477**					**562.1**	**468,107,381**
Total Project Costs /1	**5.0**	**933,834**	**17.0**	**4,210,325**	**236.7**	**38,267,341**	**418.2**	**221,642,125**	**509.6**	**210,707,171**	**632.1**	**212,878,362**	**691.1**	**182,148,960**	**629.1**	**136,414,353**	**506.6**	**123,095,661**	**422.6**	**115,320,451**	**171.0**	**88,504,477**					**4,239.0**	**1,334,123,060**
Continuing Existing Costs /1																												
Information Technology Staff	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	81.0	7,606,611	74.0	6,701,611	74.0	6,701,611	64.0	5,827,795	55.0	4,961,583	46.0	4,095,393	29.0	2,561,945					747.0	68,882,993
Other IT Costs		13,825,576		13,825,576		13,825,576		13,825,576		13,825,576		11,419,766		11,419,766		9,641,434		8,522,002		7,402,570		6,203,138						123,736,556
Total Continuing Existing IT Costs	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**81.0**	**21,432,187**	**74.0**	**18,121,377**	**74.0**	**18,121,377**	**64.0**	**15,469,229**	**55.0**	**13,483,585**	**46.0**	**11,497,963**	**29.0**	**8,765,083**					**747.0**	**85,458,614**
Program Staff (Existing)	8,253.50	596,675,874	8,253.50	596,675,874	8,253.50	596,675,874	8,253.50	596,675,874	8,253.50	596,675,874	8,253.50	596,675,874	8,253.50	596,675,874	8,253.50	596,675,874	8,253.50	596,675,874	8,253.50	596,675,874	8,253.50	596,675,874					90,788.50	6,563,434,614
Other Program Costs (Existing)		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485						1,067,940,335
Total Continuing Existing Program Costs	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**					**90,788.5**	**7,631,374,949**
Total Continuing Existing Costs /1	**8,334.5**	**715,193,546**	**8,334.5**	**715,193,546**	**8,334.5**	**715,193,546**	**8,334.5**	**715,193,546**	**8,334.5**	**715,193,546**	**8,327.5**	**711,882,736**	**8,327.5**	**711,882,736**	**8,317.5**	**709,230,588**	**8,308.5**	**707,244,944**	**8,299.5**	**705,259,322**	**8,282.5**	**702,526,442**					**91,535.5**	**7,823,994,498**
TOTAL ALTERNATIVE COSTS /1	**8,339.5**	**716,127,380**	**8,351.5**	**719,403,871**	**8,571.2**	**753,460,887**	**8,752.7**	**936,835,671**	**8,844.1**	**925,900,717**	**8,959.6**	**924,761,098**	**9,018.6**	**894,031,696**	**8,946.6**	**845,644,941**	**8,815.1**	**830,340,605**	**8,722.1**	**820,579,773**	**8,453.5**	**791,030,919**					**95,774.5**	**9,158,117,558**
INCREASED REVENUES		0		0		0		0		0		0		0		0		0		0		0						0

/1 Costs are reported from SPR #8860-30 October 30, 2006 (does not include subsequent General Salary Increases).

ALTERNATIVE 2: BIS as Approved (budgets only)

All Costs Should be shown in whole (unrounded) dollars.

Date Prepared: 12/13/07

Department: Finance, General Services, State Controller's Office, State Treasurer's Office

Project: FI$Cal

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts			PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time IT Project Costs																												
Staff (Salaries & Benefits)	13.1	1,721,034	16.7	2,090,502	33.5	4,327,002	36.0	4,646,502	38.5	4,966,002	33.0	4,263,102	0.0	0													170.6	22,014,144
Hardware Purchase		30,500		18,600		133,194		101,800		0		0		0														284,094
Software Purchase/License		60,000		0		17,200,000																						17,260,000
Telecommunications		0		0		0		0		0		0		0														0
Contract Services																												0
Software Customization		0		0		3,875,250		15,466,500		13,862,250		10,854,000		0														44,058,000
Project Management		420,000		420,000		360,000		360,000		360,000		360,000		0														2,280,000
Project Oversight		0		200,000		428,113		1,023,650		959,413		773,855		0														3,385,030
IV&V Services		0		0		178,380		1,023,650		959,413		773,855		0														2,935,298
Other Contract Services /2, 3		927,000		989,140		6,657,400		0		0		0		0														8,573,540
TOTAL Contract Services		1,347,000		1,609,140		11,499,143		17,873,800		16,141,075		12,761,710		0														61,231,868
Data Center Services		0		0		0		0		0		0		0														0
Agency Facilities		108,000		108,000		305,424		494,122		460,426		352,598																1,828,570
Other		0																										0
Total One-time IT Costs	**13.1**	**3,266,534**	**16.7**	**3,826,242**	**33.5**	**33,464,763**	**36.0**	**23,116,224**	**38.5**	**21,567,503**	**33.0**	**17,377,411**	**0.0**	**0**													**170.6**	**102,618,676**
Continuing IT Project Costs																												
Staff (Salaries & Benefits)	0.0	0	0.0	0	0.0	0	0.0	0	5.8	745,500	7.0	894,600	18.9	2,441,340													31.7	4,081,440
Hardware Lease/Maintenance		0		0		9,167		244,752		278,685		264,485		263,485														1,060,574
Software Maintenance/Licenses		0		10,000		10,000		3,106,000		3,106,000		3,106,000		3,106,000														12,444,000
Telecommunications		0		0		0		0		0		0		0														0
Contract Services (Software Vendor Support)		0		0		0		0		0		0		4,932,000														4,932,000
Data Center Services		0		0		0		0		2,800,000		4,210,000		5,600,000														12,610,000
Agency Facilities		0		0		0		0		0				170,640														170,640
Other		0		0		0		0		0		0		0														0
Total Continuing IT Costs	**0.0**	**0**	**0.0**	**10,000**	**0.0**	**19,167**	**0.0**	**3,350,752**	**5.8**	**6,930,185**	**7.0**	**8,475,085**	**18.9**	**16,513,465**													**31.7**	**35,298,654**
Total Project Costs	**13.1**	**3,266,534**	**16.7**	**3,836,242**	**33.5**	**33,483,930**	**36.0**	**26,466,976**	**44.3**	**28,497,688**	**40.0**	**25,852,496**	**18.9**	**16,513,465**													**202.4**	**137,917,331**
Continuing Existing Costs																												
Information Technology Staff	30.4	2,874,500	30.4	2,874,500	30.4	2,874,500	30.4	2,874,500	24.6	2,129,000	23.4	1,969,500	23.4	1,969,500													193.0	17,566,000
Other IT Costs		5,361,814		5,361,814		5,361,814		5,361,814		2,956,004		2,956,004		2,956,004														30,315,268
Total Continuing Existing IT Costs	**30.4**	**8,236,314**	**30.4**	**8,236,314**	**30.4**	**8,236,314**	**30.4**	**8,236,314**	**24.6**	**5,085,004**	**23.4**	**4,925,504**	**23.4**	**4,925,504**													**193.0**	**47,881,268**
Program Staff /1	2,751.8	168,988,389	2,751.8	168,988,389	2,751.8	168,988,389	2,749.3	168,668,889	2,746.8	168,349,389	2,746.8	168,349,389	2,756.8	169,627,389													19,255.1	1,181,960,224
Other Program Costs		26,937,780		26,937,780		26,937,780		26,937,780		26,937,780		26,937,780		26,937,780														188,564,461
Total Continuing Existing Program Costs	**2,751.8**	**195,926,169**	**2,751.8**	**195,926,169**	**2,751.8**	**195,926,169**	**2,749.3**	**195,606,669**	**2,746.8**	**195,287,169**	**2,746.8**	**195,287,169**	**2,756.8**	**196,565,169**													**19,255.1**	**1,370,524,685**
Total Continuing Existing Costs	**2,782.2**	**204,162,483**	**2,782.2**	**204,162,483**	**2,782.2**	**204,162,483**	**2,779.7**	**203,842,983**	**2,771.4**	**200,372,173**	**2,770.2**	**200,212,673**	**2,780.2**	**201,490,673**													**19,448.1**	**1,418,405,953**
TOTAL ALTERNATIVE COSTS /4	**2,795.3**	**207,429,017**	**2,798.9**	**207,998,725**	**2,815.7**	**237,646,413**	**2,815.7**	**230,309,959**	**2,815.7**	**228,869,861**	**2,810.2**	**226,065,169**	**2,799.1**	**218,004,138**													**19,650.4**	**1,556,323,283**
INCREASED REVENUES		0		0		0		0		0		0		0														0

/1 The reduction to Continuing Existing Program Staff Costs is due to the temporary redirection of staff to the BIS Project. This does not reflect any anticipated savings as a result of BIS.

/2 In 2005-06 thru 2007-08, Other Contract Services includes an Interagency Agreement with Department of General Services for contract services.

line

/4 Costs are reported from FSR #8860 July 14, 2005 (does not include subsequent General Salary Increases).

ALTERNATIVE 3: BIS Modified (accounting & budgets)

Date Prepared: 12/13/07

All Costs Should be shown in whole (unrounded) dollars.

Department: Finance, General Services, State Controller's Office, State Treasurer's Office

Project: FI$Cal

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time IT Project Costs																												
Staff																												
Project Staff (Salaries & Benefits)	5.0	600,543	16.8	1,888,843	17.2	2,175,934	102.3	11,153,926	168.7	18,742,524	234.1	26,241,531	226.0	25,879,977	192.5	21,872,222	178.5	19,514,811	177.1	19,784,451	0.0	0					1,318.1	147,854,761
Program Staff (Salaries & Benefits)	0.0	0			12.3	1,498,945	43.8	5,076,019	93.2	10,634,797	194.6	21,557,030	285.8	32,158,728	410.2	45,700,308	307.4	35,023,159	207.6	23,914,280	0.0	0					1,554.9	175,563,267
Total Staff	5.0	600,543	16.8	1,888,843	29.5	3,674,879	146.0	16,229,945	261.8	29,377,322	428.7	47,798,560	511.8	58,038,705	602.7	67,572,530	485.9	54,537,970	384.7	43,698,731	0.0	0					2,873.0	323,418,028
Hardware Purchase				5,994		20,000		1,367,298		554,002		932,265		184,645		138,197		0		0		0						3,202,401
Software Purchase/License				22,185		20,000		465,924		268,040		1,012,375		20,108,061		20,065,646		19,933,333		0		0						61,895,565
Telecommunications						44,400		112,842		941,858		500,000		1,000,000		0		0		0		0						2,599,100
Contract Services																												
Software Customization		0		0		0		0		9,372,099		46,860,493		41,536,419		82,434,813		78,181,425		17,262,784		0						275,648,032
Project Management		0		92,510		488,389		500,000		500,000		500,000		500,000		500,000		500,000		500,000		0						4,080,899
Project Oversight /2, 3		0		97,700		312,624		327,400		997,400		997,400		997,400		437,400		437,400		437,400		0						5,042,124
IV&V Services /2		0		97,700		235,224		250,000		920,000		920,000		920,000		360,000		360,000		360,000		0						4,422,924
Other Contract Services		0		2,590,073		365,000		416,667		3,815,333		7,163,000		7,629,000		7,294,000		6,732,000		0		0						36,005,073
TOTAL Contract Services		0		2,877,982		1,401,237		1,494,067		15,604,832		56,440,893		51,582,819		91,026,213		86,210,825		18,560,184		0						325,199,051
Data Center Services		0		0		100,000		0		0		0		0		0		0		0		0						100,000
Agency Facilities		132,392		136,562		344,203		2,292,151		1,505,374		1,614,200		48,600		0		0		0		0						6,073,481
Other																												
Project Other (Std Comp., Travel, Training)		133,321		88,099		652,388		2,746,129		5,266,155		6,313,423		4,217,112		3,320,962		2,444,962		1,933,962		0						27,116,512
Program Other (Std Comp.,)						447,264		460,308		980,308		2,047,962		3,007,962		4,317,962		3,235,308		2,185,308		0						16,682,381
Total Other		133,321		88,099		1,099,652		3,206,437		6,246,463		8,361,385		7,225,074		7,638,924		5,680,270		4,119,270		0						43,798,893
Total One-time IT Costs	**5.0**	**866,256**	**16.8**	**5,019,665**	**29.5**	**6,704,371**	**146.0**	**25,168,664**	**261.8**	**54,497,890**	**428.7**	**116,659,678**	**511.8**	**138,187,904**	**602.7**	**186,441,510**	**485.9**	**166,362,397**	**384.7**	**66,378,185**	**0.0**	**0**					**2,873.0**	**766,286,519**
Continuing IT Project Costs																												
Staff																												
Project Staff (Salaries & Benefits)											21.9	2,384,055	29.9	3,336,071	65.7	7,552,298	80.8	9,338,067	84.3	9,725,525	125.4	15,262,593					408.1	47,598,609
Program Staff (Salaries & Benefits)													7.6	842,756	12.4	1,406,898	15.2	1,762,540	16.2	1,866,935	54.2	7,080,268					105.5	12,959,397
Administrative Services (Salaries & Benefits)							29.5	2,441,621	37.1	3,007,385	36.1	2,896,986	36.1	2,896,986	36.1	2,896,986	36.1	2,896,986	20.9	1,709,663	19.0	1,528,486					250.8	20,275,101
Total Staff	0.0	0	0.0	0	0.0	0	29.5	2,441,621	37.1	3,007,385	58.0	5,281,041	73.6	7,075,813	114.2	11,856,182	132.1	13,997,593	121.4	13,302,124	198.6	23,871,348					764.3	80,833,107
Hardware Lease/Maintenance								138,400		146,700		166,620		171,600		174,920		128,705		155,000		138,400						1,220,345
Software Maintenance/Licenses										111,870		166,255		374,196		3,800,293		7,216,151		10,553,313		10,454,141						32,676,219
Telecommunications								138,546		138,546		138,546		138,546		1,138,546		1,138,546		1,138,546		1,138,546						5,108,368
Contract Services																						5,000,000						5,000,000
Data Center Services								0		8,136,635		25,675,313		32,739,974		35,739,974		37,189,974		38,639,974		39,801,400						217,923,244
Agency Facilities								5,142,389		5,142,389		5,142,389		5,142,389		5,142,389		5,142,389		5,142,389		7,612,763						43,609,486
Other (Std Comp, Travel, Training)								366,659		502,369		959,975		1,754,681		2,399,631		2,570,791		2,412,271		3,040,299						14,006,677
Total Continuing IT Costs	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**29.5**	**8,227,616**	**37.1**	**17,185,894**	**58.0**	**37,530,139**	**73.6**	**47,397,200**	**114.2**	**60,251,935**	**132.1**	**67,384,149**	**121.4**	**71,343,617**	**198.6**	**91,056,896**					**764.3**	**400,377,446**
Total Project Costs	**5.0**	**866,256**	**16.8**	**5,019,665**	**29.5**	**6,704,371**	**175.5**	**33,396,279**	**298.9**	**71,683,784**	**486.6**	**154,189,816**	**585.4**	**185,585,104**	**716.9**	**246,693,445**	**618.0**	**233,746,547**	**506.1**	**137,721,802**	**198.6**	**91,056,896**					**3,637.3**	**1,166,663,965**
Continuing Existing Costs																												
Information Technology Staff /1	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236					1,441.0	289,401,592
Other IT Costs		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168						10,715,848
Total Continuing Existing IT Costs	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**					**1,179.0**	**300,117,440**
Program Staff (Existing) /1	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874					107,295.5	7,756,786,362
Other Program Costs (Existing)		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485						1,262,111,305
Total Continuing Existing Program Costs	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**#######**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**					**107,295.5**	**9,018,897,667**
Total Continuing Existing Costs /1	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**#######**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**					**108,736.5**	**9,319,015,107**
TOTAL ALTERNATIVE COSTS	**8,389.5**	**721,911,019**	**8,401.3**	**726,064,428**	**8,414.0**	**#######**	**8,560.0**	**754,441,042**	**8,683.4**	**792,728,547**	**8,871.1**	**875,234,579**	**8,969.9**	**906,629,866**	**9,101.4**	**967,738,207**	**9,002.5**	**954,791,309**	**8,890.6**	**858,766,565**	**8,583.1**	**812,101,659**					**112,373.8**	**10,485,679,071**
INCREASED REVENUES		0		0		0		0		0		0		0		0		0		0		0						**0**

/1 Costs are reported from SPR #8860-30 October 30, 2006 (does not include subsequent General Salary Increases).

/2 Contracts for Project Oversight and IV&V services have been consolidated into one contract, therefore these costs have been split 50% 50% among these two line items.

/3 Contract for Bureau of State Audits is included in the Project Oversight line item.

ALTERNATIVE 4: FI$Cal Proof of Concept

All Costs Should be shown in whole (unrounded) dollars.

Date Prepared: 12/13/07

Department: Finance, General Services, State Controller's Office, State Treasurer's Office

Project: FI$Cal

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-Time IT Project Costs																												
Staff																												
Project Staff (Salaries & Benefits)	5.0	600,543	16.8	1,888,843	17.2	2,175,934	112.7	12,441,289	191.6	21,587,201	268.3	30,323,709	260.2	30,192,319	224.0	25,862,801	0.0	0									1,095.8	125,072,638
Program Staff (Salaries & Benefits)	0.0	0			12.3	1,498,945	69.4	7,928,059	139.7	15,686,609	171.8	19,121,901	159.4	18,499,634	150.9	17,426,934	0.0	0									703.6	80,162,082
Total Staff	5.0	600,543	16.8	1,888,843	29.5	3,674,879	182.1	20,369,349	331.3	37,273,810	440.1	49,445,610	419.6	48,691,952	374.9	43,289,734	0.0	0									1,799.4	205,234,720
Hardware Purchase				5,994		20,000		1,426,970		617,428		778,487		0		0		0										2,848,879
Software Purchase/License				22,185		20,000		521,151		328,708		875,315		19,935,252		39,866,667		0										61,569,278
Telecommunications						44,400		128,242		941,858		500,000		500,000		0		0										2,114,500
Contract Services																												
Software Customization		0		0		0		0		8,746,115		43,730,577		38,875,991		75,565,453		0										166,918,136
Project Management		0		92,510		488,389		500,000		500,000		500,000		500,000		500,000		0										3,080,899
Project Oversight /2, 3		0		97,700		312,624		327,400		997,400		997,400		997,400		437,400		0										4,167,324
IV&V Services /2		0		97,700		235,224		250,000		920,000		920,000		920,000		360,000		0										3,702,924
Other Contract Services		0		2,590,073		365,000		416,667		3,815,333		6,163,000		7,629,000		7,294,000		0										28,273,073
TOTAL Contract Services /1		0		2,877,982		1,401,237		1,494,067		14,978,849		52,310,977		48,922,391		84,156,853		0										206,142,355
Data Center Services		0		0		100,000		0		0		0		0		0		0										100,000
Agency Facilities		132,392		136,562		344,203		2,532,151		1,746,574		1,775,600		0		0		0										6,667,481
Other																												
Project Other (Std Comp., Travel, Training)		133,321		88,099		652,388		2,890,529		5,917,122		7,365,123		4,446,712		2,430,462		0										23,923,755
Program Other (Std Comp.,)						447,264		730,308		1,470,308		1,807,962		1,677,962		1,587,962		0										7,721,766
Total Other		133,321		88,099		1,099,652		3,620,837		7,387,430		9,173,085		6,124,674		4,018,424		0										31,645,520
Total One-time IT Costs	**5.0**	**866,256**	**16.8**	**5,019,665**	**29.5**	**6,704,371**	**182.1**	**30,092,766**	**331.3**	**63,274,656**	**440.1**	**114,859,073**	**419.6**	**124,174,269**	**374.9**	**171,331,677**	**0.0**	**0**									**1,799.4**	**516,322,733**
Continuing IT Project Costs																												
Staff																												
Project Staff (Salaries & Benefits)											23.8	2,585,913	31.8	3,537,929	68.0	7,792,066	141.6	16,855,636									265.1	30,771,544
Program Staff (Salaries & Benefits)													12.4	1,355,681	20.9	2,389,114	76.0	9,439,001									109.3	13,183,797
Administrative Services (Salaries & Benefits)							31.4	2,630,488	39.9	3,286,454	36.1	2,896,986	36.1	2,896,986	36.1	2,896,986	36.1	2,896,986									215.7	17,504,887
Total Staff	0.0	0	0.0	0	0.0	0	31.4	2,630,488	39.9	3,286,454	59.9	5,482,899	80.3	7,790,597	125.0	13,078,167	253.7	29,191,623									590.0	61,460,227
Hardware Lease/Maintenance								140,060		150,020		164,960		164,960		155,000		107,125										882,125
Software Maintenance/Licenses										123,707		190,568		370,358		3,760,944		10,538,277										14,983,854
Telecommunications								138,546		138,546		138,546		138,546		638,546		638,546										1,831,276
Contract Services																												0
Data Center Services								0		8,136,635		25,675,313		32,739,974		35,739,974		37,781,211										140,073,107
Agency Facilities								5,944,289		5,944,289		5,944,289		5,944,289		5,944,289		8,684,663										38,406,108
Other (Std Comp, Travel, Training)								394,659		548,409		1,001,395		1,940,566		2,601,696		3,771,424										10,258,150
Total Continuing IT Costs	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**31.4**	**9,248,042**	**39.9**	**18,328,060**	**59.9**	**38,597,970**	**80.3**	**49,089,290**	**125.0**	**61,918,616**	**253.7**	**90,712,869**									**590.0**	**267,894,846**
Total Project Costs	**5.0**	**866,256**	**16.8**	**5,019,665**	**29.5**	**6,704,371**	**213.5**	**39,340,808**	**371.2**	**81,602,716**	**499.9**	**153,457,043**	**499.9**	**173,263,559**	**499.9**	**233,250,293**	**253.7**	**90,712,869**									**2,389.5**	**784,217,580**
Continuing Existing Costs																												
Information Technology Staff /1	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236	131.0	26,309,236									1,179.0	236,783,120
Other IT Costs		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168		974,168										8,767,512
Total Continuing Existing IT Costs	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**	**131.0**	**27,283,404**									**917.0**	**245,550,632**
Program Staff (Existing) /1	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874	8,253.5	596,675,874									107,295.5	7,756,786,362
Other Program Costs (Existing)		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485		97,085,485										1,262,111,305
Total Continuing Existing Program Costs	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**	**8,253.5**	**693,761,359**									**107,295.5**	**9,018,897,667**
Total Continuing Existing Costs /1	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**	**8,384.5**	**721,044,763**									**108,474.5**	**9,264,448,299**
TOTAL ALTERNATIVE COSTS	**8,389.5**	**721,911,019**	**8,401.3**	**726,064,428**	**8,414.0**	**727,749,133**	**8,598.0**	**760,385,571**	**8,755.7**	**802,647,479**	**8,884.4**	**874,501,806**	**8,884.4**	**894,308,322**	**8,884.4**	**954,295,055**	**8,638.2**	**811,757,631**									**110,864.0**	**10,048,665,879**
INCREASED REVENUES		0		0		0		0		0		0		0		0		0										**0**

/1 Costs are reported from SPR #8860-30 October 30, 2006 (does not include subsequent General Salary Increases).

/2 Contracts for Project Oversight and IV&V services have been consolidated into one contract, therefore these costs have been split 50% 50% among these two line items.

/3 Contract for Bureau of State Audits is included in the Project Oversight line item.

ECONOMIC ANALYSIS SUMMARY

Date Prepared: 12/13/07

Department: Finance, General Services, State Controller's Office, State Treasurer's Office All costs to be shown in whole (unrounded) dollars.

Project: FI$Cal

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
EXISTING SYSTEM																												
Total IT Costs	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	131.1	27,190,952	1,704.3	353,482,374
Total Program Costs	#####	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	8,253.5	693,761,359	107,295.5	9,018,897,667
Total Existing System Costs	#####	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	108,999.8	9,372,380,041
PROPOSED ALTERNATIVE	**FISCal as Proposed**																											
Total Project Costs	5.0	866,256	16.8	5,019,665	29.5	6,704,371	215.4	40,066,612	370.8	82,678,502	517.0	160,739,542	581.6	193,511,488	680.4	241,546,627	712.7	250,890,664	713.7	207,389,436	597.0	183,945,902	537.3	145,941,327	247.7	100,752,126	5,224.9	1,620,052,518
Total Cont. Exist. Costs	#####	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,384.6	720,952,311	8,253.5	693,761,359	108,868.7	9,345,189,089
Total Alternative Costs	#####	721,818,567	8,401.4	725,971,976	8,414.1	727,656,682	8,600.0	761,018,923	8,755.4	803,630,813	8,901.6	881,691,853	8,966.2	914,463,799	9,065.0	962,498,938	9,097.3	971,842,975	9,098.3	928,341,747	8,981.6	904,898,213	8,921.9	866,893,638	8,501.2	794,513,485	114,093.6	10,965,241,607
COST SAVINGS/AVOIDANCES	(5.0)	(866,256)	(16.8)	(5,019,665)	(29.5)	(6,704,371)	(215.4)	(40,066,612)	(370.8)	(82,678,502)	(517.0)	(160,739,542)	(581.6)	(193,511,488)	(680.4)	(241,546,627)	(712.7)	(250,890,664)	(713.7)	(207,389,436)	(597.0)	(183,945,902)	(537.3)	(145,941,327)	(116.6)	(73,561,174)	(5,093.8)	(1,592,861,566)
Increased Revenues		0		0		0		0		0		0		0		0		0		0		0		0		0	0.0	0
Net (Cost) or Benefit	(5.0)	(866,256)	(16.8)	(5,019,665)	(29.5)	(6,704,371)	(215.4)	(40,066,612)	(370.8)	(82,678,502)	(517.0)	(160,739,542)	(581.6)	(193,511,488)	(680.4)	(241,546,627)	(712.7)	(250,890,664)	(713.7)	(207,389,436)	(597.0)	(183,945,902)	(537.3)	(145,941,327)	(116.6)	(73,561,174)	(5,093.8)	(1,592,861,566)
Cum. Net (Cost) or Benefit	(5.0)	(866,256)	(21.8)	(5,885,921)	(51.3)	(12,590,292)	(266.7)	(52,656,904)	(637.5)	(135,335,406)	(1,154.5)	(296,074,948)	(1,736.1)	(489,586,436)	(2,416.5)	(731,133,063)	(3,129.3)	(982,023,727)	(3,842.9)	#########	(4,440.0)	#########	(4,977.2)	#########	(5,093.8)	#########		
ALTERNATIVE #1	**FISCal as Approved**																											
Total Project Costs	5.0	933,834	17.0	4,210,325	236.7	38,267,341	418.2	221,642,125	509.6	210,707,171	632.1	212,878,362	691.1	182,148,960	629.1	136,414,353	506.6	123,095,661	422.6	115,320,451	171.0	88,504,477					4,239.0	1,334,123,060
Total Cont. Exist. Costs	#####	715,193,546	8,334.5	715,193,546	8,334.5	715,193,546	8,334.5	715,193,546	8,334.5	715,193,546	8,327.5	711,882,736	8,327.5	711,882,736	8,317.5	709,230,588	8,308.5	707,244,944	8,299.5	705,259,322	8,282.5	702,526,442					91,535.5	7,823,994,498
Total Alternative Costs	#####	716,127,380	8,351.5	719,403,871	8,571.2	753,460,887	8,752.7	936,835,671	8,844.1	925,900,717	8,959.6	924,761,098	9,018.6	894,031,696	8,946.6	845,644,941	8,815.1	830,340,605	8,722.1	820,579,773	8,453.5	791,030,919					95,774.5	9,158,117,558
COST SAVINGS/AVOIDANCES	45.1	4,824,931	33.1	1,548,440	(186.6)	(32,508,576)	(368.1)	(215,883,360)	(459.5)	(204,948,406)	(575.0)	(203,808,787)	(634.0)	(173,079,385)	(562.0)	(124,692,630)	(430.5)	(109,388,294)	(337.5)	(99,627,462)	(68.9)	(70,078,608)					(3,543.9)	(1,227,642,138)
Increased Revenues		0		0		0		0		0		0		0		0		0		0		0					0.0	0
Net (Cost) or Benefit	45.1	4,824,931	33.1	1,548,440	(186.6)	(32,508,576)	(368.1)	(215,883,360)	(459.5)	(204,948,406)	(575.0)	(203,808,787)	(634.0)	(173,079,385)	(562.0)	(124,692,630)	(430.5)	(109,388,294)	(337.5)	(99,627,462)	(68.9)	(70,078,608)					(3,543.9)	(1,227,642,138)
Cum. Net (Cost) or Benefit	45.1	4,824,931	78.2	6,373,371	(108.4)	(26,135,205)	(476.5)	(242,018,566)	(936.0)	(446,966,972)	(1,511.0)	(650,775,759)	(2,145.0)	(823,855,144)	(2,707.0)	(948,547,774)	(3,137.5)	#########	(3,475.0)	#########	(3,543.9)	#########						
ALTERNATIVE #2	**BIS as Approved (budgets only)**																											
Total Project Costs	13.1	3,266,534	16.7	3,836,242	33.5	33,483,930	36.0	26,466,976	44.3	28,497,688	40.0	25,852,496	18.9	16,513,465													202.4	137,917,330
Total Cont. Exist. Costs	#####	195,926,169	2,782.2	195,926,169	2,782.2	195,926,169	2,779.7	195,606,669	2,771.4	195,287,169	2,770.2	195,287,169	2,780.2	196,565,169													19,448.1	1,370,524,685
Total Alternative Costs	#####	199,192,703	2,798.9	199,762,411	2,815.7	229,410,099	2,815.7	222,073,645	2,815.7	223,784,857	2,810.2	221,139,665	2,799.1	213,078,634													19,650.4	1,508,442,015
COST SAVINGS/AVOIDANCES	#####	521,759,608	5,585.7	521,189,900	5,568.9	491,542,212	5,568.9	498,878,666	5,568.9	497,167,454	5,574.4	499,812,646	5,585.5	507,873,677													39,041.8	3,538,224,161
Increased Revenues		0		0		0		0		0		0		0													0.0	0
Net (Cost) or Benefit	#####	521,759,608	5,585.7	521,189,900	5,568.9	491,542,212	5,568.9	498,878,666	5,568.9	497,167,454	5,574.4	499,812,646	5,585.5	507,873,677													39,041.8	3,538,224,161
Cum. Net (Cost) or Benefit	#####	521,759,608	11,175.0	1,042,949,507	16,744.0	1,534,491,719	22,312.9	2,033,370,384	27,881.8	2,530,537,838	33,456.3	3,030,350,484	39,041.8	3,538,224,161														
ALTERNATIVE #3	**BIS Modified (accounting & budgets)**																											
Total Project Costs	5.0	866,256	16.8	5,019,665	29.5	6,704,371	175.5	33,396,279	298.9	71,683,784	486.6	154,189,816	585.4	185,585,104	716.9	246,693,445	618.0	233,746,547	506.1	137,721,802	198.6	91,056,896					3,637.3	1,166,663,965
Total Cont. Exist. Costs	#####	721,044,763	8,384.5	721,044,763	8,384.5	721,044,763	8,384.5	721,044,763	8,384.5	721,044,763	8,384.5	721,044,763	8,384.5	721,044,763	8,384.5	721,044,763	8,384.5	721,044,763	8,384.5	721,044,763	8,384.5	721,044,763					92,229.5	7,931,492,389
Total Alternative Costs	#####	721,911,019	8,401.3	726,064,428	8,414.0	727,749,133	8,560.0	754,441,042	8,683.4	792,728,547	8,871.1	875,234,579	8,969.9	906,629,866	9,101.4	967,738,207	9,002.5	954,791,309	8,890.6	858,766,565	8,583.1	812,101,659					95,866.8	9,098,156,353
COST SAVINGS/AVOIDANCES	(4.9)	(958,708)	(16.7)	(5,112,117)	(29.4)	(6,796,822)	(175.4)	(33,488,731)	(298.8)	(71,776,236)	(486.5)	(154,282,268)	(585.3)	(185,677,555)	(716.8)	(246,785,897)	(617.9)	(233,838,999)	(506.0)	(137,814,254)	(198.4)	(91,149,348)					(3,636.2)	(1,167,680,934)
Increased Revenues		0		0		0		0		0		0		0		0		0		0		0					0.0	0
Net (Cost) or Benefit	(4.9)	(958,708)	(16.7)	(5,112,117)	(29.4)	(6,796,822)	(175.4)	(33,488,731)	(298.8)	(71,776,236)	(486.5)	(154,282,268)	(585.3)	(185,677,555)	(716.8)	(246,785,897)	(617.9)	(233,838,999)	(506.0)	(137,814,254)	(198.4)	(91,149,348)					(3,636.2)	(1,167,680,934)
Cum. Net (Cost) or Benefit	(4.9)	(958,708)	(21.6)	(6,070,824)	(51.0)	(12,867,647)	(226.4)	(46,356,378)	(525.2)	(118,132,614)	(1,011.7)	(272,414,882)	(1,597.0)	(458,092,437)	(2,313.8)	(704,878,334)	(2,931.8)	(938,717,332)	(3,437.7)	#########	(3,636.2)	#########						
ALTERNATIVE #4	**FI$Cal Proof of Concept**																											
Total Project Costs	5.0	866,256	16.8	5,019,665	29.5	6,704,371	213.5	39,340,808	371.2	81,602,716	499.9	153,457,043	499.9	173,263,559	499.9	233,250,293	253.7	90,712,869									2,389.5	784,217,580
Total Cont. Exist. Costs	#####	693,761,359	8,384.5	693,761,359	8,384.5	693,761,359	8,384.5	693,761,359	8,384.5	693,761,359	8,384.5	693,761,359	8,384.5	693,761,359	8,384.5	693,761,359	8,384.5	693,761,359									75,460.5	6,243,852,231
Total Alternative Costs	#####	694,627,615	8,401.3	698,781,024	8,414.0	700,465,730	8,598.0	733,102,167	8,755.7	775,364,075	8,884.4	847,218,402	8,884.4	867,024,918	8,884.4	927,011,652	8,638.2	784,474,228									77,850.0	7,028,069,811
COST SAVINGS/AVOIDANCES	(4.9)	26,324,696	(16.7)	22,171,287	(29.4)	20,486,581	(213.4)	(12,149,856)	(371.1)	(54,411,765)	(499.8)	(126,266,091)	(499.8)	(146,072,607)	(499.8)	(206,059,341)	(253.5)	(63,521,917)									(2,388.6)	(539,499,013)
Increased Revenues		0		0		0		0		0		0		0		0		0									0.0	0
Net (Cost) or Benefit	(4.9)	26,324,696	(16.7)	22,171,287	(29.4)	20,486,581	(213.4)	(12,149,856)	(371.1)	(54,411,765)	(499.8)	(126,266,091)	(499.8)	(146,072,607)	(499.8)	(206,059,341)	(253.5)	(63,521,917)									(2,388.6)	(539,499,013)
Cum. Net (Cost) or Benefit	(4.9)	26,324,696	(21.6)	48,495,983	(51.0)	68,982,564	(264.4)	56,832,708	(635.6)	2,420,943	(1,135.4)	(123,845,148)	(1,635.2)	(269,917,755)	(2,135.0)	(475,977,096)	(2,388.6)	(539,499,013)										

PROJECT FUNDING PLAN

Department: Finance, General Services, State Controller's Office, State Treasurer's Office — All Costs to be in whole (unrounded) dollars — Date Prepared: 12/13/07

Project: FI$Cal

	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		TOTALS	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
TOTAL PROJECT COSTS	**5.0**	**866,256**	**16.8**	**5,019,665**	**29.5**	**6,704,371**	**215.4**	**40,066,612**	**370.8**	**82,678,502**	**517.0**	**160,739,542**	**581.6**	**193,511,488**	**680.4**	**241,546,627**	**712.7**	**250,890,664**	**713.7**	**207,389,436**	**597.0**	**183,945,902**	**537.3**	**145,941,327**	**247.7**	**100,752,126**	**5,224.9**	**1,620,052,518**
RESOURCES TO BE REDIRECTED																												
Staff	3.0	410,889	11.8	2,171,450	3.1	500,371	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	**17.9**	**3,082,710**
Funds:																											**0.0**	**0**
Existing System		0		0		0		0		0		0		0		0		0		0		0		0		0	**0.0**	**0**
Other Fund Sources		0		615,215		0		0		0		0		0		0		0		0		0		0		0	**0.0**	**615,215**
TOTAL REDIRECTED RESOURCES	**3.0**	**410,889**	**11.8**	**2,786,665**	**3.1**	**500,371**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**17.9**	**3,697,925**
ADDITIONAL PROJECT FUNDING NEEDED																												
One-Time Project Costs	2.0	455,367	5.0	2,233,000	29.4	6,204,000	184.0	30,670,129	330.9	64,180,483	452.4	121,446,051	496.6	143,696,818	551.8	176,976,018	558.1	179,342,487	506.4	125,538,948	384.1	98,578,162	289.3	52,645,378	0.0	0	**3,790.0**	**1,001,966,840**
Continuing Project Costs	0.0	0	0.0	0	0.0	0	31.4	9,396,483	39.9	18,498,019	64.6	39,293,492	85.0	49,814,670	128.6	64,570,609	154.7	71,548,177	207.3	81,850,488	212.9	85,367,740	248.0	93,295,949	247.7	100,752,126	**1,420.0**	**614,387,754**
TOTAL ADDITIONAL PROJECT FUNDS NEEDED BY FISCAL YEAR	**2.0**	**455,367**	**5.0**	**2,233,000**	**26.4**	**6,204,000**	**215.4**	**40,066,612**	**370.8**	**82,678,502**	**517.0**	**160,739,542**	**581.6**	**193,511,488**	**680.4**	**241,546,627**	**712.7**	**250,890,664**	**713.7**	**207,389,436**	**597.0**	**183,945,902**	**537.3**	**145,941,327**	**247.7**	**100,752,126**	**5,207.0**	**1,616,354,593**
TOTAL PROJECT FUNDING	**5.0**	**866,256**	**16.8**	**5,019,665**	**29.5**	**6,704,371**	**215.4**	**40,066,612**	**370.8**	**82,678,502**	**517.0**	**160,739,542**	**581.6**	**193,511,488**	**680.4**	**241,546,627**	**712.7**	**250,890,664**	**713.7**	**207,389,436**	**597.0**	**183,945,902**	**537.3**	**145,941,327**	**247.7**	**100,752,126**	**5,224.9**	**1,620,052,518**
Difference: Funding - Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	(0.0)	0	0.0	0	**0.0**	**0**
Total Estimated Cost Savings	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	**0.0**	**0**

ADJUSTMENTS, SAVINGS AND REVENUES WORKSHEET

(DOF Use Only)

Department: Finance, General Services, State Controller's Office, State Treasurer's Office — Date Prepared: 12/13/07

Project: FI$Cal

Annual Project Adjustments	FY 2005/06		FY 2006/07		FY 2007/08		FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		FY 2017/18		Net Adjustments	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-time Costs																												
Previous Year's Baseline	0.0	0	2.0	455,367	5.0	2,233,000	29.4	6,204,000	184.0	30,670,129	330.9	64,180,483	452.4	121,446,051	496.6	143,696,818	551.8	176,976,018	558.1	179,342,487	506.4	125,538,948	384.1	98,578,162	289.3	52,645,378		
(A1) One-Time Budget Adjustments								(3,787,000)																				
(A) Annual Augmentation /(Reduction)	**2.0**	**455,367**	**3.0**	**1,777,633**	**24.4**	**3,971,000**	**154.6**	**28,253,129**	**146.8**	**33,510,354**	**121.6**	**57,265,568**	**44.2**	**22,250,767**	**55.2**	**33,279,200**	**6.3**	**2,366,469**	**(51.7)**	**(53,803,539)**	**(122.2)**	**(26,960,787)**	**(94.8)**	**(45,932,784)**	**(289.3)**	**(52,645,378)**		
(B) Total One-Time Budget Actions	2.0	455,367	5.0	2,233,000	29.4	6,204,000	184.0	30,670,129	330.9	64,180,483	452.4	121,446,051	496.6	143,696,818	551.8	176,976,018	558.1	179,342,487	506.4	125,538,948	384.1	98,578,162	289.3	52,645,378	0.0	0	**3,790.0**	**1,001,966,840**
Continuing Costs																												
Previous Year's Baseline	0.0	0	0.0	0	0.0	0	0.0	0	31.4	9,396,483	39.9	18,498,019	64.6	39,293,492	85.0	49,814,670	128.6	64,570,609	154.7	71,548,177	207.3	81,850,488	212.9	85,367,740	248.0	93,295,949		
(C) Annual Augmentation /(Reduction)	**0.0**	**0**	**0.0**	**0**	**0.0**	**0**	**31.4**	**9,396,483**	**8.6**	**9,101,536**	**24.7**	**20,795,472**	**20.4**	**10,521,178**	**43.6**	**14,755,939**	**26.0**	**6,977,568**	**52.6**	**10,302,311**	**5.6**	**3,517,252**	**35.1**	**7,928,209**	**(0.3)**	**7,456,177**		
(D) Total Continuing Budget Actions	0.0	0	0.0	0	0.0	0	31.4	9,396,483	39.9	18,498,019	64.6	39,293,492	85.0	49,814,670	128.6	64,570,609	154.7	71,548,177	207.3	81,850,488	212.9	85,367,740	248.0	93,295,949	247.7	100,752,126	**1,420.0**	**614,387,754**
Total Annual Project Budget Augmentation /(Reduction) [A + C]	**2.0**	**455,367**	**3.0**	**1,777,633**	**24.4**	**3,971,000**	**186.0**	**37,649,612**	**155.4**	**42,611,890**	**146.3**	**78,061,040**	**64.6**	**32,771,945**	**98.8**	**48,035,139**	**32.3**	**9,344,037**	**0.9**	**(43,501,228)**	**(116.6)**	**(23,443,534)**	**(59.8)**	**(38,004,575)**	**(289.6)**	**(45,189,201)**		

[A, C] Excludes Redirected Resources

Total Additional Project Funds Needed [B + D] — **5,210.0 1,616,354,593**

Annual Savings/Revenue Adjustments

Cost Savings	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0		
Increased Program Revenues		0		0		0		0		0		0		0		0		0		0		0		0		0		

6.1 Cost Assumptions

The following assumptions were used to develop the EAWs for the FI$Cal Project:

1. The Project incorporates 134 departments.
    - On-site teams will be provided for departments to document their baseline systems, processes, and organization; transform their organization; transition to the new system, and re-baseline the new organization.
    - The statewide team will provide the central procurement, development, and maintenance of the system and will have representation from all stakeholders (Partner agencies and departments).
2. The Project will provide statewide financial management and procurement functionality for an organization of 345,000 employees and the following financial activities:
    - $321 Billion Budgeted Funds.
    - $498 Billion Receipts.
    - $498 Billion Disbursements.
    - $760 Billion Assets.
    - $531 Billion Investments.
    - $1,000 Billion Payments.
    - $1,226 Billion Deposits.
    - $452 Million Compensating Balances.
    - 231 Million square feet buildings.
    - 137 Million payment items.
3. The Project will replace over 50 Partner Agency legacy systems and over 1000 departmental subsidiary (shadow) systems.
4. Budgeted funds are requested a year in advance for many departments who provide specific business experts. The objective is to hire and train a replacement for the expert that will be coming to the Project.
5. The Project requires that vendor staff will be co-located with state staff (effects facilities cost).
6. The Project will train about 50,000 state employees.
7. The Project will build both a new physical (hardware) infrastructure and establish an operational support organization to support the system.
8. State staff will maintain the system in the future and is staffed appropriately.
9. The project includes costs for technical system maintenance on an annual basis to keep the system current and avoid major upgrades (the Project will engage in incremental annual upgrades).

10. Beginning in 2008-09, and in addition to the existing staff level, 208.3 positions are required of which 177.3 positions are required for the basic, on-going infrastructure staffing and 31 sponsor agency administrative positions are needed as reflected in the Project Team Staffing chart below.

Project Team	Function(s)	Number of Positions
Executive Team • Project Executive • Project Director • Partner Business Executives	Executive Management	6
Project Administration • FI$Cal • DGS	• Project Management • Schedule Management • Scope Management • Resource Management & Allocation • Risk and Issue Management • Procurement and Contract Management • Financial and Business Services • Document Control & Support Staff Activities • Quality Assurance • Recruitment & Retention	33
Technology Team • FI$Cal • DOF • SCO • DTS	• Enterprise Architecture • Legacy Systems Interfaces • Information Security • Technology and Infrastructure Services • Desktop and Email Support • Customer Services Help Desk • Technical Environment Enterprise Architecture • Systems Quality Assurance • Systems Quality Control • IT Process Management • Telecom and Network Technology • Department Legacy Transition • Data Center Network & Operating Systems	41
Business Team • FI$Cal • DOF • SCO • STO • DGS • SPB • DPA	• Requirements Management • Process Reengineering • Change Management • Legal Regulatory and Policy • Department Readiness • Functional Service & Support	97.3
Sponsor Agency Administrative Staffing	Administrative Services • Business Services • Human Resources • Training • All other administrative functions	31
Total		**208.3**

11. Salaries are budgeted at the top step assuming that the Project will require the most experienced and knowledgeable staff.

12. Overall, the cost changes from the prior SPR were driven by:
    - Increase of two years to the total project term – from 10 years to 12 years
    - Increase in total budgeted staff. After working with the business requirements and as the Partner Agencies became more familiar with the scope of the project, they are anticipating the customer support needed that will require their expertise. The staffing increases primarily are in the following areas:
        - SCO business area representation.
        - SCO legacy system support.
        - DGS Asset Management.
        - DGS Procurement.
        - Various technical Project positions; many of these technical positions directly reduced data center costs.
        - General administration positions (e.g., human resources, facilities).
    - Staff related expenses (e.g., standard compensation and training)
    - Facilities – facility costs increased for three reasons: (1) more state staff, (2) additional vendor staff on site for knowledge transfer and (3) increase in the facility rate per square foot.
    - Software costs have increased – specifically third-party software that will be needed for the Project. Recently completed procurements and market research required an adjustment in the estimate.
    - Some costs have decreased – for example, specific estimates for department teams have been developed resulting in an overall decrease. Telecommunications estimates have also had a small decrease.

Also note that prior year costs have had small changes to reflect actual activities. Costs for 2005-06 decreased because the expenditure and activities occurred in 2006-07. Costs in 2006-07 increased because of this activity shift and also because of the increased tasks to gather requirements for the Partner Agencies.

Additional detail on the cost estimate, assumptions, and changes may be found in Appendix J.

6.2 EAWs

The EAWs for the alternatives are provided in this section.

Appendix A: Other Alternatives Analysis

A.1 Alternative 1 - FI$Cal SPR as approved December 2006

A.1.1 Description

This alternative is the same as the Preferred Alternative contained in the Financial Information System for California Special Project Report (Project #8860-30), approved by the Office of Technology Review, Oversight, and Security on December 15, 2006 (the original FI$Cal SPR), and includes adjustments for the schedule. This alternative is to implement an ERP to provide enterprise accounting, budgeting and purchasing functions, and replace all existing control agency and departmental systems used for financial management and budget administration. Major reasons for this choice include the flexibility and much lower, predictable cost of COTS software.

The FI$Cal project reflects a conceptual change in the way the state will approach financial management in the future. FI$Cal seeks to provide a single integrated platform to manage and control financial activities rather than employing separate systems to meet the constitutional responsibilities of control agencies and the program needs of departments.

In addition, FI$Cal provides an avenue for the state to revise and update current business processes. Many of the state's business processes utilize technology mainly for transaction processing and the business processes are manually intensive, a reflection of a time when there was a smaller volume of state programs, a smaller workforce and simpler business activities. The current business model does not reflect today's business environment, process requirements or technology needs of the state.

State accounting, budgeting and procurement processes cross the functionality silos created by the transaction oriented business model which is rigorously enforced by the existing legacy financial systems. FI$Cal will update, realign, standardize, and in some cases, streamline, business processes to reflect the state's current and future needs, plus leverage COTS technology tools. The state will take advantage of efficiencies while providing better information.

FI$Cal will utilize an ERP solution as the single integrated financial management platform for the state. A key characteristic of ERP solutions is their support for entire business processes through integrated modules, where financial data and related information is stored in a single system. By using data entry techniques, electronic workflow and configured automation, ERP solutions also provide features and capabilities that are limited in stand-alone systems or, in the case of most of the state's legacy systems, simply unavailable.

This alternative utilizes a business-based procurement and seeks a solution from potential vendors that meets the state's business requirements and provides resolution on many design and implementation issues, including the transition from the existing environment to the new environment over the course of the project and the process designed to incorporate both the departments and Partner Agencies' business needs on the proposed system and those not yet on the system.

A.1.2 Scope

Major Function	Sub Functions	Comments
Budget Development and Enactment	Planning	Includes all budget planning processes.
	Development and Enactment	Includes decision making support, the spring budget update, Legislative actions and veto decision processes.
	Position Control and Salary Administration	Includes utilizing position control and salary administration data from the 21st Century Project for the purpose of budget development. This information will also be used for other accounting purposes such as cost allocation.
	Revenue Forecasting	Includes revenue estimates for most non-major revenues (e.g., special funds). Complex forecasting tools used to calculate the major sources of revenue, primarily for the General Fund will continue to work independent of this system; although, summary data will be entered (or interfaced) to support the budget development process.
	Budget Documents	Includes the Governor's Budget, Salary and Wages Supplement, May Revision Highlights, Budget Highlights.
Budget Administration	Budget Administration and Monitoring	Includes incorporating real-time accounting information for budget monitoring/reporting.
Appropriation Accounting	Budget Control	Includes Allotment Accounting, Budget Plans, and Budget Preparation Support for departments.
	Budget Administration	Includes budget Executive Orders and budget revisions process among departments, DOF, and SCO maintaining and monitoring/reporting.
General Ledger Accounting	General Ledger	Includes central/shared tables for consistency (i.e., chart of accounts, commodity and service codes)

Major Function	Sub Functions	Comments
Receivables/ Collections	Revenue and Receipt Accounting	Includes revenue and receipt tracking.
	Accounts Receivable	Excluding program-based cashiering and cash receipting functions.
Payables	Encumbrance Accounting	Begins with the Requisition Process for internal control and identification of "spend" information (i.e., what are we buying for the state)
	Accounts Payable	Includes payable tracking and request for payment.
	Office Revolving Fund	Includes office revolving fund checks
	SCO Disbursements and Audits	Creation of an electronic or paper warrant, includes internal controls, edits, parameters, and validation protocols will be used and monitored by SCO audits.
Procurement	Contracts	Includes functionality to establish, manage, and administer departmental contracts and the state's leveraged procurement agreements.
	Requisitions and Purchase Orders	Includes functionality to create requisitions, create and manage purchase documents, delivery and receipt, and manage the state's payment cards.
	Vendor Management	Includes requirements for departmental processing and consistent statewide process including a single statewide vendor file.
Project Accounting	Project Repository	Provides a comprehensive data store for project expenditures across the state. Provides for multi-year project budgets.

Major Function	Sub Functions	Comments
	Capital Projects	Includes working in conjunction with specialized project management and engineering systems for departments focused on capital projects.
	Project Reporting	Record and report on project financial activity as necessary to meet federal, state, and management needs.
Grant Management	Grant Tracking	Track grants, whether the state is a grantee or a grantor.
	Grant Repository	Provides a comprehensive data store for grant activity across the state.
Cost Accounting	Labor Distribution	Includes distribution of personnel and overhead costs across different programs, project, grants, and other chart-of-account elements. Labor distribution should be as close to real time as possible.
	Indirect Costs	Includes a cost allocation and labor distribution component, addressing program, project, fund, unit, and activity. Indirect costs should be as close to real time as possible.
Cash Management	Cash Tracking/Forecast	Track and forecast cash deposits, disbursements, and cash balance; maintain and monitor cash balance of funds (SCO); and borrow cash from internal and external sources (SCO).
	Bank Reconciliation	Includes the monitoring and managing of the cash in depository banks).
	Deposits	Includes providing the Front-End Deposit System (FEDS).
	Check Writing	Includes a Check Writing System.

Major Function	Sub Functions	Comments
Bank/Warrant Reconciliation	Bank Reconciliation	Bank reconciliation between the STO and third-party financial institutions.
	Banking Services	The STO acts as a bank and is presented with state issued checks, vouchers, and warrants by financial institutions for redemption.
	Other Bank/Warrant Account Reconciliation	Will reconcile the agency checking accounts (e.g., Office Revolving Funds, trust accounts and other cash/general cash accounts) which are expected to remain.
Asset Management	Basic Asset Management	Focusing on department and state-level asset accounting (Governmental Accounting Standards Board 34 and 35). In scope asset accounting includes the description of assets (including works of art/treasurers; tracking and location of assets; useful life and depreciation; impairments (GASB 42); and the ability to reconcile the inventory to the control account
Human Resources	Position Control and Salary Administration	The payroll system administered by SCO is the system of record including all transactions related to this functionality. Data transfer from the payroll system is used to support budget and accounting functionality requiring this information.
	Labor Distribution data	State accounting requires labor distribution to spread costs to other funds and programs.
	Role-based Identity data	Employee identification/ authentication and role based authority (for the FI$Cal Project only).
	Single Time Sheet	Includes Single Time Sheet for state employees for both cost accounting and leave accounting.

Major Function	Sub Functions	Comments
SCO Audit	Expenditure Audits	This is not a function of the system, but a requirement by statute for all expenditures to be audited before paid. This audit function is defined by a set of requirements and will include standard processes and audit tools to meet the requirements.
Security	Security Plans and Protocols	Includes Security Plans and Protocols to provide sufficient level of protection and integrity for the state's critical information, as well as Partner and department business needs.

A.1.3 Assumptions

This alternative takes into account the following key assumptions:

- Enterprise Licensing: The proposed statewide ERP software will be a one time purchase; however, the implementation and configuration of the system components will be incrementally developed and installed. In terms of licensing, the state will obtain and use an enterprise license that ensures only those licensing costs applicable to a specific project phase or activity will be charged. The state does not intend to pay for licenses until they are needed to ensure the best pricing for the state and compliance with Control Section 11.10.
- Completed Rollout: The objectives and improvements are predicated on a fully implemented FI$Cal financial management system.
- Workforce Modernization: The state will be able to develop, recruit and retain a workforce with the necessary skills, knowledge and experience to implement, operate and maintain the selected system.
- Vendor Resources: The state will be able to supplement existing management and staff resources with vendor resources having equivalent or the necessary skills, knowledge and experience throughout the duration of the project.
- Stakeholder Participation: The key stakeholders, including, but not limited to, the Governor's Office, the Legislature, Partner Agencies and participating departments will be involved in high-level planning, management and oversight throughout the duration of the project.
- Technology Capacity: The state's technology infrastructure will be sufficient to support an ERP software solution and related performance requirements. This includes network bandwidth, processing capability, workstations, and so on.
- Operational Commitment: Unlike custom-developed software, ERP suites are packaged solutions with a life cycle involving defect corrections, software updates and new releases. The evaluation, testing, implementation and training

around each of these life cycle changes will require dedicated personnel, equipment and infrastructure in a centralized support structure.

- Partner Agency Collaboration: Partner Agencies will collaborate to resolve technical, program and policy issues in order to develop a single, integrated system that meets the needs of all users.

A.1.4 Advantages/Disadvantages

A.1.4.1 Advantages

- Improved Financial Information Quality: Standardized and streamlined business processes result in timely information, consistent financial data and reduced error correction. The improved quality of financial information introduces greater financial accountability and the opportunity for effective financial management.
- Increased Business Process Efficiency: FI$Cal will establish standardized accounting, budgeting and purchasing processes and procedures. Partner Agencies and departments should be able to more effectively focus on program execution while meeting the fundamental financial management business requirements of the state.
- Reduced Timing/Reconciliation Errors: The reduction in systems that provide the same information, either between Partner Agencies and departments or between Control Agencies, will reduce current timing and system reconciliation steps that result in inconsistent, out-of-date or erroneous financial information.
- Increase Transparency: FI$Cal will provide a better basis for decision making and information sharing to the public and the state's business partners, including the Legislature.
- Reduced Technology Costs (compared to other alternatives for the state): A single, statewide enterprise financial management system addressing accounting, budgeting and purchasing functions will avoid significant costs to the state from multiple implementations of ERPs, other COTS or custom-developed software applications to provide the same functionality. Savings in license fees and on-going maintenance costs compared to those same costs for systems from multiple vendors should be substantial.
- Reduced Staff Costs (compared to other alternatives presented): A single, statewide development allows the state to access and pool the talents of qualified staff from several state departments to define business practices and how the systems works, rather than reliance on departments to undertake separate projects on their own. Similarly, once established, accounting, budget and business services (purchasing) staff development and training throughout the state will be based on consistent processes and tools rather than disparate ones. For instance, lower training costs are required when state staff transfers between departments.
- Reduced Interface Complexity: Consistent integration standards and protocols of information and systems for the state results in fewer interfaces.
- Reduced Risk of Technology Failures: FI$Cal accelerates the replacement of aging legacy systems that will fail at some point in the future due to lack of

supportable hardware, qualified resources or inability to support changes in business requirements.

- Simplified Operations and Maintenance: Avoids conflicts with future software versions and updates by utilizing a single business platform instead of multiple platforms. In addition, FI$Cal uses a modern technology infrastructure and phases out legacy infrastructure.
- Comprehensive Approach: Business processes are standardized and coordinated from an overall, consistent viewpoint rather than in a piecemeal fashion.

A.1.4.2 Disadvantages

- Limits Business Process Options: The selection of an ERP suite commits the state to a standardized set of business processes. Although the software supports some degree of tailoring to support the needs of each Partner Agency and/or department, the core business processes are defined by the software design and cannot be changed without customization. The state cannot customize the source code of the software without losing the benefits of COTS and creating future problems in maintenance and cost.
- Introduces Greater System Complexity: ERP systems have a much greater level of complexity compared to the state's legacy systems due to the broader set of business functions and integrated nature of the modules. The increased complexity expands the role of the support and maintenance organization, and requires an increased level of skills and knowledge to administer.
- Introduces Significant Change: The rollout of FI$Cal will disrupt existing Partner Agency and departmental processes, and generate changes that may produce temporary uncertainty and stress for the impacted organizations and individuals. It is envisioned that project management processes and organizational change management will reduce risk and resolve issues during the project lifecycle.
- Restricts Resources: The implementation of the system is a substantial commitment of resources during the project time frame.
- Creates Vendor Dependence: Selection of this Preferred Alternative may force the state to depend upon a single software vendor (or limited number of vendors) and effectively adopt the vendor's business model, technology, and staff for a long-term relationship.

A.1.5 Project Phasing

The implementation has been divided into three (3) distinct stages to account for the complexities involved in implementing an enterprise accounting, budgeting, and limited procurement system for the state.

A.1.5.1 Stage 1

- Stage 1 includes the implementation of the enterprise accounting, budgeting, and limited procurement functions. As a result, major activities of both DOF and SCO will be subject to Stage 1 and select activities of STO and DGS will be affected.
- Stage 1 is divided into two (2) waves. Wave 1 includes the statewide functions of the four (4) Partner Agencies, plus departmental accounting, budgeting, and

limited procurement functions for seven (7) selected departments and their seven (7) client departments. In Wave 2, the departmental accounting, budgeting, and limited procurement functions of fifteen (15) additional departments and their client departments will be implemented.

- Some of the departments included in Waves 1 and 2 provide accounting or budgeting services for other client departments within their span of control.

STAGE AND WAVE	DEPARTMENTS
Stage 1/Wave 1: Partner Agencies	Department of Finance
	Department of General Services
	State Controller's Office
	State Treasurer's Office
Stage1/Wave 1: Departments	Board of Equalization
	Department of Justice
	Department of Parks and Recreation
	San Joaquin River Conservancy
	Baldwin Hills Conservancy
	Coachella Valley Mountains Conservancy
	Department of Social Services
	Secretary for Ca Health and Human Services
	State Council on Developmental Disabilities
	Employment Development Department
	Labor and Workforce Development Agency
	California Workforce Investment Board
	Department of Technology Services
	State Water Resources Control Board
Stage 1/Wave 2: Departments	California Housing Finance Agency
	Department of Housing and Community Development
	Department of General Services – Contracted Fiscal Services (28 client departments)
	Franchise Tax Board
	Department of Consumer Affairs
	Department of Education
	Office of the Secretary for Education
	Department of the California Highway Patrol

STAGE AND WAVE	DEPARTMENTS
	Commission on Peace Officer Standards and Training
	Department of Conservation
	Department of Rehabilitation
	Department of Mental Health
	Department of Developmental Services
	Energy Resources Conservation and Development Commission
	State Coastal Conservancy
	San Diego River Conservancy
	Delta Protection Commission
	Native American Heritage Commission
	State Lands Commission
	State Teachers' Retirement System

A.1.5.2 Stage 2

- Roll-out to all remaining state departments for accounting, budgeting, and procurement will occur in Stage 2. See Appendix J: Stage 2 Departments.
- The deployment of Stage 2 will be accomplished through separate procurement(s) for system integrator services and/or by state staff that have been cross-trained through an active knowledge-transfer process during Stage 1. These procurements will be conducted under a statewide Master Services Agreement administered by DGS. Stage 2 will use the state standard FI$Cal system configuration that is adopted and deployed in Stage 1. Thus, Stage 2 represents “more of the same” in terms of “bringing” departments onto the FI$Cal System, established during Stage 1.

A.1.5.3 Stage 3

- The state intends FI$Cal to be an integrated solution that includes business-related functions beyond those listed in the Section 3.6.1.2 Scope; this additional functionality will be part of Stage 3.
- The scope, approach, and timing for deploying Stage 3 have not been finalized. This RFP, however, does include Stage 3 Functional Areas and desirable requirements for software that will address anticipated functionality for Stage 3, such as inventory management and employee expense claims.
- Stage 3 is qualitatively different than Stage 1 or Stage 2. It includes a set of separate but related projects that leverage the software acquired in Stage 1, but involves the implementation of expanded system functionality. Other Stage 3 Modules may be acquired beyond those acquired in Stage 1. With regard to timeline, the implementation of Stage 3 will be scheduled after the implementation of Wave 1 has been accepted by the state. Additionally, Stage 3 must be implemented with the collaboration of the FI$Cal Project.

A.1.6 Schedule

Project Phases	Phase Deliverables	Proposed Schedule
Initial Planning	• Convene Steering Committee • Conduct procurement for chart of accounts analysis and acquisition assistance	July 2005 – January 2006 (Completed Task - No Change)
Chart of Accounts and Standards and Requirements Workshops	• Analyze the existing Uniform Codes Manual • Develop a strategy for statewide chart of accounts and standards • Explore market alternatives • Develop business requirements	February 2006 – October 2006 (Completed Task – No Change)
Special Project Report	• Reevaluate Project, goals, and statewide approach • Review of report	August 2006 – November 2006 (Completed Task – No Change)
Procurement	• Develop Draft RFP	December 2006 – August 2007 (Completed Draft RFP)
Special Project Report #2	• Develop SPR #2 at the direction of the Legislature in compliance with budget bill language	August 2007 – December 2007
Memorandum of Understanding (MOU)	• Complete MOU to provide the framework for the partnership of DOF, SCO, STO and DGS in compliance with budget bill language.	July 2007 - October 2007
Procurement	• Finalize RFP based on direction from the Legislature.	April 2008 – October 2008
Procurement	• Conduct business based procurement for statewide software and system integrator services	September 2008 – April 2009
Special Project Report #3	• Complete SPR to report solution and updated costs. • Review of SPR by OTROS & LAO and other authorizations as required	May 2009 – June 2009 (Develop SPR #3) June 2009 - July 2009
Implementation: Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis • Change management program development • Requirements specification and decomposition	August 2009 – January 2010
Implementation: Build	• Site preparation and configuration • Solution build, configuration, customization and installation • Configuration management and change control • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	February 2010 – September 2010

Project Phases	Phase Deliverables	Proposed Schedule
Implementation: Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing • Change management program	October 2010 – March 2011
Implementation: Release and Deploy Solution – Partner Agencies and selected departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Production deployed to DOF, SCO, STO, DGS and selected departments • Evaluation Report after first department roll-out.	Stage 1, Wave 1—April 2011 – June 2011
Implementation: Release and Deploy In a Phased Approach	• Implementation event and deployment schedule • Change management program • Training – technical, administrator and user • Production deployed to departments and agencies in a staggered process	Stage 1, Wave 2 – June 2012 Stage 2, Wave 3 – June 2013 Stage 2, Wave 4 – June 2014 Stage 2, Wave 5 – June 2015
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • Final Evaluation Report	June 2016

A.2 Alternative 2 – Budget Information System (BIS)

A.2.1 Description

This solution is presented solely as a required item in Senate Bill 78, Provision 1b of Item 8860-002-0001 of the 2007 Budget Act (Chapter 172 of the Statutes of 2007).This alternative was originally introduced with the Budget Information System (BIS) Feasibility Study Report dated July 14, 2005. However, during requirements development, the Project determined this alternative would not work as originally scoped because the accounting functionality was not included. Accounting and budgeting functions are closely related. Implementing statewide budgeting alone would not provide the functionality relative to providing statewide-integrated data. It would be very difficult to produce data to reflect a holistic view of budgeted versus detailed actual expenditures under the original project scope.

The alternative includes the statewide deployment of a COTS solution using either appropriate modules of an ERP application or a stand-alone application (or multiple applications). All relevant existing control agency and departmental systems used for budget development and administration will be replaced. This alternative does not include the SCO, the STO and the DGS as Partner Agencies.

The BIS Project reflected the use of a single technology platform for budget development and budget administration/management needs. This new platform would support the budget needs of both the DOF and other departments. In addition, the platform would address the budget deliberation and other information needs of the Legislature.

From a business process perspective, BIS focused on replacement of technology used for budget preparation and budget administration/management. A major focus was leveraging technology to improve business processes (e.g., electronic workflow, distributed data entry.) but not on a wholesale reengineering of the budget preparation (or administration) process.

A.2.2 Scope

Major Function	Sub Functions	Comments
Budget Development and Enactment	Planning	Includes all budget planning processes.
	Development and Enactment	Includes decision making support, the spring budget update, Legislative actions and veto decision processes.
	Position Control and Salary Administration	Includes utilizing position control and salary administration data from the 21st Century Project for the purpose of budget development. This information will also be used for other accounting purposes such as cost allocation.

Major Function	Sub Functions	Comments
	Revenue Forecasting	Includes revenue estimates for most non-major revenues (e.g., special funds). Complex forecasting tools used to calculate the major sources of revenue, primarily for the General Fund will continue to work independent of this system; although, summary data will be entered (or interfaced) to support the budget development process.
	Budget Documents	Includes the Governor's Budget, Salary and Wages Supplement, May Revision Highlights, Budget Highlights.
Budget Administration	Budget Administration and Monitoring	Includes incorporating real-time accounting information for budget monitoring/reporting.
Human Resources	Position Control and Salary Administration	The payroll system administered by SCO is the system of record including all transactions related to this functionality. Data transfer from the payroll system is used to support budget and accounting functionality requiring this information.

A.2.3 Assumptions

This alternative takes into account the following key assumptions:

- COTS Budgeting Solution Availability: There are COTS budgeting solutions available that address the business requirements identified in the BIS FSR. Selecting a COTS budgeting solution implies the baseline functionality will satisfy the state's requirements without significant customization. Baseline capabilities are those available in the delivered software – "out of the box" features, functions and options. It is assumed a minimal level of customization will be required to meet the needs of statewide (DOF) activities and enterprise (standard departmental) business processes.
- Best Practices: The baseline business processes available in a COTS budgeting solution are assumed to embody industry-accepted best practices that do not require changes in transaction logic, processing algorithms or other modifications for the state to use "as is".
- Effective Change Management: The rollout of a COTS budgeting solution and adoption of best practices will result in changes to existing budget processes, which will require significant and effective change management. It is assumed

the proposed project approach and vendor'(s) implementation methodology sufficiently addresses this aspect of the project.

- Stakeholder Participation: The key stakeholders, including, but not limited to, the Governor's Office, the Legislature and participating departments will be involved in high-level planning, management and oversight throughout the duration of the project.
- Project Scheduling: The project schedule will accommodate DOF and department staff duties, and minimize impact to annual budget activities (e.g., development of the Governor's Budget, development of May Revisions)
- Operational Commitment: Unlike custom-developed software, COTS software applications are packaged solutions with a life cycle involving defect corrections, software updates and new releases. The evaluation, testing, implementation and training around each of these life cycle changes will require dedicated personnel, equipment and infrastructure.

A.2.4 Advantages/Disadvantages

A.2.4.1 Advantages

- Improved Budget Information Quality: BIS will standardize and streamline budget processes resulting in timelier budget information, more consistent (but not standard) budget data and reduced error correction. The improved quality of budget information will support better policy and decision making, and the limited opportunity for more effective financial management.
- Increased Business Process Efficiency: BIS will establish revised budget processes and procedures. Control Agencies and departments should be able to more effectively focus on program execution while meeting the budget development and budget administration requirements of the state.
- Reduced Timing/Reconciliation Errors: The reduction in systems that provide budget information between DOF and the departments will reduce current timing and system reconciliation steps that result in inconsistent, out-of-date or erroneous budget information.
- Limited Project Scope/Impact: A budget-only project approach reflected in BIS would be less disruptive to departments than a full-scale ERP because generally only their budget and accounting offices will be impacted by the implementation. Other units will have minimal to no impact.
- Reduces Risk of Technology Failures: BIS accelerates the replacement of aging legacy systems used for budget development and administration. The systems will fail at some point in the future due to lack of supportable hardware, qualified resources, or inability to support changes in business requirements.
- Reduced Cost (compared to other alternatives proposed): BIS would have a lower cost than a full-scale ERP due to the limited scope of the project. However, this alternative would end up as the most costly if other components were implemented at a later date in a piecemeal fashion.

A.2.4.2 Disadvantages

- Original Objectives Unattainable: The major disadvantage with this alternative is it will not work as originally anticipated. It was anticipated that this system could be the basis for and develop into a fully functional, statewide financial system.
- Inconsistent with State CIO's Strategic Plan: A budget-only implementation such as BIS is not consistent with the CIO's direction to implement enterprise solutions.[24]
- Limited Overall Impact: BIS would not address other needs the state has for improving accounting and purchasing business processes.
- Introduces Significant Change to Budget Processes: The rollout of BIS will disrupt existing DOF and departmental budget processes, and generate changes that may produce temporary uncertainty and stress for the impacted organizations and individuals.
- Creates Vendor Dependence: BIS may force the state to depend upon a single software vendor (or limited number of vendors) for budget development and administration, and effectively adopt the vendor's business model, technology, and staff.
- Perpetuates Known Problems/Issues: BIS does not address core business issues such as data redundancy, system reconciliation issues, inefficient business processes and legacy technology constraints.
- Increases Interface Complexity: Disparate standards and protocols of information and systems for the state results in more interfaces needed between the BIS and existing applications.
- With a smaller procurement (i.e., only budget functionality initially) a smaller tier company could potentially get the bid, implementing a solution that may not be scalable statewide.
- The extended implementation time frame to eventually provide the same business functions as the Preferred Alternative will mean that experienced staff necessary will not be available (e.g., retired, change jobs).
- The extended implementation time frame to eventually provide the same business functions as the Preferred Alternative will mean that there will be a greater likelihood of system failure or maintenance issues.

[24] California State Information Technology, Strategic Plan, Update to the 2005 Plan (November 2006)). Goal 2 – Implement common business applications and systems to improve efficiency and cost effectiveness.

A.2.5 Project Phases

The original BIS provided for standard project implementation phases that included initiation, procurement, implementation, testing, deploy, and close out.

A.2.6 Schedule

Project Phases	Phase Deliverables	Proposed Schedule
Project Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis • Change management program development • Requirements specification and decomposition	July 07 – June 08
Implementation	• Site preparation and configuration • Solution build, configuration, customization and installation • Configuration management and change control processes • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	May 08 – June 09
Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing • Change management program	Jan 09 – June 09
Release and Deploy Solution – DOF and selected departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Production deployed to DOF	March 09 – Aug 09
Release and Deploy Solution – Statewide	• Implementation event and deployment schedule • Change management program • Training – technical, administrator and user • Production deployed to departments and agencies in a staggered process	Jan 10 – July 11
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • PIER Report	Sept 09 – July 12

A.3 Alternative 3 – Modified Budget Information System (BIS)

A.3.1 Description

This solution is presented as an alternative to continuing BIS as described in the FSR dated July 14, 2005. This alternative reduces the scope of the FI$Cal project, as envisioned in the Preferred Alternative, by replacing it with a modified scope of the original BIS project, so that it addresses only budget development, budget administration and departmental accounting.

This modified approach to the BIS Project reflects the use of a single technology platform for budget development, budget administration/management and departmental accounting needs. This new platform would not only address the goals of BIS but would expand the "footprint" of the system to include additional systems used for departmental accounting (i.e., CALSTARS and other departmental systems that are not using CALSTARS). Although the broader scope of the project would cover more business processes under a single platform, it still does not address all systems such as the State Controller's Office (SCO) system to monitor appropriation balances. As a result, multiple technology platforms would continue to be used for essentially the same purpose.

A modified BIS Project also enhances the opportunity for business process improvements by adding departmental accounting processes to the BIS scope. However, the expanded footprint only covers departmental accounting processes, which limits the opportunity for making process revisions.

A.3.2 Scope

Major Function	Sub Functions	Comments
Budget Development and Enactment	Planning	Includes all budget planning processes.
	Development and Enactment	Includes decision making support, the spring budget update, Legislative actions and veto decision processes.
	Position Control and Salary Administration	Includes utilizing position control and salary administration data from the 21st Century Project for the purpose of budget development. This information will also be used for other accounting purposes such as cost allocation.

Major Function	Sub Functions	Comments
	Revenue Forecasting	Includes revenue estimates for most non-major revenues (e.g., special funds). Complex forecasting tools used to calculate the major sources of revenue, primarily for the General Fund will continue to work independent of this system; although, summary data will be entered (or interfaced) to support the budget development process.
	Budget Documents	Includes the Governor's Budget, Salary and Wages Supplement, May Revision Highlights, Budget Highlights.
Budget Administration	Budget Administration and Monitoring	Includes incorporating real-time accounting information for budget monitoring/reporting.
General Ledger Accounting	General Ledger	Includes central/shared tables for consistency (i.e., chart of accounts, commodity and service codes)
Receivables/ Collections	Revenue and Receipt Accounting	Includes revenue and receipt tracking.
	Accounts Receivable	Excluding program-based cashiering and cash receipting functions.
Payables	Encumbrance Accounting	Begins with the Requisition Process for internal control and identification of “spend” information (i.e., what are we buying for the state)
	Accounts Payable	Includes payable tracking and request for payment.
Procurement	Contracts	Includes functionality to establish, manage, and administer departmental contracts and the state’s leveraged procurement agreements.
	Requisitions and Purchase Orders	Includes functionality to create requisitions, create and manage purchase documents, delivery and receipt, and manage the state’s payment cards.

Major Function	Sub Functions	Comments
	Vendor Management	Includes requirements for departmental processing and consistent statewide process including a single vendor file with DGS.
Project Accounting	Project Repository	Provides a comprehensive data store for project expenditures across the state. Provides for multi-year project budgets.
	Capital Projects	Includes working in conjunction with specialized project management and engineering systems for departments focused on capital projects.
	Project Reporting	Record and report on project financial activity as necessary to meet federal, state, and management needs.
Grant Management	Grant Tracking	Track grants, whether the state is a grantee or a grantor.
	Grant Repository	Provides a comprehensive data store for grant activity across the state.
Cost Accounting	Labor Distribution	Includes distribution of personnel and overhead costs across different programs, project, grants, and other chart-of-account elements. Labor distribution should be as close to real time as possible.
	Indirect Costs	Includes a cost allocation and labor distribution component, addressing program, project, fund, unit, and activity. Indirect costs should be as close to real time as possible.
Cash Management	Cash Tracking/Forecast	Track and forecast cash deposits, disbursements, and cash balance.

Major Function	Sub Functions	Comments
	Bank Reconciliation	Includes the monitoring and managing of the cash in depository banks).
Asset Management	Basic Asset Management	Focusing on department and state-level asset accounting (Governmental Accounting Standards Board 34 and 35). In scope asset accounting includes the description of assets (including works of art/treasurers; tracking and location of assets; useful life and depreciation; impairments (GASB 42); and the ability to reconcile the inventory to the control account
Human Resources	Position Control and Salary Administration	The payroll system administered by SCO is the system of record including all transactions related to this functionality. Data transfer from the payroll system is used to support budget and accounting functionality requiring this information.
	Labor Distribution data	State accounting requires labor distribution to spread costs to other funds and programs.
	Role-based Identity data	Employee identification/ authentication and role based authority (for the FI$Cal Project only).
	Single Time Sheet	Includes Single Time Sheet for state employees for both cost accounting and leave accounting.

A.3.3 Assumptions

This alternative takes into account the following key assumptions:

- COTS Budgeting Solution Availability: There are COTS budgeting solutions available that address the business requirements identified in the BIS FSR. Selecting a COTS budgeting solution implies the baseline functionality will satisfy the state's requirements without significant customization. Baseline capabilities are those available in the delivered software – "out of the box" features, functions and options. It is assumed a minimal level of customization will be required to meet the needs of statewide (DOF) activities and enterprise (standard departmental) business processes.

- Best Practices: The baseline business processes available in a COTS budgeting solution are assumed to embody industry-accepted best practices that do not require changes in transaction logic, processing algorithms or other modifications for the state to use “as is”.
- Effective Change Management: The rollout of a COTS budgeting solution and adoption of best practices will result in changes to existing budget processes, which will require significant and effective change management. It is assumed the proposed project approach and vendor’(s) implementation methodology sufficiently addresses this aspect of the project.
- Stakeholder Participation: The key stakeholders, including, but not limited to, the Governor’s Office, the Legislature and participating departments will be involved in high-level planning, management and oversight throughout the duration of the project.
- Project Scheduling: The project schedule will accommodate DOF and department staff duties, and minimize impact to annual budget activities (e.g., development of the Governor’s Budget, development of May Revisions.)
- Operational Commitment: Unlike custom-developed software, COTS software applications are packaged solutions with a life cycle involving defect corrections, software updates and new releases. The evaluation, testing, implementation and training around each of these life cycle changes will require dedicated personnel, equipment and infrastructure.

A.3.4 Advantages/Disadvantages

A.3.4.1 Advantages

- Improved Accounting and Budget Information Quality: Modified BIS will standardize and streamline departmental accounting and overall budget processes resulting in timelier financial information, more consistent data and reduced error correction. The improved quality of financial information will support better policy and decision making, and the opportunity for more effective financial management.
- Increased Business Process Efficiency: Modified BIS will establish revised accounting and budgeting processes and procedures. Control Agencies and departments should be able to more effectively focus on program execution while meeting the accounting and budgeting requirements of the state.
- Reduced Timing/Reconciliation Errors: The reduction in systems providing the same information between DOF and the departments will reduce current timing and system reconciliation steps that result in inconsistent, out-of-date or erroneous financial information.
- Partially Supports the CIO’s Strategic Plan: The modified BIS departmental accounting and budgeting implementation partially supports the CIO’s direction to implement enterprise solutions.
- Limited Project Scope/Impact: Modified BIS would be less disruptive to departments than a full-scale ERP because generally their accounting and budget offices will be impacted by the implementation but other units will have minimal to no impact.

- Reduces Risk of Technology Failures: Modified BIS accelerates the replacement of aging legacy systems used for departmental accounting and budgeting. The systems will fail at some point in the future due to lack of supportable hardware, qualified resources or inability to support changes in business requirements.
- Reduced Cost (compared to other alternatives): Modified BIS would have a lower cost than a full-scale ERP due to the limited scope of the project.

A.3.4.2 Disadvantages

- Project Length: This method assumes a functional implementation within the Administration. It assumes sequential or functional implementation beginning with accounting and budgeting, then procurement, and concluding with other business functions. This stretches out the project until 2033.
- Limited Overall Impact: Modified BIS would not address other needs the state has for improving statewide accounting and purchasing business processes.
- Introduces Significant Change to Departmental Accounting and Budgeting Processes: The rollout of modified BIS will disrupt existing DOF and departmental accounting and budget processes, and generate changes that may produce uncertainty and stress for the impacted organizations and individuals.
- Creates Vendor Dependence: Modified BIS may force the state to depend upon a single software vendor (or limited number of vendors) for departmental accounting and budgeting, and effectively adopt the vendor's business model, technology, and staff.
- Perpetuates Known Problems/Issues: Modified BIS does not fully address core business issues such as data redundancy, system reconciliation issues, inefficient business processes and legacy technology constraints.
- Succession Planning Not Addressed: This alternative does not include succession planning.
- The extended implementation time frame may mean that experienced staff necessary may not be available (e.g., retired, change jobs.).
- The extended implementation time frame may mean that there will be a greater likelihood of system failure or maintenance issues.

A.3.5 Project Phases

This alternative will utilize a phased implementation that rolls out to departments in waves.

A.3.6 Schedule

Project Phases	Phase Deliverables	Proposed Schedule
Initial Planning	• Convene Steering Committee • Conduct procurement for chart of accounts analysis and acquisition assistance	July 2005 – January 2006 (Completed Task - No Change)
Chart of Accounts and Standards and Requirements Workshops	• Analyze the existing Uniform Codes Manual • Develop a strategy for statewide chart of accounts and standards • Explore market alternatives • Develop business requirements	February 2006 – October 2006 (Completed Task – No Change)
Special Project Report	• Reevaluate project, goals, and statewide approach • Review of report	August 2006 – November 2006 (Completed Task – No Change)
Information Technology Procurement Plan	• Update ITPP based on SPR 1; receive approval of ITPP from DGS	April 2007 – (Completed Task – No Change)
Procurement	• Develop Draft RFP	December 2006 – August 2007 (Completed Draft RFP)
Special Project Report #2	• Develop SPR #2 at the direction of the Legislature in compliance with budget bill language	August 2007 – December 2007
Procurement	• Finalize RFP based on direction from the Legislature	April 2008 – October 2008
Procurement	• Conduct business based procurement for statewide software and system integrator services	October 2008 – October 2009
Special Project Report #3	• Complete report on solution and updated costs based on actual winning bid. • Review of report and other authorizations required	November 2009 – December 2009 (Develop SPR #3) January 2010 - February 2010
Implementation: Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis • Change management program development • Requirements specification and decomposition	March 2010 – February 2011
Implementation: Build	• Site preparation and configuration • Solution build, configuration, customization and installation • Configuration management and change control • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	March 2011 – November 2011

Project Phases	Phase Deliverables	Proposed Schedule
Implementation: Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing Change management program	December 2011 – May 2012
Implementation: Release and Deploy Solution – DOF and selected departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Production deployed to DOF, and selected departments • Evaluation Report after first department roll-out.	April 2012 – June 2012
Implementation: Release and Deploy In a Phased Approach	• Implementation event and deployment schedule • Change management program • Training – technical, administrator and user • Production deployed to departments and agencies in a staggered process	Wave 1 – June 2012 Wave 2 – June 2013 Wave 3 – June 2014
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • Final Evaluation Report	June 2015

A.4 Alternative 4 – Proof of Concept

A.4.1 Description

This alternative is a limited deployment of the FI$Cal project envisioned in Preferred Alternative through a proof-of-concept. The differences are:

- At the end of Wave 1 deployment, the proof-of-concept ends. The Project reports to the Legislature on the success of the project, lessons learned and changes to be incorporated prior to receiving approval for future implementation.
- Approval for future implementation would require development of a new Feasibility Study Report (FSR) for additional project approval and a subsequent procurement phase.

This alternative requires the state to implement an ERP solution. An ERP will provide enterprise accounting, budgeting and procurement functions, and replace existing Partner Agency and departmental systems used for financial management and budget administration. Major reasons for selecting an ERP solution include the flexibility and much lower and predictable cost of COTS software.

This alternative utilizes a proof-of-concept to demonstrate statewide functions and department functions can be successfully executed and administered using a single ERP-based technology platform. A proof-of-concept is a scaled-down version of FI$Cal focused on proving a single integrated platform and standardized business processes can be deployed for the state. The system will used by the Partner Agencies and three departments instead of four departments.

Similarly, the proof-of-concept also supports the development and test of revised business processes to assess their fit and efficacy at the state. These revised processes will provide the model for a new set of standardized business processes for statewide application – they will only be deployed by the participating Partner Agencies and departments. However, these processes will be truncated in their breadth due to the nature of the proof-of-concept and the limited number of pilot departments.

Inherent to this alternative, and a major factor, is a significant break in the project schedule to create a separate Feasibility Study Report and approval before restart of the project. In recognition of the intent of the Legislature's request for a proof-of-concept, the proposed FI$Cal Project has been slightly modified to reduce the size of the first Wave and to provide a pause to report to the Legislature.

The proof-of-concept will utilize an ERP solution as the single integrated financial management platform for the state. A key characteristic of ERP solutions is their support for entire business processes through integrated modules, where financial data and related information is stored in a single system. By using data entry techniques, electronic workflow and configured automation, ERP solutions also provide features and capabilities that are limited in stand-alone systems or, in the case of existing legacy systems, simply unavailable.

A.4.2 Scope

The scope for the proof-of-concept is the same as the scope presented for the Preferred Alternative.

A.4.3 Assumptions

This alternative takes into account the following key assumptions:

- Vendor Resources: The state will be able to supplement existing management and staff resources with vendors having equivalent or better skills, knowledge and experience throughout the duration of the project.
- Stakeholder Participation: The key stakeholders, including, but not limited to, the Governor's Office, the Legislature, Control Agency partners and participating departments will be involved in high-level planning, management and oversight throughout the duration of the project.
- Technology Capacity: The state's technology infrastructure will be sufficient to support an ERP software solution and related performance requirements. This includes network bandwidth, processing capability, workstations, and so on.
- Operational Commitment: Unlike custom-developed software, ERP suites are packaged solutions with a life cycle involving defect corrections, software updates and new releases. The evaluation, testing, implementation and training around each of these life cycle changes will require dedicated personnel, equipment and infrastructure.
- The solution implemented by the Partner Agencies and the selected departments will be the statewide solution for future state financial system implementation.
- The solution implemented by the Partner Agencies and the selected departments will become permanent.

A.4.4 Advantages/Disadvantages

A.4.4.1 Advantages

- Limits Impact/Disruption to state Operations: The proof-of-concept only affects the participating Control Agencies and departments, which limits the impact on overall state operations and department program execution. However, note that it may add dependency on the existing, fragile legacy systems.
- Improved Information Quality: The proof-of-concept will standardize and streamline business processes for the small number of participating departments and results in timely information, consistent financial data and reduced error correction. The improved quality of financial information will introduce greater financial accountability and the opportunity for more effective financial management.
- Increased Business Process Efficiency: The proof-of-concept will establish standardized accounting, budget and purchase processes and procedures for the participating departments. The select few departments should be able to more effectively focus on program execution while meeting the basic financial management business requirements of the state. The Partner Agencies will have

some improvements but limited without the future addition of the other state organizations.

- Reduced Timing/Reconciliation Errors: The reduction in systems provides the same information, either between Partner Agencies and the select three departments or between Partner Agencies. This will reduce current timing and system reconciliation steps that result in inconsistent, out-of-date or erroneous financial information.
- Reduces Interface Complexity: Provides consistent integration standards and protocols of information and systems for the three participating departments, which results in fewer interfaces by establishing a common platform for financial management functions including accounting, budgeting and procurement.
- Reduces Risk of Technology Failures: The proof-of-concept accelerates the replacement of aging legacy systems at the three participating departments. These legacy systems will fail at some point in the future due to lack of supportable hardware, qualified resources or inability to support changes in business requirements.
- Simplifies Operations and Maintenance: Avoids conflicts with future software versions and updates by utilizing a single business platform instead of multiple platforms for the limited participation in the proof-of-concept. In addition, FI$Cal uses a modern technology infrastructure and phases out legacy infrastructure for the limited participation of organizations.
- Reduced *Initial* Cost (compared to other alternatives presented): The proof-of-concept would have a lower initial cost due to the limited scope and number of participating departments but would be more costly in the long run.

A.4.4.2 Disadvantages

- Repeat planning and procurement effort: The proof-of-concept would conclude. If successful, project initiation, planning and the project procurement cycles would have to be repeated. This would add an additional 3 years to the project before the system could be deployed to other agencies.
- Project Team Continuity: The skilled project team developed with the proof-of-concept could not be maintained while requesting the project be continued.
- Legacy System Failure Risk: Creates an increased risk to the state's legacy financial management environment by extending the overall schedule of the project. This will place critical operations of state departments at greater risk.
- Requires Partner Agencies to operate in dual environments and to continue the support and operation of the legacy system for a time period longer than the Preferred Alternative. This assumes that the Legislature will ultimately approve a second project to deploy the solution to the other state organizations.
- Different Versions: Increases the likelihood the proof-of-concept departments would be implemented differently than later waves to take advantage of technology and creates the potential for separate support until funds are identified to convert earlier adopters to the latest version.

- Vendor and State Staff Turnover: With a planned interruption for approval of the proof-of-concept and application to re-start the project, vendor staff and state employee turnover is highly likely and continuity of service suffers.
- Limited Overall Impact: The proof-of-concept would not provide as complete a test of the required functionality of the system for statewide deployment as proposed by the Preferred Alternative.
- Additional FSR: Because this alternative would only allow for a pilot project, another FSR would need to be prepared to restart the rollout of the system.
- Additional Procurement: Under current procurement processes, an additional systems integrator procurement would be required, which could result in another vendor being awarded the bid.
- Personnel Availability: With the extended time frame, experienced staff necessary to ensure the success and required functionality of the system may not be available (e.g. retired, change jobs).
- Risk of Legacy System Failure: With the extended time frame, there will more chance of system failure or maintenance issues resulting from the extended use of the outdated and unsupported legacy systems.
- SME Availability: The state would not be able to secure the participation of subject-matter experts from departments needed to design and develop the system.
- Project Funding: The Legislature may choose to not fund the Project after the completion of the proof-of-concept. This would perpetuate the state's dependency on obsolete legacy systems that would continue to operate alongside the implemented system.

A.4.5 Project Phases

Project phasing replicates that of the Preferred Alternative. However, the proof-of-concept ends with Wave 1.

- Proof-of-concept – completed 2013
- Request Project Approval for statewide deployment – completed 2014
- Procurement Phase – completed 2016
- Development, reconfiguration and first wave implementation - completed 2018
- Complete four additional implementation waves, one each year until completion 2022.

A.4.6 Schedule

Project Phases	Phase Deliverables	Proposed Schedule
Initial Planning	• Convene Steering Committee • Conduct procurement for chart of accounts analysis and acquisition assistance	July 2005 – January 2006 (Completed Task - No Change)
Chart of Accounts and Standards and Requirements Workshops	• Analyze the existing Uniform Codes Manual • Develop a strategy for statewide chart of accounts and standards • Explore market alternatives • Develop business requirements	February 2006 – October 2006 (Completed Task – No Change)
Special Project Report	• Reevaluate project, goals, and statewide approach • Review of report	August 2006 – November 2006 (Completed Task – No Change)
Information Technology Procurement Plan	• Update ITPP based on SPR 1; receive approval of ITPP from DGS	April 2007 – (Completed Task – No Change)
Procurement	• Develop Draft RFP	December 2006 – August 2007 (Completed Draft RFP)
Special Project Report #2	• Develop SPR #2 at the direction of the Legislature in compliance with budget bill language	August 2007 – December 2007
Information Technology Procurement Plan	• Update ITPP based on SPR 2; receive approval of ITPP from DGS	December 2007
Memorandum of Understanding (MOU)	• Complete MOU to provide the framework for the partnership of DOF, SCO, STO and DGS in compliance with budget bill language.	December 2007
Procurement	• Finalize RFP based on direction from the Legislature	April 2008 – October 2008
Procurement	• Conduct business based procurement for statewide software and system integrator services	October 2008 – October 2009
Special Project Report #3	• Complete report on solution and updated costs based on actual winning bid. • Review of report and other authorizations required	November 2009 – December 2009 (Develop SPR #3) January 2010 – February 2010
Implementation: Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis • Change management program development • Requirements specification and decomposition	March 2010 – February 2011

Project Phases	Phase Deliverables	Proposed Schedule
Implementation: Build	• Site preparation and configuration • Solution build, configuration, customization and installation • Configuration management and change control • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	March 2011 – November 2011
Implementation: Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing Change management program	December 2011 – May 2012
Implementation: Release and Deploy Solution – DOF and selected departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Production deployed to DOF, and selected departments • Evaluation Report after first department roll-out.	April 2012 – June 2012
Implementation: Release and Deploy	• Implementation event and deployment schedule • Change management program • Training – technical, administrator and user • Production deployed to departments and agencies in a staggered process	Wave 1 – June 2012
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • Final Evaluation Report	June 2013
Statewide Rollout – Project Initiation	• FSR for Statewide Deployment • Complete MOU #2 to provide the framework for the partnership of DOF, SCO, STO and DGS.	July 2013 – December 2013
Procurement	• Develop Draft RFP for Statewide Rollout	January 2014 – October 2014
Procurement	• Conduct procurement for system integrator services to deploy proof-of-concept system statewide.	October 2014 – October 2015
Special Project Report # 1	• Report on procurement and updated costs. • Review of report and other authorizations required	November 2015 – December 2015 (Develop SPR #3) January 2016 - February 2016

Project Phases	Phase Deliverables	Proposed Schedule
Implementation: Initiation, Planning & Design	• Project plan, schedule and resource assignments • Business process analysis (confirms changes during the three years since the last deployment) • Change management program development • Requirements specification and decomposition • Determine if a reimplementation of the base system will be required due to timing and other changes since the 2013 deployment.	March 2016 - February 2017
Implementation: Build	• Site preparation and configuration • Solution build, configuration, customization and installation (provides for changes and interfaces) • Configuration management and change control • Testing and training plan development • Data conversion planning and execution • Interface development • Documentation development	March 2017 – November 2017
Implementation: Testing and User Acceptance	• Unit, integration, system and performance testing • User acceptance testing • Change management program	December 2017 – May 2018
Implementation: Reconfigure, Release and Deploy Solution – Partner Agencies and Wave 1 departments	• Implementation event schedule • Release management processes established • Change management program • Training – technical, administrator and user • Reconfiguration of existing system for DOF, SCO, STO, DGS and selected departments (assumption based on timing and other unanticipated events)	April 2018 – June 2018
Implementation: Release and Deploy In a Phased Approach	• Implementation event and deployment schedule • Production deployed to remaining departments • Change management program • Training – technical, administrator and user • Evaluation Report after each wave departments roll-out. • Production deployed to departments and agencies in a staggered process	Stage 2: Wave 1 – June 2018 Wave 2 – June 2019 Wave 3 – June 2020 Wave 4 – June 2021

Project Phases	Phase Deliverables	Proposed Schedule
Project Closeout	• Final system documentation • Conduct an assessment of process changes • Maintenance and operations structure in place • Final Evaluation Report	June 2022

A.5 Alternative 5 – No Statewide Project

A.5.1 Description

Alternative 5 proposes the state will take no coordinated effort to implement a system to support statewide business functions and Control Agencies and departments will replace their legacy systems with applications (or application suites) which are specific to their needs, such as ERP systems, other COTS systems and, possibly, custom-developed software applications.

The replacement of legacy systems will occur as a result of the following three drivers.

First, the state's legacy systems, while still supporting basic functions, are at risk of failure because of age, loss of manufacturer support, or loss of key staff to maintain and use them. These systems were largely developed between 1965 and 1975 and while many of these systems provide reliable and dependable services, the state must acknowledge that some have been neglected and fallen into disrepair. Increasingly, staff needed to maintain these systems are retiring or leaving state service and manufacturer support for both hardware and software is quickly evaporating.

Second, state departments will increasingly seek ways to capture the value of new technologies to handle their business functions, better manage their resources, and respond to demands for accountability and performance. Over time, departments will come forward with requests to expand the performance of legacy systems or replace these systems. Since the cost of bundling other administrative functions is marginal, departments are likely to select a single solution that addresses core administrative functions as well.

Third, while the CALSTARS' application runs on hardware and a mix of established software that is regularly updated by the Department of Technology Services, it is a legacy system that is not integrated with functionalities such as budgets, procurement, accounts receivables, and asset management. Departments in their pursuit of efficiency and integration will look at other alternatives and may pursue exemption from using CALSTARS for an integrated system such as an ERP.

Since the state will take no concerted action, departments will independently procure systems that support their business activities. The number of systems that result will not provide a single business platform on which the state conducts its core accounting, budgeting, and procurement. To achieve integration, the state will need to rely on bridges between systems – no partnered effort will be made to provide coordinated management and control through the business platform.

At the time they procure their systems, departments, including Control Agencies, will have the option to revise their business processes to leverage new capabilities within these technologies. Business reengineering can improve and streamline processes and activities. In the absence of a single platform, any business reengineering will be carried out independently by each department, limiting the overall value to the state in terms of process efficiency and streamlining.

Unlike the other alternatives, which explicitly recommend a transition to a shared business platform for one or more business functions, a choice to terminate FI$Cal leaves that decision to each individual Control Agency and department. This specifically contradicts the objectives as stated in the state's strategic objective.

A.5.2 Scope

Terminating FI$Cal effectively transitions the project scope to the individual Control Agencies and departments. Each organization will include tailored accounting, budgeting and purchasing functions rather than standardized business processes. However, the scope of business functions will be substantially similar to FI$Cal.

A.5.3 Assumptions

- Required Critical System Replacements: The majority of the state's financial management systems will reach the end of their useful life in the next 10 years or less, necessitating replacement with either ERP systems, other COTS systems or, possibly, custom-developed software applications. Each year, more and more systems are reaching critical support issues due to deferred maintenance of administrative systems, obsolescence, and retiring systems expertise. Although some systems will continue to technically function, they do not provide the required range of business functionality departments need. As a result, departments will begin to replace or update other legacy systems or procure new technologies to address departmental needs.
- Sufficient Funding Capacity: The state will have the capacity to fund the multiple, redundant individual system replacements during the next 10 years.
- Workforce Modernization and Expansion: The state will be able to develop, recruit and retain a workforce with the necessary skills, knowledge and experience to implement, operate and maintain the multiple selected systems, for each of the relevant ERP or other COTS systems.
- Vendor Resources: The state will be able to supplement existing management and staff resources with vendor resources having equivalent or better skills, knowledge and experience throughout the duration of each of the multiple projects, for each of the relevant ERP or other COTS systems.
- Technology Capacity: The state's technology infrastructure will be sufficient to support multiple ERP software solutions or other COTS systems. This includes network bandwidth, hardware processing capability, and so on.
- Operational Commitment: Unlike custom-developed software, ERP suites are packaged solutions with a life cycle involving defect corrections, software updates and new releases. The evaluation, testing, implementation and training around each of these life cycle changes will require dedicated personnel, equipment and infrastructure. There is the assumption that the state will be able to recruit and retain this personnel for multiple projects, for each of the relevant ERP or other COTS systems. These projects will be concurrent to a great extent.

A.5.4 Advantages/Disadvantages

A.5.4.1 Advantages

- Some Improvements to Partner Agency and Departmental Business Processes: Since Control Agencies and departments will craft the requirements for their specific system replacements; the processes internal to each organization will be improved. However, the improvements would be limited since departments would still have to interface and exchange data with the external Partner Organizations – each of which could be on a different system.
- Tailored Business Solutions: Distributes the responsibility for designing, developing, and implementing financial systems to departments who can make the decisions needed to address their specific business needs. In addition, this approach avoids the need to “refresh” technology in the later implementation phases, because each departmental implementation is timed to only meet that department’s needs.
- Reduced Change Management Coordination: Less coordinated change management is needed within a department than a statewide effort; although it still represents a significant change that requires a continuing change management program assuming each project sponsor changes existing business processes.
- Decreased Project Workforce Impact (compared to other alternatives presented): Avoids the need for departments to redirect key staff to a statewide effort and backfilling the loss of subject matter experts with less experienced staff. Departments would still have to redirect staff internally and in greater numbers without the statewide coordinated effort.
- Lowers Risks Associated with Stakeholder “Buy-in”: More "local" ownership of each project because it is "their" project rather than something they are mandated to do. This may increase the probability of Stakeholder Buy-In. Independent projects result in more individual department responsibility and possibly better levels of cooperation. In addition, this approach eliminates potential jurisdictional issues between constitutional offices.

A.5.4.2 Disadvantages

- Limited Modernization: The modernization and standardization of the state’s financial management workforce will be limited, and will continue to vary by department, which will continue the proliferation of new classifications. Since each department operates differently with different systems, the modernization of the workforce would be piecemeal.
- Addressing Personnel Trends: Recruitment and retention would become a departmental issue instead of a global statewide issue. Departments have a core expertise in their programs; not in administrative systems... Financial management systems have become more complex over time and require specialized knowledge. Accounting and procurement body of knowledge is also expanding. Efforts to address the issue will be fragmented and inconsistent.
- Never upgrade: The possibility some departments will not upgrade within the next 10 years is highly likely and the same problems will compound in severity.

- Organizational Retention: Because each department could make different selections and choices with varying degree of success, organizational change management could have no effect or increase complexity resulting in employees migrating to other better run departments. New employees would not have an incentive to stay.
- More Expensive: Independent efforts are more expensive than a coordinated effort that takes advantage of economy of scale. Departments would be required to staff all the functions of the project as well as acquire multiple software licenses without benefit of leveraging the purchases, resulting in repeated developments of the same functionality throughout the state.
- Less Transparent: Allows entities the ability to interpret state rules inconsistently.
- Limited Overall Financial Information Quality: Departments will still have individually tailored business processes: so the opportunity to improve information timeliness, consistent financial data consistency and error correction reduction will be limited. It will be difficult or impossible to develop standardized processes and ensure standard implementation on a statewide basis when multiple systems are in place.
- Limits the Application of Best Practices: With departments pursuing their own solutions, the state will be limited in adopting best business practices or reengineering existing business processes to capture the value of new technology. The complexity of timing the replacement of individual systems makes reengineering the statewide process impossible without a statewide project for coordination.
- Data Redundancy: Multiple systems will perpetuate existing issues with redundant data and the inevitable data reconciliation and error correction procedures required to keep data “in sync”.
- Increased Technology Costs: Deploying multiple systems during the same time period, will stretch tax state resources and ultimately cost more for hardware, software, vendor staffing and state personnel than a single replacement effort.
- Increased Staffing Costs: Deploying multiple systems will utilize the same pool of limited state subject matter experts, technical staff and vendor resources increasing the cost of retaining and/or procuring necessary project staff.
- Increased Interface Complexity: Deploying multiple systems will increase the number of system interfaces, the volume of interfaced data and the overall complexity of designing, developing, testing and maintaining system interfaces.
- Complicates Operations and Maintenance: Deploying multiple systems will create numerous instances of ERP and other COTS software installations. Due to the additional complexity of ERP operation and maintenance, these multiple deployments will require considerably more operational staff and maintenance efforts than current legacy systems without the benefit of operational efficiencies of a single system.
- Lack of Coordinated Succession Planning: Each department responsible for succession planning will have inconsistent quality and outcome. It will be very difficult to align and modernize the financial management classification series with each department operating differently.

- Limited Departmental Resources: Departments will lack the resources to configure and implement new systems in a cost effective and efficient manner, risking the continuity of services.
- Delay or Inability to Deliver Program Services: The departmental learning curve for new systems may cause the delayed delivery of programs services. In addition, system configuration decisions and integration approach with external systems may delay or otherwise affect the ability to deliver program services.
- Lack of Subject Matter Expertise: The state will fail to capitalize on the institutional knowledge held by key staff before they retire or leave the state workforce.
- Lack Qualified Vendor Staff: Multiple procurements increase the risk that bidders, in this competitive market, will be able to provide the needed resources to complete all projects or the possibility that they will experience financial or organizational instability that would keep them from meeting the terms of one or more contract agreements.
- Lack of Available Funding: The state will lack the resources to fund the updating or replacement of all systems needing to do so, leaving some processes at risk because the supporting systems were not replaced in time.

A.5.5 Project Phases

No project is planned under this alternative, so no project phasing is provided.

A.5.6 Schedule

No project is planned under this alternative, so no project schedule is provided.

Appendix B: Vendor Accountability

The Legislature has specifically requested that the FI$Cal Project report on its planning and strategy to ensure appropriate and successful management in the area of vendor accountability. This Appendix discusses vendor accountability in detail.

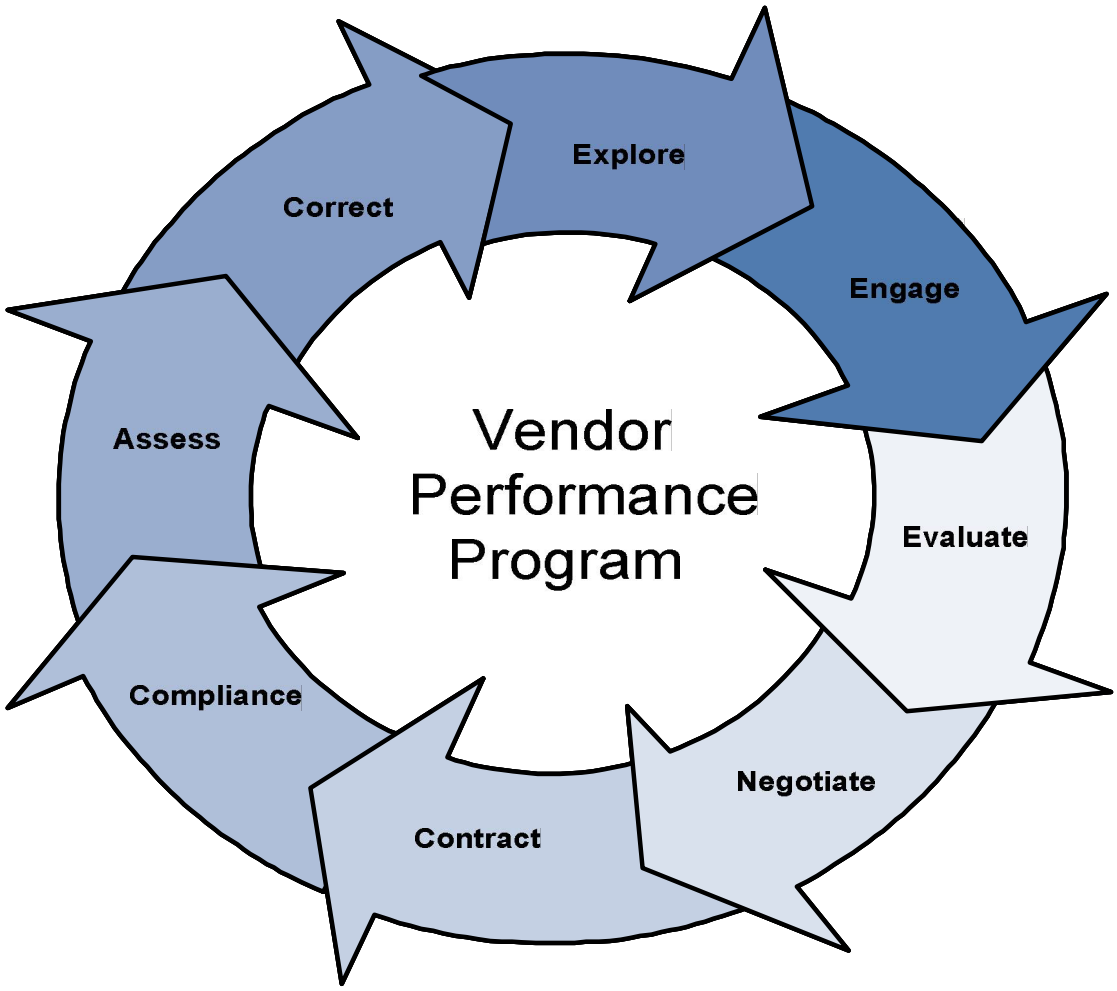
Leadership is critical in the successful management of a project with the complexity, scope and size of the FI$Cal Project. To ensure a fully informed and engaged leadership, the FI$Cal Project will regularly and in an appropriate level of detail report to the FI$Cal Steering Committee. The FI$Cal Steering Committee is an active participant in the support of vendor accountability on the FI$Cal Project.

Due to the scope and magnitude of the project and level of involvement by third-party resources, vendor accountability is a critical aspect of managing the FI$Cal Project. The various components of the project, ranging from hardware, software, goods and professional services, will be provided by vendors and state staff throughout the life of the project. In addition, the FI$Cal project team will learn from the expertise provided by vendors to ensure success of the project. Knowledge transfer from the vendor is critical for state succession planning.

Since the concept of “accountability” is considered from different perspectives as the project progresses, there are different processes and tools that are employed to ensure vendors are held accountable for their actions. The following sections discuss how vendor accountability is handled during each phase of the project and the processes/tools used to assess vendor performance.

B.1 Vendor Performance Program

The diagram below shows the FI$Cal Vendor Performance Program which is comprised of eight stages: Explore, Engage, Evaluate, Negotiate, Contract, Compliance, Assess and Correct. The majority of vendor accountability is addressed in the Compliance stage but each stage works together toward holding vendor's accountable.



The Vendor Performance Program is the responsibility of the Project Administration Team and consists of a matrix team known as the Vendor Performance Team. The roles of the team include the following:

- Deputy Project Director, Administration - Responsible for the executive oversight of the Vendor Performance Program.
- Contract Administrators – Staff members, under the direction of the Deputy Project Director, Administration, work closely with vendors and are responsible for tracking and documenting the quality and cost effectiveness of the vendor's services. Contract Administrators are the central vendor liaison for all contract issues and are part of the Project Management Office. They coordinate with the project team leaders and project management to resolve contract issues.

- Contract Support – Supports the Contract Administrators by performing activities for the ongoing management of the contracts; for example, reviews the statement of work to ensure deliverable acceptance procedures are met. Follows all state contract laws and requirements and ensures Department of General Services policies and procedures are followed.
- Procurement Analyst – Responsible for assisting in the acquisition of IT goods and services, and provides knowledge of procurement methodologies and technologies as well as knowledgeable in current and future market trends related to proposals and negotiations.
- Financial Analyst – Provides financial analysis and audit work in support of contracts.
- Business and Technical Analysts – Work directly with the vendor and tracks and reports vendor performance. Participates on the Deliverable Acceptance Board. May be designated a Contract Performance Manager. Responsible for ensuring business and technical requirements are met. Responsible for ensuring communication is consistent and fair to all vendors to ensure positive working relationship, fairness and competitiveness.
- Legal Support – Engaged to help with complex technology contracts, as needed.
- Deliverable Coordinator – Organizes and coordinates activities such as meetings, walkthroughs and notification of review materials. Verifies resolution of deficiencies. Communicates status, issues and risks associated with contract management, performance and deliverables.

The purpose of the Vendor Performance Team is to implement a Vendor Performance Program that addresses consistency in vendor relationships, leverages competition and ensures vendor performance and accountability based on the contracts with the state.

Industry best practices have consistently shown when a program which involves the management of vendors is implemented, costs are lowered, quality is enhanced and vendors and clients are more satisfied with the process.

B.1.1 Eight Stages of the FI$Cal Vendor Performance Program

The Vendor Performance Program has eight defined stages. This process helps organize and standardize the various functions of the Vendor Performance Program while encouraging change and continuous improvement. The Vendor Performance Team will utilize the eight stages, as follows:

- Explore - Works with members of the FI$Cal team to investigate industry trends in technology, price and standards. Vendor Performance Team becomes the expert in costs, standards and reasonable expectations.
- Engage – Leads the engagement of vendors to ensure consistency and fairness of communications. The team identifies potential vendors and engages in a standardized approach to ensure healthy competition.
- Evaluate - Initiates the procurement process such as writing a Request for Proposal (RFP) or gathering a list of potential vendors for a particular service. They ensure the correct people are involved early in the process such as legal

counsel and the Architecture Team. The team also ensures that expectations, issue and dispute resolution procedures and outcomes are clearly stated as part of the contract.

- Negotiate - Once a potential vendor is selected, manages the negotiation process. An understanding of the state and the vendor's goals and objectives assists with the negotiation process and forms the basis for the ongoing relationship with the vendor since the team is responsible for the overall relationship with the vendor. Consistency and communication are key factors to help lower costs and improve quality of deliverables.
- Contract – Develops and maintains expertise in contracting and procurement. There are various vehicles in the State's purchasing arena and contracts can be very complex. The Vendor Performance Team is considered the expert in this area and will lead the procurement effort.
- Compliance – Ensures vendor performance monitoring and feedback through the application of pre-defined criteria. This stage will be explained in more detail in the next section because this stage is where accountability is most normally associated.
- Assess – Assesses vendor performance, with the knowledge gained in the compliance stage.
- Correct - Continuous improvement occurs at this stage through the use of contract close out procedures and lessons learned project activities. Contract close out includes notification to a vendor of their overall performance. This process allows the vendor to receive input from clients that can be used to improve their future performance. The FI$Cal team will also include the review of vendor performance as part of the project's ongoing lessons learned activities.

B.2 Procurement

During the Procurement phase, vendors will contract with the state to provide various hardware, software, goods and professional services needed for the FI$Cal project. This contracting process will be overseen by the FI$Cal Procurement team. During this phase of the project the FI$Cal Project will establish performance expectations. Performance expectations will include a variety of metrics and measures to establish parameters for the implementation and acceptance of individual system components, as well as overall acceptance of FI$Cal.

The FI$Cal Project will adhere strictly to DGS procurement policies, and all associated governmental code and regulations.

Key processes and documents being used to establish the basis for future performance assessment and vendor accountability include: (1) Planning, (2) Strategizing, (3) the FI$Cal RFP, and (4) the legal Contract(s) for each system component.

- Planning:
    - Project oversight is conducted throughout the project by state staff from the Bureau of State Audits (BSA) and from the Office of Technology, Review, Oversight, and Security (OTROS) plus by independent contracted consultants to ensure project management standards are implemented,

monitored and met. Oversight specific to the Procurement Phase for the ERP Solution has been incorporated and implemented through contractual obligations with the BSA and the independent consultant as well as through project approval conditions required by OTROS.

- The Project's organization, structure, and governance have been designed to promote vendor accountability. The transparency of an enterprise project with the responsibilities of statewide financial management that is structured and governed according to that described in this SPR serves to support vendor accountability within and outside of the project.
- Lessons learned from other governmental ERP projects have been analyzed to identify and plan for vendor accountability issues.
- Market analysis has educated the project staff to be in a better position to dialogue with vendors during the procurement and planning phases with the objective of win-win solutions for the state and the vendor.

- Strategizing:
  - FI$Cal has decided to use a bundled procurement approach to ensure single accountability from a vendor i.e., requiring each vendor to bid on software, hardware and system integration services as a total solution. The vendor selected to implement the total FI$Cal solution will be known as the Prime Contractor. A total solution proposed in a single bid minimizes risk of project failure and reduces complications that can increase implementation timeline. An unbundled procurement would include multiple procurement efforts and potentially disparate bids with resulting separate contracts for the ERP software, third-party software, hardware, system integration services, etc. thus increasing complexities of contract management, communication and accountability.
  - Technology Services: In order to support the feasibility of a total solution bundled procurement, the FI$Cal team looked for an alternative to house the system and allow for the eventual support by state staff. The Department of Technology Services' (DTS) Customer Owned Equipment Managed Services (COEMS) model allows the vendor to propose a total configuration and removes the roadblocks associated with not running with DTS standardized equipment. Currently, the FI$Cal team is researching a COEMS hybrid which allows an eventual transition to state staff support.
  - The FI$Cal Project has developed procurement strategies to ensure a high level of vendor performance and accountability, promote fair and open competition, and reduce project risk, . Such strategies include a procurement scoring strategy that emphasizes a business-based solution.
  - Another opportunity to address vendor accountability is presented by incorporating an ERP System Integrator Master Service Agreement (MSA) into the overall procurement strategy. The FI$Cal Project is a very large, long term project. The initial procurement cannot encompass all the years and all the functions required by the scope of this project without also introducing significant risk of unknown factors in the long term. Therefore the initial procurement will be for a specific scope and term. After the initial procurement, an MSA will be established to continue to provide services required to support the continued deployment of the project. This future MSA

would address the existing and on-going state investment in ERP technology to achieve the statewide concept and vision.

- Knowledge transfer from vendor to the state staff will begin early in the implementation phase, will be monitored and assessed throughout the implementation phase and will be contractually binding.
- The FI$Cal Team will understand the proprietary nature of a vendor's products and services prior to contract award and will address it in the contract as needed.

- RFP: A series of functional (i.e., business) requirements and non-functional (i.e., technical, implementation, performance, etc.) requirements are included in the RFP and must be responded to by the vendor. These responses, as part of the vendor(s) proposal, become part of the subsequent contract. Areas discussed in the RFP will include:
  - Defined performance criteria
  - Detailed implementation strategy
  - Use of standards, such as Project Management Institute (PMI) Body of Knowledge (PMBOK), Institute of Electrical and Electronics Engineers (IEEE), International Standards Organization (ISO), Generally Accepted Accounting Principles (GAAP), and Government Accounting Standards Board (GASB).
  - Clear and sufficiently detailed Administrative Requirements for vendor maintenance and support; requirements in the areas of staff skills and project expectations to address potential issues, such as staff turnover, replacement of staff, on-site availability, location, etc.; financial stability to satisfy the state's requirements; management of subcontractor relationships; and a well-defined 'responsible bidder' qualification.
  - Sufficiently detailed roles and responsibilities of vendors and state staff will be included in procurement documents.
  - Well defined security requirements that the vendor will be contractually responsible to meet.
  - Discussion of third party software in the procurement document to ensure understanding and compliance with state's expectations and requirements.
  - Expectations that vendors will work closely with state staff to ensure specifications, costs and responsibilities are understood and agreed to.
  - Minimum qualifications related to FI$Cal's scope, size and complexity that will be required by the Vendor and individual Lead Vendor Staff.
- Contract: Contracts will establish terms and conditions for vendor relationships as well as provide work statements. These contracts, whether for hardware, software or professional services, will establish the terms and conditions of vendor relationships, as well as provide a work statement or additional documents for communicating what work is to be done, how it will be accomplished and what deliverables will result from the completion of work activities. Other contract considerations include:

- Clear and concise contractual terms in procurement documents
- Key deliverables tied to milestones and payment milestones that are managed within the project schedule
- Testing requirements and user acceptance criteria tied to vendor payments.
- Detailed dispute resolution processes. The contract will clearly identify the process and associated time frame for notification and resolution of deficiencies and the protest process available to the vendor.
- Bidders' agreement to fixed-bid contracts with payments based on a predetermined funding plan and based on acceptance of deliverables by the state.
- System integrator will supply the state with a performance bond to ensure that all of the contract requirements are met.
- Contract requirements for vendor support for comprehensive acceptance testing by the state.
- Invoice approval processes.
- Dispute and escalation processes.

B.3 Contract Management

It is the policy of the FI$Cal Project that steps are taken to plan, evaluate and accept project deliverables in accordance with the FI$Cal Contract Management Plan (CMP). The plan includes active participation of the Partner Agencies; Department of Finance (DOF), State Controller's Office (SCO), State Treasurer's Office (STO), Department of General Services (DGS), FI$Cal Steering Committee Members and departmental stakeholders. The Project Management Office (PMO) is responsible for the contract management process and the development of process improvements.

- The procedures, roles and responsibilities identified in the FI$Cal CMP will ensure independent review, acceptance of contract deliverables and compliance with contract terms and conditions. Invoice payments are based on acceptance of contract deliverables.

Key processes defined within the FI$Cal CMP include Contract Management Planning, Preparation, Readiness, Evaluation, Recommendation, Authorization, Remediation and Reporting.

The FI$Cal CMP will include regular and ongoing participation of team members and vendor staff. Critical roles within the FI$Cal CMP have been identified with specific responsibilities and involvement by project executives, such as the FI$Cal Executive and the Partner Business Executives of the Partner Agencies. Only a few of the key activities and roles described in the FI$Cal CMP related to vendor accountability and are identified below:

- FI$Cal Project Executive:
  - Receive notification of pending deliverable review.
  - Approve the Deliverable Review Checklists (DRCs), as needed.

- Escalate material issues and concerns to the Steering Committee.

- State Project Manager:
  - Provide contract performance information to the vendor.
  - Provide structure and process to ensure state contract management requirements are in place and operating as expected.
  - Approve invoices based on formal acceptance of contract deliverables.
  - Escalate issues and concerns to the FI$Cal Project Executive.

- Partner Business Executive:
  - Coordinate with and provide guidance to the project management team.
  - Review and provide input on key project deliverables and acceptance criteria.
  - Escalate material issues and concerns to the Project Manager, the Project Executive, and the Steering Committee following the Project Management Plans.

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- Acceptance Board:
  - Review the Deliverable Review Package (DRP).
  - Authorize the acceptance of deliverables.
  - Sign the Recommendation Summary, as appropriate.
  - Sign the Acceptance Notice (AN), as appropriate.
  - Comprised of at least two designated team members with appropriate/specific skill sets or knowledge base, as appropriate per deliverable or group of deliverables.
  - Escalate issues and concerns to the State Project Manager.

- Contract Administrator will perform routine administrative tasks related to contract management, in addition to:
  - Provide advanced notification of pending reviews and assessments to the FI$Cal Project Executive, the FI$Cal Project Manager and the Deliverable Coordinator.
  - Notify the FI$Cal Project Executive, the FI$Cal Project Manager and the Deliverable Coordinator that review materials are available.
  - Generate management reports on monthly, or as needed, basis
  - Maintain the Contract Management Plan.
  - Consider and implement approved process enhancement recommendations to the Acceptance Board.
  - Escalate issues and concerns to the State Project Manager.

- Contract Performance Manager:
  - Manage contract management plan activities for the specific Deliverable Review.
  - Approve substitution of Reviewers.
  - Approve Deliverable Review Checklists (DRCs).
  - Review completed Summary of Walkthrough Results.
  - Review the DRP.
  - Revise Recommendation Summary and AN, as needed.

  - Present final recommendations to the Acceptance Board.
  - Forward signed Acceptance Notice to the Contract Administrator.

- Legal
  - Provides legal perspective and advice on issues, disputes, and questions
  - Serves as an advisor to the Acceptance Board.
- Quality Assurance Team
  - Attend/participate in deliverable walkthroughs and reviews, as appropriate.
  - Review deliverable for process compliance.
  - Submit comments, as appropriate.

B.4 Deliverable Acceptance

As part of the implementation phase, vendor staff will generate deliverables that are required to meet the project objectives. These will range from project management plans incorporating an integrator's delivery methodology to draft software test scripts. The FI$Cal PMO will establish a set of processes to manage the receipt and acceptance of these deliverables.

The key document related to deliverable acceptance is the Contract Management Plan. This plan establishes processes for the processing, review and acceptance (or rejection) of vendor deliverables. It also provides processes for the remediation of deliverables and assessment of vendor performance against deliverable acceptance timeframes (e.g., on-time delivery, remediation turn-around times).

B.5 System Acceptance

System acceptance is determined by whether the business needs and requirements have been met by the implementation of the FI$Cal Solution. Two critical activities that will occur are:

- Requirements Traceability: System requirements will be organized and documented to support traceability and project change control procedures prior to the Procurement Phase. A software tool, Rational Requisite Pro, has been selected and is currently being implemented to support the management of requirements. Requirements traceability processes and reporting will be conducted by project staff, stakeholders and independent verification and validation contracted consultants throughout the system life cycle.

- System Acceptance: As part of the initial deployment of the system (i.e., Stage 1, Wave 1) and subsequent roll-outs (i.e., Wave 2 and beyond), the state will need to explicitly "accept" the system. System Acceptance will provide a final opportunity for the state to verify FI$Cal meets the states needs and requirements, and is a final opportunity to hold the vendor accountable for satisfying configuration, performance and other expectations. The criteria for system acceptance will be clearly defined in the contract documents.

B.6 Compliance

The concept of "accountability" is considered from different perspectives, therefore many different approaches including the project governance, organization, detailed procedures and tools are employed to ensure vendors are held accountable for their actions.

The Project's organization, structure, and governance have been designed to promote vendor accountability and provide transparency to all stakeholders. The FI$Cal Project is an enterprise project with the responsibilities of statewide financial management and its structure and governance described in this SPR provide for independent oversight, legal review, auditing and inspection of project activities and for decision making, escalation procedures, and communication sharing at the highest levels of state government.

The procedures and tools used in contract management will be documented and included in either the Contract Management Plan, in detailed Project Handbooks i.e., procedural manuals or maintained in the Project Library. At a minimum, these processes will include:

- Contractor Orientation: A handbook directed toward the vendor will be provided to all new contactors as they begin work on the FI$Cal Project to provide the project's current status, project processes, and administrative and facility information. Expectations with the contractor, such as work hours, on-site vs. off-site work, attendance at status meetings, and task oversight, as well as specific expectations for the products and services to be delivered will be confirmed during orientation.

- Records Management: Record monitoring procedures for each contract, its amendments plus all associate management and documentation will be developed. The Project will ensure that contract documentation management is current, well organized, available for audits or inspections and is easily retrievable.

    - Processes will be developed for hard and soft copy file management for contracts, project change orders impacting contracts, amendments, contract close out activities and all contract related documentation such as DGS correspondence and approvals.

- Schedule Management: Once a contract is awarded, information such as due dates and resource needs related to time and material services and/or deliverables will be entered into the Project's Master Schedule.

- Statement of Work Details: Tools such as spreadsheets or a database will be created to manage the detailed information related to the contract terms and conditions such as level of work effort per deliverable, invoice payments, contract balances, contract change orders and contract amendments.

- Issue Management: Issues arising from development of the deliverables and/or services will be managed using the Project's existing issue management processes.

- Risk Management: Risks related to contract work will be managed using the Project's existing risk management processes.

- Budget/Expenditure Management: Budget information and cost expenditure tracking will be managed and monitored by the Project's Budget Officer.

- Cost Monitoring and Projections: Procedures will be developed to define and report projections of costs and contract performance, such as Estimates At Completion (EAC), 'burn rates', earned value, etc. that will be calculated and monitored.

- Corrective Action Plans: Cost and schedule deviations related to contracts will be monitored to ensure successful corrective action plans are developed and implemented.

- Deliverables Management: Processes for the management of deliverables will include procedures for preparation, readiness, evaluation, approval recommendation, acceptance, deficiency resolution and reporting. The processes will be developed based on the policies and roles and responsibilities identified in the FI$Cal CMP and will also incorporate the requirements, terms and conditions and other related contractual language in a vendor's contract.

- Status Reporting: All contractors will participate in status reporting both verbally and in writing on a frequency that is pre-agreed upon and based on the contractors' roles, responsibilities and project activities.

- Invoice Processing: Processing and payments of invoices are described in the terms and conditions of each contract. Additional detailed procedures for invoice processing as performed by Project staff and by Finance's Business Services staff will also be developed.

- Contractor Performance Management and Reviews: The Vendor Performance Team consists of team members responsible for the Project Management Plan, contract management, deliverable acceptance, and vendor payments. This Team will establish criteria and requirements for each vendor that are contract specific in areas such as invoice and contract operational review. For instance, an equipment vendor who supplies Desktop computers will have different performance requirements than the ERP vendor. Each process that measures, monitors and resolves accountability issues will be commensurate with the complexity of the contract statement of work. Monthly Contract Management Reports will be developed and include metrics related to cost and resource performance as a result of actual work progress. All of the procedures related to the Vendor Performance Team will be documented in detail for each contract.

- Performance Reviews: The Vendor Performance Team will establish regularly scheduled reviews to discuss issues, commitments and performance. The planned and actual cost and schedule comparison values plus requirements not being met or that may not be met are discussed. As necessary, other project team members will participate in these reviews with the vendors.

- Deficiency Reporting: If it is determined that the contractor's products or services are unacceptable or if there are concerns about the contractor's work, a formal letter of contract non-compliance or deficiency with a request for a formal Corrective Action Plan (CAP) will be sent to the contractor. A CAP will include specific tracking measures that will ensure progress is being made and issues are resolved. Payments will be withheld until the deliverable or service is considered acceptable. Additional details for the corrective action procedures discussed in the Contract Management Plan will be developed.

- Dispute Resolution: If the CAP is unacceptable or if the CAP does not resolve the deficiencies, the Project Manager may initiate the contract dispute process. Throughout this process, the Project consults with Legal counsel to ensure that the dispute process is conducted according to the contract terms and to legal guidelines. A detailed Dispute Process will be documented.

- Contracted Staff Replacement: Each contract will include requirements and procedures for replacing contracted staff. Internal project processes for initiating, monitoring and approval of a request for staff replacement will be documented.

B.7 Project Management Office

In addition to the Vendor Performance Program and other areas discussed above, we additionally acknowledge the role that the FI$Cal Project Management Office will provide in vendor accountability. Management and control of all project phases will be the responsibility of the FI$Cal Project Management Office (PMO) who will use the project management processes established as part of the Project Management Plan (PMP) to track and monitor project activities and requirements. The PMP is based on Project Management requirements outlined in the State Administrative Manual (SAM), the State Information Management Manual (SIMM), and the Project Management Institute (PMI). The PMP establishes a series of processes that manage various aspects of the project and includes areas such as scope, schedule, cost, human resources, quality and risk. In addition, the PMP addresses activities that are critical to large, multi-disciplinary projects, such as change control, communication management and issue management.

The project will ensure accountability in its day-to-day operations by including a state project manager working with an advising, independent contracted project manager(s) also representing the state. Together, they will adhere to FI$Cal's project management standards and processes and serve as the state project management team. To facilitate the management of the project, the Prime Contractor project management team for the ERP Solution will integrate with the state project management team to provide a single body of project management. All contracted and subcontracted staff will agree to support and participate in the project management methodology and processes established by the PMO. The project will support and promote the integration of the overall project team consisting of state and contracted staff through relationship management activities.

The project management methodology and processes used to manage the project is fundamental in the management of vendor performance and vendor accountability. Key project infrastructure needed to manage vendor accountability includes the project

management processes in areas such as issues, risks, schedule, costs, change control, and scope. Procedural details specific to individual contracts will be structured according to the PMP. PMP documents and processes used to support vendor accountability through the use of this robust project infrastructure are:

- Integrated PMP: The integrated PMP serves as a summary of, and identifies, the subsidiary project plans. Vendor accountability is addressed through sections that identify key elements of the project, such as milestones, communication management, issue management and change control.
- Scope Management: The Scope Management Plan governs the processes used to establish and modify project scope. Vendors are impacted by scope planning, verification, definition and change control processes.
- Schedule Management: The Schedule Management Plan provides processes for accomplishing the timely completion of the project, namely schedule planning, integration, analysis and management. Vendor accountability is influenced through schedule visibility and control exercised via this plan.
- Cost Management: The Cost Management Plan covers processes for planning, estimating, budgeting and controlling costs so the project can be completed within the approved budget. Similar to schedule management, vendor accountability is influenced through the financial visibility and control exercised by this plan.
- Human Resources Management Plan: Human Resource Planning includes processes determining project roles, responsibilities, and reporting relationships, as well as succession planning. Vendor accountability is influenced by how these processes shape the staffing and organization of the project.
- Quality Management: The Quality Management Plan addresses quality assurance, control and continuous improvement. Vendors will be impacted and accountable for adhering to these processes as they overlay other management processes, such as contract management.
- Risk Management: The Risk Management Plan includes processes for dealing with known project constraints, areas of concern and potential risks that may negatively affect the project. Vendors participate in how risks are assessed and addressed during the life of the project.
- Change Control: The Change Control Plan provides structure and processes for documenting, reviewing and approving changes to the approved scope and management of the project. Vendors are influenced by how these process impact project scope and deliverables.
- Communication Management: The Communication Management Plan addresses communication management through planning, distribution, reporting and, at project completion, closure. Vendor communications, like other project participant communication, are governed by these processes.
- Issue Management: The Issue Management Plan provides processes oriented towards identification, documentation, review and resolution of problems or issues. Vendor accountability is influenced by the outcomes of these processes and how they impact other project management processes.

- Contract Management: The Contract Management Plan establishes processes for the acceptance of vendor deliverables, dispute resolution, and escalation processes discussed in an earlier section of this appendix.

Appendix C: A Plan of Funding and Financing

I. Executive Summary

Chapter 172, Statutes of 2007 (Senate Bill 78) amended the 2007 Budget Act (Chapter 171, Statutes of 2007 (Senate Bill 77)) to include $6.6 million General Fund in budget Item 8860-002-0001 for the Financial Information System for California (FI$Cal) project. The funding provided in the budget was to conduct an additional year of project planning as partially outlined in provisional language in Item 8860-002-0001. Included in the provisional language [25] are the requirements to:

- Develop a plan of funding that evaluates alternative financing options and the use of special funds and federal funds;
- Report on the status of funding discussions with the federal government.

This report responds to those requirements by discussing project funding and financing alternatives, recommending a funding/financing strategy for the project, and including an update on the negotiations with the federal government on the fair and equitable allocation of project costs.

Funding and Financing Plan Summary and Recommendation

The following identifies the objectives of the funding and financing plan outlined in this report.

- Long-Term Goal: Ensure federal funding participation on a fair share basis. Distribute costs to departments as benefits begin, in a fair and equitable manner and achieve federal reimbursement for costs.
- Short-Term Goal: Minimize General Fund cost of project delivery during initial (three) fiscal years due to limited General Fund resources.
- Develop an initial funding mechanism for each project phase: short-term tax-exempt debt in the form of Bond Anticipation Notes (BANs), with interest funded with proceeds. Capitalized interest will be included in the long-term debt upon issuance. It is suggested that long-term ratings be obtained at program initiation to achieve lowest cost of short-term financing.
- Long-term financing vehicle: Certificates of Participation ("COPs") payable from annual state appropriations.
- COP security to be structured with strong bondholder protections to minimize FI$Cal financing costs, including administrative safeguards for how and when debt service is paid by each department.
- Financing term will reflect FI$Cal asset life and realistic interest, average life and annual cost assumptions. Note that the amortization

[25] Provision 2 (a) and (b).

of the debt will be based on the project's useful life, which must be used to qualify for federal participation in funding as well as tax exemption.

Based on these objectives, the recommendation is to fund the FI$Cal project through a combination of financing and direct cost allocation to all state funds. The information and analysis supporting this recommendation are incorporated in this report.

II. Project Background

Budget Information System (BIS)

The Department of Finance (DOF) received approval of a Feasibility Study Report (FSR) in July 2005 for the Budget Information System (BIS). The BIS FSR proposed the implementation of a commercial-off-the-shelf (COTS) system to meet statewide and departmental budget development and budget administration needs. The objective of the BIS project was to develop a comprehensive statewide financial system to prepare, enact, and administer the state's annual financial plan (budget) and to provide critical information required to make budget decisions and manage state resources. The solution was also intended to address various information and budget deliberation needs of the Legislature and operate in the context of the state's direction to seek an enterprise-wide solution for disparate business applications in use statewide.

The project was envisioned to be developed on enterprise software that could be expanded for additional functionality. The BIS project was intended to interface with various accounting systems including the State Controller's Office systems, California State Accounting and Reporting System (CALSTARS), and other departmental systems.

BIS Shortcomings

As work proceeded on many fronts for the BIS project (market research, chart of accounts analysis, functional and technical requirements workshops at the departmental level as well as discussions with other control agencies), the project team consistently heard a single message from participants: the current operational business systems limit the state's ability to efficiently manage and report on various business operations as well as allocate resources in the most effective manner. Due to the limitations of legacy systems, program managers and staff resort to collecting data and performing analysis using numerous shadow or subsystems and multiple spreadsheets, creating a situation where critical information is decentralized and difficult to consolidate.

These limitations are largely due to the aging of the state's infrastructure which was primarily developed between 1965 and 1975. Much of that infrastructure is considered to be obsolete from a business perspective and in some cases the hardware is also considered to be obsolete primarily due to the loss of

manufacturer support or staff trained in their computing platforms. The aging and retirement of the core workforce who are knowledgeable about the systems and business processes/requirements that the systems were designed to address further compounds the problems of the aging systems' infrastructure.

The consensus among the state's financial management leaders, through a partnership of DOF, the State Controller's Office (SCO), the State Treasurer's Office (STO) and the Department of General Services (DGS), is that the state desperately needs to replace the back office systems that support the state's business. Failure to modernize and replace this infrastructure will result in a continuation of the processes and limitations that exist today for managing the state's over $321 billion annual enterprise. The state must improve its ability to perform management analysis and reporting at all levels, in a timely fashion for the state to operate like a business and be accountable to its stakeholders, the California taxpayers. Replacing the business infrastructure with the "Next Generation" of systems and related business processes as well as transitioning the workforce to view and operate the state's business as a dynamic enterprise will enhance the state's capability to operate as an efficient business enterprise.

Special Project Report (SPR) #1

Special Project Report (SPR) #1 for the BIS project supported transforming the scope of the BIS project to the FI$Cal project. Through the partnership of the lead control agencies, DOF, SCO, STO and DGS (Partner Agencies), this "Next Generation" project will prepare the state systems and workforce to function in an integrated financial management system environment. Each of the partners has constitutional and/or statutory responsibilities related to the state's financial management that will not change or expand with the proposed enterprise financial system. In addition, the roles and responsibilities for system administration will be clearly delineated since the administrative functions of the centralized system will be owned by multiple lead agencies through the established partnership. A formal memorandum of understanding between the partner agencies to provide the framework for this partnership has been executed.[26]

The FI$Cal project will also play a major role in the state's succession planning for much of the financial management workforce. Transforming the state's business systems to an enterprise based Next Generation business system and workforce requires building on the backbone of Enterprise Resource Planning (ERP) software which integrates and automates many of the business practices associated with operations, in this case, the financial management of the state.

FI$Cal Vision

The vision statement for the FI$Cal Project developed by the project partner states:

[26] See Provision 2 (c), Item 8860-002-0001, Budget Act of 2007.

> "To serve the best interest of the state and its citizens and to optimize the business management of the state, we will collaboratively and successfully develop, implement, utilize, and maintain an integrated financial management system. This effort will ensure best business practices by embracing opportunities to re-engineer the state's business processes and will encompass the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management and human resources management."

To achieve this vision, the state must first modify its processes to adopt best practices and leverage the inherent efficiencies embedded in ERP tools. The central systems must then be replaced in partnership with a select number of departments that will develop end-to-end processes that will meet the needs of all departments, including the four lead agencies operating in a single statewide system. To implement the statewide vision in the most efficient manner a Master Services Agreement will be established to support the roll out of additional departments or functions statewide. The following highlights some of the objectives of this project:

- Establish a single source of financial information through the establishment of a single statewide financial management system.
- Provide more meaningful and current financial information to decision makers and program managers.
- Provide transparent financial information for better decision making.
- Share information with the public and the state's business partners.
- Provide user friendly reporting for decision makers and stakeholders.
- Track statewide purchase volumes by vendor and/or commodity type to identify areas where quantity discounts might save money.
- Facilitate workforce mobility and efficiency by establishing portable work skills.
- Automate manual processes.
- Minimize manual reconciliations among control agencies, state agencies, and other separately maintained systems and databases.

California Performance Review (CPR)

The project change from BIS to FI$Cal is consistent with the recommendations of the CPR (*Volume 3, Keeping the Books and Volume 4, Issues and Recommendations)*. The CPR found that the state's existing financial management systems are not meeting the state's business needs or expectations and in that sense are obsolete. Many of the financial systems were reported as being at risk of failure because of age, loss of manufacturer support, and or loss of key staff to maintain or use them.

The CPR recommended:

3. The State Chief Information Officer (CIO) should assemble a Financial Task Force to develop a statewide vision and plan for a California enterprise financial system.
4. The Governor should direct the State CIO to begin implementing the statewide basic financial system by December 31, 2005 with implementation in all state agencies and departments completed by July 1, 2007.

The project change is also consistent with the State CIO's 2005 Statewide Information Technology Strategic Plan (Strategic Plan). Partially in response to the CPR, the Strategic Plan includes support for the business of the state to "…operate as a seamless enterprise…" The Strategic Plan has six goals, including the following:

5. Make government services more accessible to citizens and state clients.
6. Implement common business applications and systems to improve efficiency and cost-effectiveness.
7. Ensure state technology systems are secure and privacy is protected.
8. Lower costs and improve the security, reliability and performance of the state's information technology (IT) infrastructure.

III. Proposed 2007- 08 Funding Approach

The FI$Cal project was originally proposed for funding as part of the 2007-08 Governor's Budget following the December 2006 approval of Special Project Report (SPR) #1. That SPR #1 changed the scope of the BIS project to the FI$Cal project. The FI$Cal project costs from 2005-06[27] through 2015-16 were identified as $1.334 billion with costs prorated across all state funds in proportion to all state operations expenditures by fund type as summarized in the following table.

Fund Source	Cost Allocation	% of Total
	($ in 000's)	
General Fund	$787,032	59.0
Redirection	$11,379	0.9
Federal Funds	$106,071	8.0
Special Funds	$423,212	31.6
Other Funds	$6,429	0.5
Total Project Cost	$1,334,123	100.0

Of the total project cost, SPR #1 identified a need to fund additional project costs of $1.317 billion over a nine year period.

[27] First year of the BIS Project.

During 2006-07 a number of funding alternatives were examined, including: pay-as-you-go, various General Fund and agency chargeback, long term financing vehicles, such as the state's G$Mart program, vendor financing, general obligation, annual appropriation and lease debt. Alternative funding sources such as public private partnerships and IT investment funds were also examined.

The 2007-08 Governor's Budget proposed a pay-as-you-go approach with the General Fund meeting its cost obligation beginning in 2007-08, building to a peak in 2008-09 and ending in 2011-12. Federal funds and all other funds were proposed to meet funding obligations beginning in 2011-12 through the remainder of the project.

Objectives of the 2007-08 Funding Plan

The 2007-08 funding plan was intended to recognize four important issues:

1. The Administration considered this project to be of sufficient priority to be allocated General Fund in a fiscally constrained environment.
2. Negotiations with the Federal government would likely be protracted.
3. While the Federal government generally will fund its "fair and equitable share" of a project cost from which it accrues benefits, capitalization of project costs until successful deployment is a standard requirement.
4. Special and other fund agencies would need time to plan the budgetary impacts of meeting project cost allocation requirements.

2007-08 Legislative Budget Actions

The Legislature modified the proposal and rather than proceeding to the procurement phase of the project approved $6.6 million General Fund to continue project activities, provided additional staffing and outlined specific project deliverables to be accomplished by April 2008[28]. Included in the project deliverables was the requirement for a funding and financing plan.

IV. Development of the Current FI$Cal Funding Plan

Starting with the End in Mind

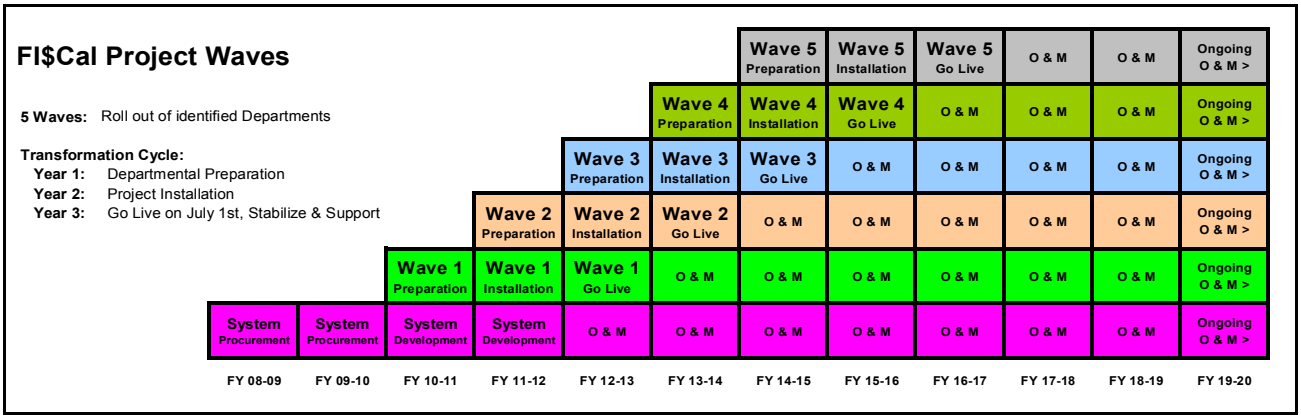
The funding design for the project was developed to satisfy a number of critical goals for the state. To that end, the objectives of the funding plan design were that the plan must:

1. Equitably allocate costs across all beneficiaries, including federal programs.
2. Meet all the requirements for federal cost reimbursement, thereby ensuring that the federal government reimburses the state fully for FI$Cal benefits that accrue to their programs.

[28] See Item 8860-002-0001, Provision 2, Budget Act of 2007.

3. Minimize the need for state General Fund resources over the initial three year completion horizon, in light of limited General Fund availability.
4. Allocate costs to federal funds to coincide with the benefits of the FI$Cal system accruing to federal programs.

The following diagram outlines the project activities and indicates when operations and maintenance will occur relative to project deployment.



Project Funding Needs

Total project costs (see SPR #2 Economic Analysis Worksheets) from 2005-06 through 2017-18 (one full year of operations and maintenance) are estimated to be $1.62 billion. Project funding needs, beginning in 2008-09 are $1.61 billion. The table below identifies the amount of annual funding needed for the project above the $2.42 million General Fund base in the project.

2008-09	2009-10	2010-11	2011-12	2012-13
$37.7M	$80.3M	$158.3M	$191.1M	$239.1M

2013-14	2014-15	2015-16	2016-17	2017-18
$248.5M	$205M	$181.5M	$143.5M	$98.4M

Costs for 2009-10 and beyond are estimates and will be revised in an SPR subsequent to contract award.

Project Funding Alternatives

The DOF's Performance Review Unit (PRU) prepared an independent study of Funding/Charging Methodology Alternatives for the BIS project. This study included a review of funding alternatives for the development and implementation of the BIS Project. Recognizing that BIS is the predecessor of FI$Cal, the information in the PRU study is applicable to FI$Cal. The PRU study is appended to this report (See Appendix A) and summarized in part below for purposes of discussion. Additional comments have been added as the result of further research on specific alternatives. All funding alternatives developed by PRU and included in this report assume that the costs of the project should be

allocated to and be borne by all state funds since the BIS project, and now the FI$Cal project, will provide beneficial use to all state departments.

Alternatives:

1. Charge the cost of the project to the General Fund and use the Prorata and Statewide Cost Allocation Plan (SWCAP) to recover the portion of costs attributable to other funds and the federal government. Based on the current recovery of statewide general administrative costs, the General Fund could recover 35 percent of FI$Cal's costs through Prorata and 7 percent through SWCAP.

   Pros:
   - Would follow the existing procedures for establishing a General Fund appropriation with the recovery through Prorata and SWCAP.

   Cons:
   - Would not recover General Fund costs in the first and second years if no prepayment.
   - Would not recover the General Fund first and third year costs from other state funds and the federal government until the third year if no prepayment.
   - Would not recover the General Fund second and fourth year costs from other state funds and the federal government until the fourth year.
   - Would allocate the FI$Cal costs based on the current Prorata/SWCAP methodology that limit the recovery of General Fund expenditures to 35 percent from Prorata and 7 percent from SWCAP.
   - Would add additional complexity to the already very complex Prorata and SWCAP calculations.
   - Would require a new General Fund appropriation for FI$Cal.
   - Would require augmentations to the budgets of those funds that will receive benefits from FI$Cal.
   - Costs cannot be recovered from the Federal government until the project deployed.

2. Provide a General Fund appropriation with the costs attributable to other funds directly reimbursed to the appropriation item.

   Pros:
   - Would follow the existing procedures for establishing a General Fund appropriation net of reimbursement.
   - Would allow for a different methodology than the current Prorata/SWCAP allocation method that could lower the net cost to the General Fund.

   Cons:
   - Would most likely require General Fund pay the costs up front with reimbursement from other funds afterwards.
   - Would add additional complexity to the allocation charges to fulfill the federal requirements for either direct charging or recovery through Prorata/SWCAP.

- Would require a new General Fund appropriation for FI$Cal.
- Costs cannot be recovered from the federal government until the project is deployed.
- Would require augmentations to the budgets of those funds that will receive benefits from FI$Cal.

3. Establish an Internal Service Fund for FI$Cal. The Internal Service Fund would calculate its costs for FI$Cal and charge the departments their share based on an established criteria, such as the amount of expenditures or transaction based. The costs of the fund would need to be fully covered by the charges. Both the Department of Technology Services (DTS) and the Department of General Services use this method to pay for their costs.

Pros:

- Would allow for a permanent source of funding through the newly established fund.
- Would allow for a different methodology than the current Prorata/SWCAP approach that could lower the net General Fund cost.
- Would eliminate the need for a new General Fund appropriation for FI$Cal.

Cons:

- Would require augmentations to the budgets of the departments/funds, including General Fund, that will receive services from FI$Cal.
- Would most likely require a working capital advance from General Fund.
- Costs cannot be recovered from the federal government until the project is deployed.

4. Finance a significant portion of the FI$Cal project costs through the issuance of revenue bonds or certificates of participation, in combination with one of the three previous alternatives.

Pros:

- Would significantly lower the initial years' charges to General Fund and other funds.
- Would spread costs of the project over the years in which system benefits are received.
- Would recover costs from the federal government during the same time period as the debt service payments are made. (The federal government will only pay for its share of the costs by amortizing the costs over the life of the asset, no matter when the actual cost is paid.)

Cons:

- The cost of financing becomes an incidental project cost. [29]

Cost Allocation Plan

Fair and Equitable Cost Allocation Plan (CAP)

The allocation of FI$Cal costs must satisfy both state and federal stakeholders. An important factor in achieving a successful transition to FI$Cal, will be the understanding and acceptance of the allocation of FI$Cal's costs by state departments and agencies. Another important factor will be the state's ability to receive a fair and equitable contribution from federal funds for the shared costs of the system. Specifically, the federal government should fully reimburse its fair share of the cost of FI$Cal services and benefits accruing to state administered federal programs.

As part of the FI$Cal team's review, officials of the Government Finance Officers Association ("GFOA") were contacted for their broad-based independent perspective. GFOA staff noted that many of their state and city members have not developed a unique or "special" approach to allocating ERP costs; rather costs are typically handled as purely administrative costs within the total cost allocation of services or are incorporated into an existing CAP. GFOA provided a note of caution: regardless of the cost allocation method selected, the state should make sure that potential users perceive the approach as "fair" or else potential users will attempt to mitigate costs by "gaming" the system. Rewards for early conversion may encourage the participation of individual departments. GFOA also suggested that the state should highlight the quality of the system's capabilities for use in audit and year-end reports that will ultimately save governmental units money.

Federal Participation in Project Costs

The state plays a critical role in administering numerous federal programs which will rely heavily on the FI$Cal system. It is both critical and reasonable to ensure that California receives its fair share of federal reimbursement in proportion to FI$Cal benefits provided to support those federal programs and expenditures. Further, the state cannot simply assume federal reimbursements; achieving appropriate federal reimbursement requires advance negotiations and agreements on cost allocation with federal authorities in addition to an understanding of federal reimbursement guidelines.

Authoritative Sources on Federal Capitalization Policies

Federal Office of Management and Budget (OMB) Circular A-87 and Related Federal Policies

OMB Circular A-87 establishes the principles and standards for determining costs for federal awards carried out through cost reimbursement, contracts, etc.

[29] Although financing costs would be incidental to the project, financing costs are not considered a direct project cost under the state guidelines for determining project costs.

While not specifically mentioning “intangible” assets like the FI$Cal project, the federal government will reimburse the cost of intangible assets but only as a capital asset.
The circular requires capital assets to be capitalized and depreciated over their useful life, since the asset's proportionate depreciation expense is an allowable charge for federal reimbursement. The federal government will reimburse the cost of the asset over the useful life of the asset once it is operational.

Contacts at the federal Department of Health & Human Services (DHHS), Division of Cost Allocation (DCA) provided the example of how Washington state's enterprise resource planning project amortized the costs of a project, which is over twelve years. The DCA indicated the federal government will pay for its proportionate share of the Washington project using one of two methods, indirect or direct charge.

The indirect (Statewide Cost Allocation Plan/SWCAP) methodology requires General Fund to make the initial cost payment with the other state funds’ and federal funds’ share being recovered through the state’s SWCAP and Prorata calculation. The direct charge method requires that costs to be charged directly to state agencies’ appropriations for special funds. For federal funds, the state agencies will include the costs as part of their charges to the federal government for support of the federal programs.

While either method of charging the costs should result in a similar amount of federal reimbursement, the direct charge method may allow for a different basis for allocation (i.e., based on expenditures) than the indirect and SWCAP method according to the Fiscal Systems and Consulting Unit (FSCU) of the DOF. A different method of allocation for distributing the FI$Cal charges between the funds, the cost to General Fund could be lower. Also, costs would be included with all other indirect costs that are subject to limits on the amount allowable for federal billing purposes.

American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 98-1

This statement specifically addresses the accounting for costs of computer software for private industry. Following is a summary of the statement:

Computer software costs that are incurred in the preliminary project (planning) stage should be expensed as incurred. Once the capitalization criteria of the SOP have been met, external direct costs of materials and services consumed in developing or obtaining internal-use computer software; payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project (to the extent of the time spent directly on the project); and interest costs incurred when developing computer software for internal use should be capitalized.

Training costs and data conversion costs, except for costs to develop or obtain software that allows for access or conversion of old data by new systems, should be expensed as incurred. Internal costs incurred for maintenance should be expensed as incurred. Entities that cannot separate internal costs on a

reasonably cost-effective basis between maintenance and relatively minor upgrades and enhancements should expense such costs as incurred.

The capitalized costs of computer software developed or obtained for internal use should be amortized on a straight-line basis unless another systematic and rational basis is more representative of the software's use.

Governmental Accounting Standards Board (GASB) Statements No. 34, 37 and 51

GASB Statement No. 34 states that the term “capital assets” includes intangible assets. However, what is included in intangible assets is not specified. GASB Statement No. 37 amends GASB Statement No. 34 in not allowing the interest expense for governmental activities to be capitalized, even though it is allowed by OMB federal reimbursement guidelines.

The GASB Statement requires that the statement provides the authoritative guidance related to the accounting and financial reporting for capital assets and provides further that intangible assets should be classified as capital assets.

The Statement continues by articulating that an intangible asset should be recognized only if it is identifiable, meaning that either:

- The asset is separable, that is, the asset is capable of being separated or divided from the government and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability; or
- The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

According to the GASB Statement, certain internally generated intangible assets should also be capitalized. Expenditures incurred related to an internally generated intangible asset should be capitalized only upon the occurrence of all of the following:

- Determination that an objective for the project is to create a specific internally generated intangible asset;
- Determination of the nature of the service capacity that is expected to be provided by the asset upon its completion;
- Demonstration of the technical or technological feasibility for completing the project, so that the asset will provide its expected service capacity;
- Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multi-year project, continue development of the intangible asset. Expenditures related to the creation of an internally generated intangible asset incurred prior to meeting these criteria should be expensed as incurred.

The GASB Statement specifically states that computer software, including software developed in-house, is an intangible asset. It goes on to state that the activities involved in creating and installing internally generated computer software can be grouped into the following stages:

- Preliminary Project Stage - Activities in this stage include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the development of the software.
- Application Development Stage - Activities in this stage include the design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing, including the parallel processing phase.
- Post-Implementation/Operation Stage - Activities in this stage include training and software maintenance.

For internally generated computer software, the criteria to start accounting for the costs as an intangible asset should be considered to be met only when the activities noted in the preliminary project stage are completed and management implicitly or explicitly authorizes and commits to funding the information technology project. Accordingly, expenditures associated with activities in the preliminary project stage should be expensed as incurred.

Once the above criteria have been met, expenditures related to activities in the application development stage should be capitalized. Capitalization of such expenditures should cease no later than the point at which the project is substantially complete and ready for its intended use.

Expenditures associated with activities in the post-implementation/operation stage should be expensed as incurred.

Internal Revenue Service (IRS) Regulations and Related Court Cases

In general, the IRS requires intangible assets to be capitalized. Similarly, the amount that can be financed through tax-exempt bond sales is limited to the amount that can be capitalized. How much of the FI$Cal project should be capitalized is subject to interpretation. Also, Treasury Regulation Section 1.150-2 has certain requirements related to when a bond needs to be sold in order for the interest to be tax exempt. Following are three court cases that relate to what can be capitalized.

- *Commissioner of Internal Revenue v. Idaho Power Company*—The ruling in this case determined that only the depreciation of equipment used to build a building could be chargeable to the building, which in turn was required to be depreciated.
- *INDOPCO Inc. v. Commissioner of Internal Revenue Services*—The ruling in this case determined that intangible assets need to be capitalized and amortized over the life of the asset.

- *Cleveland Electric Illuminating Company v. United States*—The ruling in this case determined that training could be capitalized if it was for a new system, where the training would provide a benefit for more than one year.

Federal Office of Management and Budget ("OMB) Guidelines

As previously discussed, the guidelines permitted recoverable costs and the nature of federal participation are set forth OMB Circular A-87. The circular establishes the principles and standards for determining cost eligibility, capitalization requirements, and timing of federal reimbursements, which are documented in approved cost recovery contracts. Early indications from the federal government suggest two approvable methods for the state to recover FI$Cal expenditures: indirect cost recovery via a statewide Cost Allocation Plan (SWCAP) or direct cost recovery via use/transaction charges levied against each user/transaction processed by the system.

The SWCAP provides for reimbursement (to the General Fund) of the federal funds' share of the indirect costs incurred by central service agencies. The state's existing SWCAP methodology has been approved by the federal government and provides the basis for the annual reimbursement calculations.

The direct charge method provides that central service agencies' costs are charged to state departments for their share of services provided by the central service agencies. State departments allocate the direct charged costs to their various programs including federally supported programs. Once allocated to the federally supported programs, the state departments will be reimbursed for the direct charged costs from federal funds as part of existing federal reimbursement processes.

OMB Circular A-87 also sets forth the formula for reimbursement of capital assets. Although FI$Cal includes a combination of hard assets (computer equipment, support equipment, software, etc) and human capital (e.g., state staff and vendors), the entire project is considered a capital asset under these guidelines. The guidelines establish the fact that the federal government will pay for a fair and equitable share of development and deployment costs of a project, but not prior to demonstration of the successful deployment (actual usage) of the project. Consequently, the federal share of pre-operational system costs must be capitalized and then amortized over the depreciable life of the project. The federal government will pay its fair share of capitalization costs. In essence, the state is required to carry (or finance) the federal share of costs until the state can demonstrate the success of the project. Therefore, an important element of any determination of federal reimbursement is the treatment of depreciation. The useful life of the asset is a factor in determining the period over which the federal government will reimburse depreciation costs. Under the guidelines, the identified depreciable life of certain "equipment" is fifteen years. The state, on the other hand, would benefit from defining the useful life of the asset over a shorter life (e.g., ten to twelve years) to recoup full federal reimbursement over a shorter period of time.

Allocation of Project Costs to All State Cost Centers

The proposed Fi$Cal system will significantly re-engineer current state business processes, incorporating the functions of budgeting, procurement, financial accounting and reporting (including federal grants), asset management, vendor management, and state disbursements within a fully integrated, seamless, Enterprise Resource Planning (ERP) software based system. The system functions include the enterprise-wide financial processes for the state.

A fair and equitable method of distributing costs requires including all cost centers and fund sources that receive benefit from the FI$Cal system (e.g. local assistance, capital outlay) in addition to state operations. All state departments and programs will benefit and receive significant services from the FI$Cal system. The system will provide functionality and services to all state programs; i.e., functionality will extend to local assistance and capital outlay as well. Many local assistance programs currently operate on separate platforms/systems. Once the proposed Fi$Cal system is operational, many processes currently performed by these specialized systems will migrate to FI$Cal (e.g. Vouchers Payable, Accounts Payable, Accounts Receivable, Grant Accounting, Project Accounting). To allocate FI$Cal system costs to only state operation appropriations would allow non-state operation appropriations to use and receive the FI$Cal system services and benefits for free.

By way of example, two departments are further discussed below to illustrate cost allocation issues.

Department of Social Services (DSS)

DSS "apportioned" approximately $16 billion ($9 billion General Fund, $7 billion federal funds) in local assistance to the counties in the 2006/07 fiscal year. Approximately 700 claim schedules are generated a month from the two primary specialized systems (for assistance programs and for administrative costs) for payment by the SCO. Only summarized accounting data is posted to the current DSS accounting system. The program specific administration, case management, and calculation processes are expected to continue to be maintained by separate DSS program specific systems, but the cost estimating, budget, disbursement, receipt, accounts payable, accounts receivable, and grant management processes will be performed and managed in the FI$Cal system.

In this example, while the FI$Cal system will not completely replace all of the functionality of specialized systems, it will provide the ability to capture more complete information at a much lower level than the state's existing departmental and statewide systems. The following areas will gather and provide more complete information:

- Budget and forecasting
- Contract and grant management
- Financial accounting (General Ledger, Accounts Receivable, Accounts Payable, program and cost allocation)
- Financial reporting
- Vendor management, electronic payment and remittance

Department of Mental Health (DMH)

DMH maintains a local assistance program ($1.6 billion General Fund, $60 million Federal Funds and additional Federal Fund match from the Department of Health Care Services), reimbursing the state's 58 county mental health programs. Counties submit claim information to DMH (via a Web interface for electronic claim input together with a signed certification which is faxed to the program). DMH initially maintains claim information in a stand-alone Microsoft Access database, using Microsoft Excel and Monarch for extracts, reports, and templates. These claims are then processed (via the DTS) by a Department of Health Care Services (DHCS) program, returning claim information to DMH for further processing, claim review and approval/disallowance, claim accounting/settlement/offset. Summary information is uploaded from DMH's stand-alone database to the DMH departmental accounting system that generates paper claim schedules for submission to the SCO for payment.

The detailed information is expected to continue to be primarily maintained within the DHCS payment program. However, DMH's decentralized claiming and accounting processes will be managed by the FI$Cal system. As in the case of DSS, the following FI$Cal functions will gather and provide more complete information for DMH:

- Budget and forecasting
- Contract and grant management
- Financial accounting (General Ledger, Accounts Receivable, Accounts Payable, program and cost allocation)
- Financial reporting
- Vendor management, electronic payment and remittance

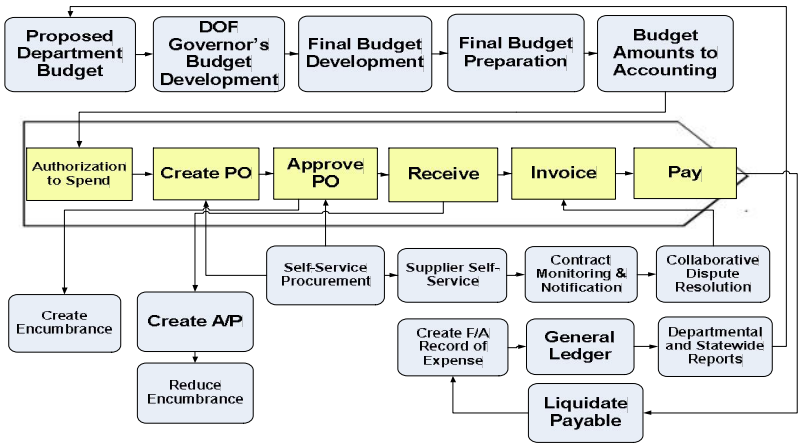
DIRECT BENEFIT PAYMENTS

In addition to these two local assistance programs, direct benefit payments such as Medi-Cal will also be processed in the FI$Cal system. Payment files are received from the fiscal intermediary, audited and paid by the SCO. The following FI$Cal processes are affected by direct benefit payments:

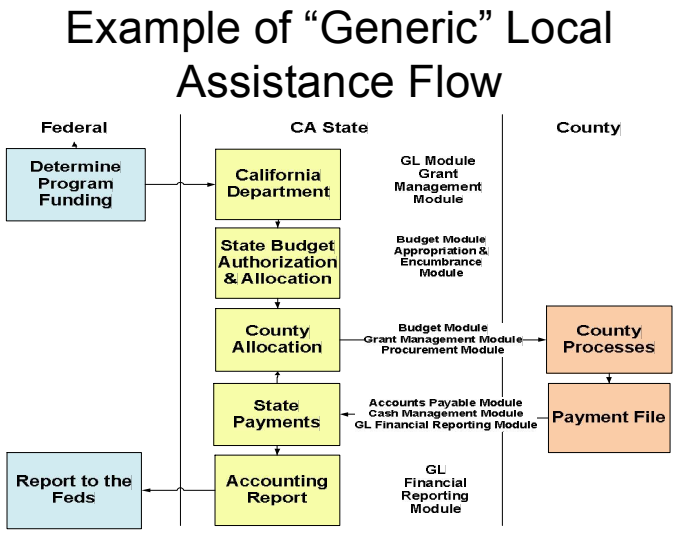
- Budget and forecasting
- Encumbrances
- Payment and warrant register
- Presentation and redemption of warrants
- Cash in state treasury
- Warrant reconciliation processes
- General ledger
- Financial reporting

The diagram below demonstrates the functionality of the system as it relates to the procurement process and applies to procurement activities for all functions of state government.

ERP Procurement Module



The following diagram outlines the system functionality to be used in any generic local assistance business process.



Both the procurement and local assistance examples above demonstrate that these activities will use multiple functions of the FI$Cal project. The procurement examples apply across all functions of state government (operations, local assistance or capital outlay). If allocation of FI$Cal costs is based only on state operations programs, those departments without local assistance programs will be allocated costs for FI$Cal services provided to local assistance, thereby subsidizing the operational costs of the local assistance programs.

Review of Cost Allocation Plan Approaches Used by Other States

Building on the prior research, since April 2007 the FI$Cal project team undertook an in-depth review of various states' approaches toward funding a comprehensive ERP system, each of which involved some level of federal cost reimbursement.

In order to gain from the experiences of states that have undertaken similar, comprehensive financial system projects, several states were contacted, and interviews were conducted with key members of the states' ERP teams. The inquiries focused on those states that have used or are contemplating debt financing for all or a portion of their ERP, including Ohio, Pennsylvania, Arizona, and Washington. Each of these states developed a CAP to allocate cost among individual state departments, federal programs/special funds and general fund departments expected to use the ERP. This research effort provided information on the funding methodology, adopted/proposed CAP, federal and state funding levels, structure of any tax-exempt debt utilized and internal flow of funds implemented to support debt service and ongoing operational costs. Information was also obtained that provided insight into each state's overall approach toward development of their CAP, how the federal allocation was determined, and specifically, how ongoing debt service for the financing is allocated.

Each of the states contacted had unique circumstances that impacted its cost allocation approach. For example, in those states where speed of system implementation was a priority, the decision was made to have the cost of project development borne by the general fund until a fair and equitable CAP could be developed. All the states were consistent, however, in their decision not to establish a final cost allocation or CAP in the initial implementation stage of the project, since each believed that a fair allocation could not be made without actual transaction data derived from system utilization. While all of the states contacted began their work within the structure of their existing state CAP, each did use different approaches. Ohio, for example, utilized a "head count" approach (ratio of number of users per agency compared to total number of users) for allocating costs of the human resources project function, and applied a "percentage of total payroll" approach for allocating financial system services costs. Pennsylvania used head count for initial system development, and allocated ongoing operational costs based on the transactions per department after developing unique definitions of "transaction" for each of the different functions.

Arizona and Washington used their existing CAPs to establish the cost participation of various state users. Arizona's plan to use its existing CAP for its new system is under development. Washington bills each agency directly on a headcount basis and also bills system depreciation on a per full-time employee (FTE) basis. All of Washington's system costs since initial operations, including costs related to debt financing, have been deemed operations and maintenance costs; as such, these costs have been paid proportionately by the federal government while their CAP is under review. [30]

Federal Government Negotiations

In order to ensure that the state maximizes federal reimbursements for the FI$Cal project the project staff has entered into negotiations with the federal government on federal funding participation.

National Perspective

[30] Washington's $70 million project was funded with $20 million pay-as-you-go from state operating funds and $50 million from the issuance of certificates of participation ("COPs").

As discussed earlier, the federal Office of Management and Budget (OMB) establishes the principles and standards for state, local and tribal agencies outlined in OMB Circular A-87 for determining allowable costs, cost eligibility, capitalization requirements, and development of cost allocations and indirect cost rates.

The U.S. Department of Health & Human Services (DHHS), Division of Cost Allocation (DCA) is the cognizant agency to negotiate the cost allocation methodology and rates for California and other state and local governments. DCA is the approving authority for the cost allocation methodology the FI$Cal project will use to allocate project costs to all state departments.

The FI$Cal project must be approved to proceed beyond the planning stage (i.e, Legislative approval of funding is necessary) to claim the fair share of federal reimbursement for project costs.

California Perspective

The FI$Cal project is applying the federal principles and standards for identifying the methodologies to be used in allocating each state department's fair share of costs in order to properly allocate costs to all available funding sources, including federal funds. The FI$Cal project will be used by all California departments; the project has identified two methodologies to allocate project costs.

- Interim allocations will utilize an indirect cost allocation methodology. Allocations will be based on the percentage that each participating departmental budget represents of the total state budget. All departmental cost centers will be included in the allocation methodology, such as state operations, local assistance, capital outlay and continuous appropriations, to ensure fair-share allocations.

- Transactional allocations will utilize a direct cost allocation methodology. Transactional allocations will be based on each department's utilization of the system. Allocations based on statistically valid departmental transaction data will ensure each department bears its fair share of FI$Cal costs.

- FI$Cal procurement, design, development and deployment costs for each wave of participating departments are proposed to be financed. General Fund loan authority will also be necessary, to cover the period until the financing can be accomplished. Repayment of the General Fund loan and the financing will be accomplished with costs by both methods described above.

- The two proposed cost allocation methodologies are to be utilized at different points in time during each department's roll-out schedule. Once the system is deployed and operational for a department, the department will be billed based on the percentage of the departmental budget to the total state budget. When transactional data is available and data validity can be verified, the department will be billed annually based on departmental transaction data. Fifteen to eighteen months is estimated as the time between the

departmental "go live" date and the date when sufficient valid data is available for analysis.

2006-2007 Milestones

January 5, 2007 – Direction was received from DHHS and DCA regarding lessons learned from the SCO 21st Century Project. According to the federal government, the development costs for new software initiatives must be capitalized and amortized over the useful life of the project. The amortization charges cannot begin until the new system is implemented and in use by departments with federal programs. In order to charge federal funds, the cost allocation methodologies must be pre-negotiated with DHHS and DCA.

June 19, 2007 – FI$Cal project leaders met with the DHHS and DCA. FI$Cal gave an overview and status of the project with timelines. There was a discussion of federal funding options and processes. The DHHS and DCA briefed FI$Cal on what they required.

2007-2008 Milestones

September 7, 2007 – Research on other state's cost allocation models was conducted by Lamont Financial Services[31] resulting in a report on the Conceptual Cost Allocation Plan for the FI$Cal project. Lamont identified other states' consideration of debt financing for all or a portion of their ERP systems. In general, other states' decided to bear the costs of project development and implementation by the state General Fund, until a fair and equitable cost allocation plan based on actual system transactional data could be developed. Certain states are funding ERP system costs by issuing certificates of participation. The Lamont conceptual report recommended establishment of an internal service fund to segregate and easily monitor all costs and reimbursements related to the FI$Cal project.

September 18, 2007 – FI$Cal project leaders and the Assistant Chief of the FSCU drafted a discussion document on the approach for the CAP for the FI$Cal project. Surveys of other states revealed that each used their state's existing CAP rather than develop a new one for their ERP system. Some states utilized an indirect allocation methodology heavily weighted by human resources transactions since the initial modules implemented were human resources modules. Discussions were also held with the GFOA to identify cost allocation methodologies used for cities and counties.

September 19, 2007 – FI$Cal project leaders and FSCU met with DHHS and DCA. The FI$Cal project gave a project status report and a walk through of the FI$Cal cost allocation information and framework, followed by a discussion. The DHHS and DCA provided more instructions and asked for more details.

October 11, 2007 – FI$Cal project leaders and FSCU met with DHHS and DCA. The FI$Cal project gave a presentation on the proposed financing methodology

[31] Financial Advisor to the State Public Works Board

and a discussion ensued on short and long-term cost allocation approaches and objectives. An indirect cost allocation methodology based on a ratio of departmental budgets to the total state budget was discussed as an interim allocation until transactional data becomes available to directly charge departments based on actual transactional data. The DHHS and DCA agreed that both the proposed financing methodology and interim cost allocations seemed reasonable but requested a detailed report for review.

Next Steps

At the suggestion of DHHS and DCA, FI$Cal project leaders are drafting a request to the federal OMB requesting for confirmation of federal reimbursement of the interest component of financing costs. Confirmation was suggested in light of OMB Circular
A-87's direction for on reimbursement of financing costs, including interest, associated with otherwise allowable costs of equipment. Among the OMB Circular A-87 conditions are that; the financing must be provided by a third party, the assets must be used in support of federal awards, and interest earned on borrowed funds must be used to offset the current period's cost or the capitalized interest. The financing plan for the FI$Cal project meets all of these conditions.

FI$Cal project leaders have agreed to prepare a detailed report with additional specifics for preliminary agreement by DHHS and DCA for the estimate of the amount to be financed, estimated interest costs and financing arrangements for the project.

Current Status

The federal government's preferred cost allocation method is a transaction-based, direct charge approach. They acknowledge, however, that a lack of accurate historical data across departments makes an up-front transaction-based approach unachievable. The federal representatives indicated that while an indirect cost allocation approach may be viable as an appropriate interim measure, costs should ultimately be allocated on the favored transaction-based methodology, after sufficient use data has been collected. Both the project and federal representatives agreed to re-evaluate the initial allocation method once project implementation begins so that appropriate adjustments could be made to the initial approach, as necessary.

V. Proposed FI$Cal Cost Allocation Plan

The proposed cost allocation methodologies discussed in this plan were developed with input, expertise and assistance from the federal government and state partner control agencies. Methodologies take into consideration information from other states and local governments, best practices and lessons learned.

The purpose of this cost description is to set forth the methods FI$Cal proposes to use to allocate costs at the state level. The procurement, design, development

and deployment costs are proposed to be financed (capitalized) and allocated to all state departments to ensure that all available funding sources, including federal funds, share the costs on a fair and equitable basis.

The FI$Cal project will maintain a full accrual accounting system for direct and indirect costs to state level departments annually by state fiscal year. Cost allocations will be based on estimated annual project costs and expenditures and will be allocated as part of the annual budget development process for state departments. Allocated costs will include the cost of financing. Departments will be direct billed for costs and reimbursements aligned with the timing of anticipated project costs. The project proposes the SCO be given authority to transfer funds directly from departmental appropriations or funds to ensure recovery of costs. Allocations will be modified after fiscal year-end to adjust for actual expenditures. Any differences will be rolled over to the next fiscal year's planning allocation to each department.

Interim Cost Allocation Plan—Prior to Availability of Transactional Data

Costs will be allocated to departments based on the relative benefits received, defined by percentages of each participating departmental budget (all funds) to the total state budget (all funds). All activities benefiting from the FI$Cal system will receive an appropriate allocation of costs. In order to identify all cost centers (at both the statewide and departmental levels) receiving benefit from the FI$Cal system, state operations, local assistance and capital outlay are included in each department's total budget, including non-budget act expenditures, to develop allocation percentages. Departments will allocate costs to their various programs' fund sources consistent with how they allocate other administrative costs, e.g., human resources and information technology.

Continuing system operations and maintenance costs will be allocated to departments in the same manner, percentages of each participating departmental budget to the total state budget. Project personal services, operating expenses and equipment, and direct and allocated overhead costs will be charged to all departments based on this methodology.

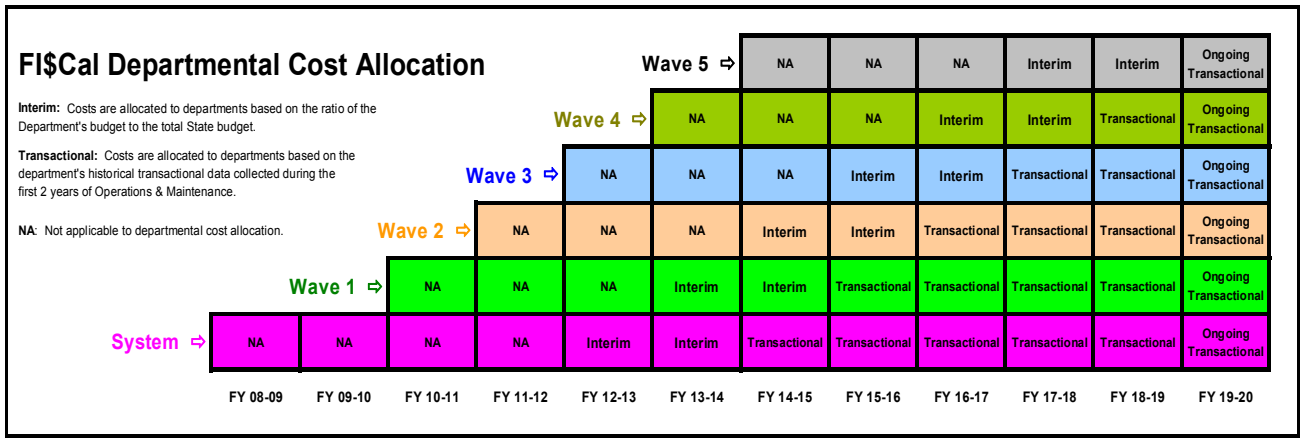
One-time FI$Cal system costs that can be directly linked to a specific department will be direct charged to the appropriate department, such as those costs associated with deploying the system to specific departments in Waves 1 through 5. One-time costs that cannot be directly linked to a specific department will be cost allocated to all departments based on the budget percentage allocations.

The implementation schedule includes a staggered roll out of a portion of the departments each July 1st over several fiscal years corresponding to Waves 1 through 5. Each Wave consists of three one-year periods for department preparation, program installation and "go-live", and stabilization and support activities to ensure the successful deployment of the system to all California departments. Each Wave recognizes two levels of service to each department that includes statewide systems and services and internal departmental financial activities.

Transactional Based Cost Allocation

After FI$Cal transactional data is available, costs will be allocated to departments annually based on transactions. Due to phased implementation in Waves 1 through 5, complete transactional data will be available coinciding with post-implementation beginning in state fiscal year 2016-17. Thus, for departments in each Wave, billing will be based on transactional data beginning the third year of each state department's operations and maintenance activities.

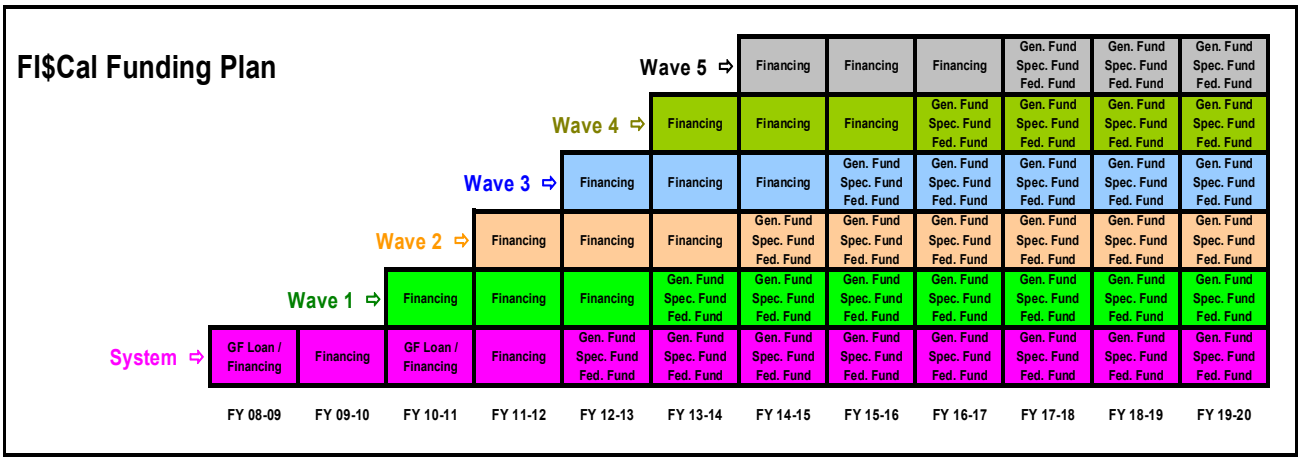
The following diagram identifies the usage of the proposed interim versus transactional CAP by fiscal year.



VI. Comprehensive Capital Plan for FI$Cal Funding

The capital financing plan, funding approach and CAP described herein are all designed to provide a comprehensive solution that satisfies a number of critical goals for the state. First, the plan has been designed to meet all the requirements for federal cost reimbursement, thereby ensuring that the federal government reimburses the state fully for Fi$Cal benefits that accrue to their programs. Second, the plan is designed to equitably allocate costs across all beneficiaries while providing incentives for legacy system users to accelerate conversion to Fi$Cal usage. Finally, the plan is designed to minimize the need for state General Fund resources over the initial three year completion horizon, in light of limited General Fund availability and to coincide with the benefits of the Fi$Cal system accruing to the state after project deployment.

The diagram below provides the basic outline of the funding plan for the project.



Financing

Other State's Financing of ERP Systems

The research into other state's CAP efforts revealed that several other states had debt financed projects. Two of those financings are discussed below.

Ohio

Ohio partially financed its Ohio Administrative Knowledge System, a statewide enterprise resource planning system, through the selling of Certificates of Participation (COP). Ohio used COPs instead of revenue bonds, because COPs are not charged against the state's revenue bond limit.

Ohio financed costs of the system integrator, the software, the hardware, and some training. The COPs proceeds were not used to pay the costs of the staff payroll. The one-time costs, including debt service on the COPs, were paid from the General Fund. The ongoing operating costs are charged to the agencies and funds based on specific criteria, similar to California's Prorata charges for central services. Ohio purchased bond insurance to guarantee the repayment of the COPs. The COPs have a ten-year repayment schedule. Ohio wanted to repay the COPs quickly, considering repayment in as little as seven years at one point.

Washington

Washington partially financed its Human Resources Management System, an ERP, by selling COPs. Washington used COPs instead of revenue bonds, because COPs are not charged against the state's revenue bond limit.

Financed costs included the one-time costs of programming, employees, hardware, facilities, and equipment. The COPs were not used to finance software or the operating costs of hardware maintenance, utilities, IT

environments, building rent, training, etc. A portion of the total project costs was paid by direct charges to agencies through a revolving fund. Washington secured payment of the COPs by pledging its General Services appropriation.

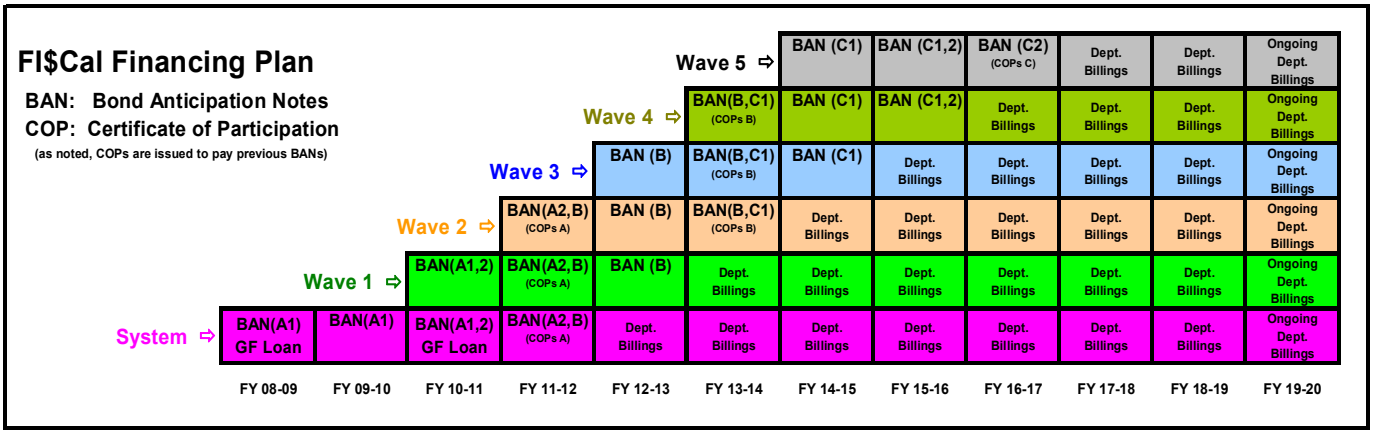
The Washington COPs have a twelve-year repayment schedule. Washington chose twelve years as the expected useful life of its HRMS, an amount shorter than 25 years, the life of their previous system, and longer than the three to five years set forth in IRS amortization schedules.

Outline of Form of FI$Cal Financing

Initial procurement, design, implementation and deployment costs are proposed to be capitalized throughout the development period, financed initially through short-term bond anticipation notes (BANS). Interest on the BANs will be rolled into the long-term financing take-out with COPs. These costs represent the "backbone" of the system and must be incurred before any department can garner benefit from the system and before federal reimbursement can be received. Moreover, once incurred, all departments will benefit because the system will be deployed and fully functioning at the control agency level. The three-year deployment costs for each of the five waves are also proposed to be financed to ensure federal reimbursements upon system usage by each department. Operations and maintenance costs, including repayment of financing, are proposed to be funded through cost allocation to all departmental agencies as previously discussed.

While changing market conditions over the next 10 years may necessitate a re-evaluation of the interim versus final funding vehicles used, the proposed approach of using tax-exempt 2/3-year BANs with long-term (10/12-year) annual appropriation-backed COP takeouts is the most efficient approach currently available that satisfies both useful life limitations and cash-flow concerns. Financing and interest costs are expected to be minimized under this structure versus other possible alternatives.

The diagram below outlines the financing plan for the project.



Interim Financing

BANs have been selected as the interim financing vehicle due to their simple security structure, relative ease of administration, comparatively low interest and ancillary costs, and lack of interest rate risk, compared with frequently adjusted securities (i.e. commercial paper, auction rate products, or variable rate demand notes). BANs are expected to be issued for 2/3-year terms (to be determined by the drawdown schedule, tax law limitations, and sizing target). During the period that BANs are outstanding, all interest will be paid by a combination of capitalized interest funded from BAN proceeds and earnings on all unspent proceeds, with no state budget impact until the COPs are sold to retire the BANs. The BANs are expected to be secured by:

1. The capitalized interest
2. A commitment by the state to issue the long-term COPs to retire the BANs at maturity.

The rating agencies and credit enhancers may require a contingent state pledge to appropriate funds to repay the BANs in the event the permanent financing (COPs) cannot be sold. All interest earnings from unspent BAN proceeds not needed for debt service will flow to a continuously appropriated FI$Cal internal services fund, to be used for project costs and reduce the size of future borrowings.

Based on current market conditions, it is expected that the (taxable) interest rate earned on unspent proceeds will more than offset the (tax-exempt) interest rate paid on the BANs, generating positive arbitrage which will provide additional benefits/cost savings to the FI$Cal project during the project delivery period.

In addition to the interim financing provided by the BANS, short-term General Fund loan authority would be required as bridge funding prior to each BAN sale. These loans would be repaid within the same fiscal year as the loan is made by the proceeds of the BANS, and therefore would not be considered an expenditure under state budgeting and accounting principles.

Permanent Financing

When BAN proceeds in the FI$Cal Internal Services Fund (FISF)[32] begin to run low, the State will enter into two simultaneous additional financing transactions. Long-term (10-12 year, depending on useful life limitations) COP will be issued to retire the outstanding BANs, and concurrently an additional series of BANs will be sold to replenish the FISF. In the event that beneficial use of the system financed by the initial BANs has not yet been achieved, the COPs financing may include additional capitalized interest for the remaining development period.

FI$Cal COPs

The long-term COPs will be secured by a pledge of the state to make annual budget appropriations for debt service, which is not subject to abatement, but is

[32] To be established in authorizing statute.

subject to passage of the annual budget. To ensure timely repayment of the COPs as debt service becomes due, the cost allocations to departments will be included in the annual budget act in each department. Upon enactment of the budget, the SCO will transfer the FI$Cal appropriations to the internal services fund. At the beginning of each fiscal year (or immediately upon passage of the budget bill) funds for annual debt service will be transferred to the COP trustee as called for in the Installment Purchase Agreement.

Based on the structure, it is expected that the BANs will receive short-term ratings in the highest category. The COPs are expected to be rated one-half credit notch below the State's General Obligation debt, comparable to other SPWB debt. To ensure that the BANs achieve the best possible reception from investors, it is strongly recommended by the SPWB financial advisors that the state seek a long-term rating at the time of the initial BAN sale, eliminating market perception of any uncertainty of the state's ability to complete the long term takeout of the BANs. Both the timing of the sale of BANs and COPs will be scheduled to avoid the implications of a late-budget scenario to ensure the continuity of activities on the project.

State Public Works Board (SPWB) as Issuer

It is proposed that the SPWB be the authorized financing entity. The SPWB has the authority through the Government Code to finance the acquisition and construction of public buildings through the sale of COPs and revenue bonds that are not general obligations of the state. Modification of existing SPWB financing authority would be required to include "intangible" assets such as the FI$Cal project.

In addition to the financing authority, specific legislative direction to develop the FI$Cal system will be required (similar to the authorization to construct a building) as well as the directive that all state departments and agencies will be required to utilize the FI$Cal system. These statutory changes are necessary to support the financing as well as support the state's objective of a single integrated statewide enterprise financial management system.

The SPWB COPs proposed in this funding plan will not represent or constitute a debt of the state within the meaning of any constitutional or statutory limitation. The rating agencies will, however, include the amount of debt service in the calculation of the state's overall debt ratio.

The debt service for the COPs is proposed to be excluded from the continuous appropriation of Government Code Section 15848 which provides for payment of SPWB debt service in the event where debt service payment is due but a budget is not yet enacted.

Repayment of Financing and Annual Operations and Maintenance Funding

Annual operations and maintenance costs of the project (including the cost of repayment of the financing)[33] would be determined as part of the annual budget development process. In that process, departmental cost allocations will be developed by the project and provided to the DOF. DOF will be responsible for incorporating the allocations into individual budgets based on standard distribution of administrative costs among departmental funds. Upon budget enactment, the SCO would transfer the departmental payments directly to FISF. The funds necessary to pay debt service will be appropriated from the FISF to the FI$Cal Bond Fund [34] from which debt service payments would be appropriated. This fund flow will ensure the availability of funds for both debt service and project operations and maintenance on a timely basis. The FISF would be continuously appropriated while the departmental expenditures and expenditures for debt service would be subject to annual budget act appropriation. The latter will provide the Legislature with requisite annual review of the project costs and cost allocations as part of the annual budget process.

Cost recovery from all departments (and the federal government through administrative overhead) will begin with the deployment of the control agencies functions at which time all departments will begin to incur benefits. This is consistent with federal reimbursement guidelines, and coincides with the departments achieving beneficial use of the system. This approach will minimize the total cost of project funding, and will allocate the costs proportionately among departments as the benefits begin to accrue. As the system continues deployment to departments, departments will be allocated the additional cost of their individual deployments as well as their fair share of system operations and maintenance. Two years post deployment of each departmental wave, cost allocations to departments will convert from the interim CAP to a transactional based CAP as previously discussed.

[33] Although financing costs would be incidental to the project, financing costs are not considered a direct project cost under the state guidelines for determining project costs. See Appendix B for an estimate of the financing costs of the project as proposed in this plan.
[34] To be established in authorizing statute.

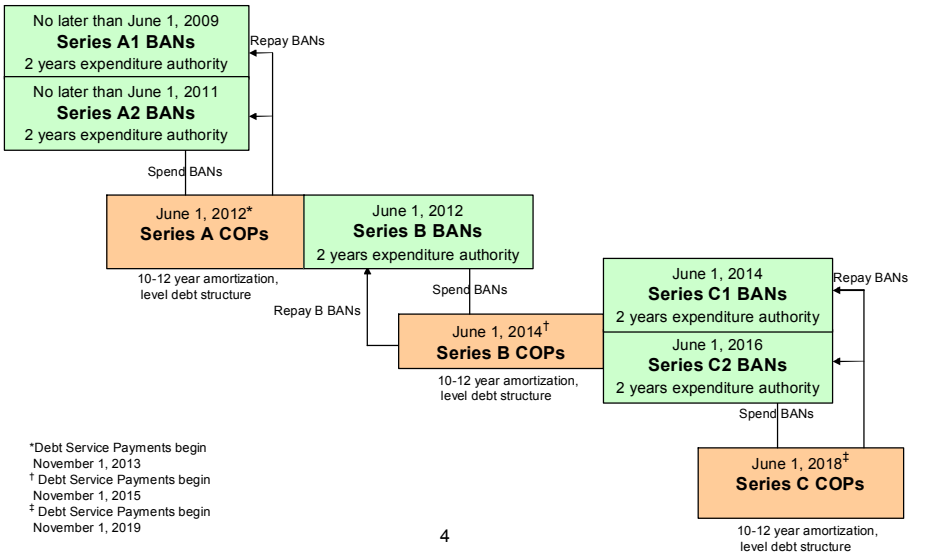
This overall structure will be a critical feature of the financing to:

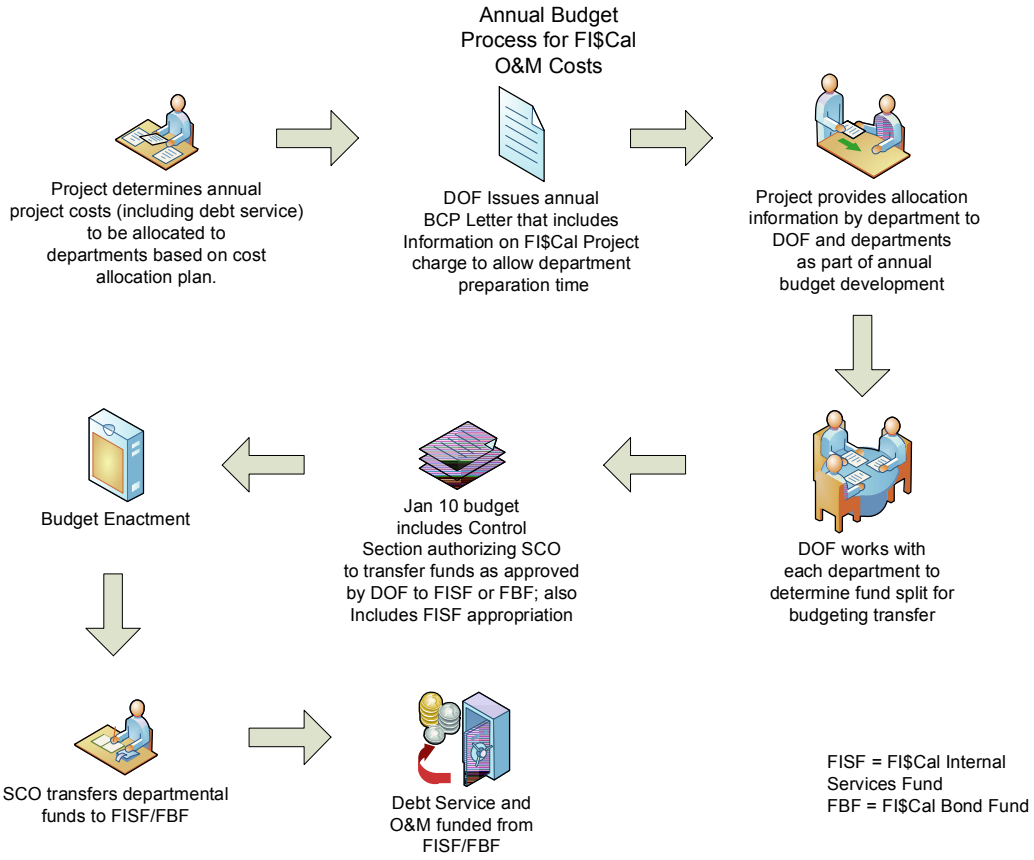
- Ensure accurate accounting and equitable recovery of FI$Cal costs
- Enhance the credit of the financing.

As other states have experienced, there will be a period of unavoidable replication of system costs while the legacy and FI$Cal systems overlap. Establishing FI$Cal's funds as separate funds within the state treasury will assure that costs can be accurately allocated across departments, FI$Cal costs will be assessed against individual departments and all funds in a fair and equitable manner, and transition period legacy costs will continue to be covered under existing arrangements. In addition, this approach will segregate FI$Cal costs from those of the legacy systems.

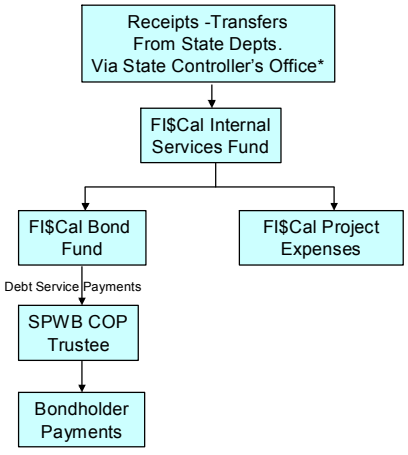
The following diagrams outline how the FI$Cal obligations will be paid, the flow of funds, and the financing mechanism.

FI$Cal Project
BAN Takeout Financing
Certificates of Participation





FI$Cal Project
Master Installment Purchase Agreement
Payment of FI$Cal Obligations



*Coincides with initial debt service for beginning fiscal 2012-13

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VI. Recommendations and Conclusion

- Fund the FI$Cal project through a combination of financing and direct cost allocation to all state funds. Authorize a budget based interim cost allocation plan as well as a future transactional based cost allocation plan as the basis of charges to departments. Require the transition from the interim CAP to transaction-based CAP once statistically valid usage data becomes available for each deployment.
- The financing is recommended as a combination of interim and long-term funding vehicles (2/3-year bond anticipation notes with a General Fund bridge loan and 10/12-year Certificates of Participation).
- Authorize the SPWB as the issuer and enact the requisite statutory authority to support the issuance.
- Enact legislation to require the DOF, the SCO, the STO and the DGS to collaboratively develop and implement the FI$Cal project.
- Include in the enacting legislation the requirement that all state agencies utilize the system and eliminate existing redundant systems.
- Establish the FISF as a continuously appropriated fund. Authorize the SCO to transfer department payments pursuant to the annual cost allocations to fund upon enactment of the annual budget.
- Establish the FI$Cal Bond Fund, which would be subject to appropriation, and authorize the fund as the source of debt service payments.

By implementing these recommendations, the state will be able to garner all the benefits of the Fi$Cal project while minimizing both ongoing administrative burdens and overall financing costs.

APPENDIX A
(TO SPR APPENDIX C)

Department of Finance—Budget Information System (BIS) Project
Study of Funding/Charging Methodology Alternatives
Prepared by the Performance Review Unit
October 2006

Introduction

The Department of Finance's Budget Information System (BIS) Project is an effort to develop a comprehensive statewide financial and administrative system using an Enterprise Resource Planning (ERP) model. Finance's Budget Systems Development Unit (BSDU) serves as the BIS Project Office.

The BIS Feasibility Study Report (FSR), dated July 14, 2005, indicated that the General Fund would be the funding source for the first two years (2005-06 and 2006-07), which would cover the chart of accounts and procurement activities. Thereafter, the funding distribution was an estimate based on the proportion of the respective funds (General, special, and federal) to the total budget. The FSR further indicated that Finance's Performance Review Unit (PRU) would explore various funding options to ensure that costs were appropriately distributed to all departments and various non-General Fund sources. A subsequent Special Project Report (SPR) was to detail the funding approach selected for the project.

Objective

The objective of the study, in conjunction with BSDU and key stakeholders, was to develop a recommended funding/charging methodology for inclusion in the SPR. The study aimed to consider funding mechanisms (i.e., primarily addresses question of how to obtain resources to pay for BIS development and implementation [D&I]) as well as charging mechanisms (i.e., primarily addresses question of who/what pays for BIS maintenance and operations [M&O] and how those charges are developed). The study included determining and documenting funding/charging methodology alternatives as well as identifying the advantages and disadvantages of the alternatives.

Methodology and Findings

The starting point for the study was the matrix *Department of Finance—Budget Information System Feasibility Study Project—Alternative Funding Approaches*, which was prepared by a BSDU consultant in October 2004.[1] The matrix described four funding methodologies deemed feasible[2] as well as two funding methodologies not deemed feasible[3].[4]

We reviewed the funding methodologies included in the DOF Funding Strategy Matrix, October 2004, to increase our understanding and as a starting point for our research. Further, because numerous public entities—including California state government as well as other state, local, and federal governments—have implemented, are implementing, or will be implementing ERP systems, we believe that funding/charging methodologies to consider for BIS should

[1] Referred to in this report as DOF Funding Strategy Matrix, October 2004.
[2] General Fund Appropriation with State Agency Chargeback (CALSTARS model); Pro Rata (Currently used for recovering administrative costs); IT Investment Fund; and State Controller's Office 21st Century Model.
[3] General Obligation Bonds and Public/Private Partnerships or Benefits Funding.
[4] The Department of General Services' (DGS) GS $Mart program was not considered as a funding alternative because policies for its use were under development and it was unclear if it was a viable option. Because these policies have since been issued, it was considered as part of this study.

Appendix B

Case 1. -- 10 Year Permanent Financing Structure -- April Maturities, 12 month Capi -- Interest Earnings assumed @ LIBOR

Scenario:	C-1. - BANs with New Costs (from 12/26/2007 e-mail)			
Sale Number:	1	2	3	
Sale Date:	04/01/12	04/01/14	04/01/18	Total
Final Maturity:	04/01/22	04/01/24	04/01/28	
Average Life of All Debt (BANs and COPs):	7.9 Years	7.9 Years	9.3 Years	8.3 Years
Sources & Uses Series:	**A**	**B**	**C**	
Sources:				
Par Amount Issued	528,135,000	444,820,000	431,315,000	1,404,270,000
Cash Transfers: -from Interim Financing:			5,088	5,088
-from Prior Take-out:		1,466	2,818	4,284
Interest Earnings:				-
	528,135,000	444,821,466	431,322,905	1,404,279,372
Uses:				
Refunding of PMIB:	-	-	-	-
Refunding of BANs:	439,575,000	368,735,000	355,905,000	1,164,215,000
Refunding of CP:	-	-	-	-
Current Issue Capitalized Interest (12 Mos.):	21,991,177	19,982,723	20,986,108	62,960,008
Underwriting 0.50%	2,640,675	2,224,100	2,156,575	7,021,350
COI @ 1.50%	7,922,025	6,672,300	6,469,725	21,064,050
Debt Service Reserve	52,813,500	44,482,000	43,131,500	140,427,000
Bond Insurance 0.50%	3,191,156	2,722,526	2,670,047	8,583,729
Rounding	1,466	2,818	3,950	8,234
	528,135,000	444,821,466	431,322,905	1,404,279,372
Details of Interim Financing				
Project Costs From Interim Financing	421,735,202	355,059,081	314,099,817	1,090,894,100
Ending Cash Bal. In Interim Fund	-	-	5,088	5,088
Interest Earnings	(17,908,577)	(17,073,991)	(14,070,378)	(49,052,947)
Capitalized Interest from Interim Financing:	33,550,500	28,906,236	54,090,949	116,547,685
COI from Interim Financing	2,197,875	1,843,675	1,779,525	5,821,075
	439,575,000	368,735,000	355,905,000	1,164,215,000
	-	-	-	-

Assumes Interest Earnings during Buildout @ LIBOR *

Debt Service Net of Capi:					General Fund 31.9%	Special and Other Funds 50.1%	Federal Share 18.0%
07/01/08 - 6/30/09	-	-	-	-	-	-	-
07/01/09 - 6/30/10	-	-	-	-	-	-	-
07/01/10 - 6/30/11	-	-	-	-	-	-	-
07/01/11 - 6/30/12	-	-	-	-	-	-	-
07/01/12 - 6/30/13	44,030,000	-	-	44,030,000	14,045,570	22,059,030	7,925,400
07/01/13 - 6/30/14	66,019,946	-	-	66,019,946	21,060,363	33,075,993	11,883,590
07/01/14 - 6/30/15	66,023,973	36,465,000	-	102,488,973	32,693,983	51,346,976	18,448,015
07/01/15 - 6/30/16	66,022,056	56,446,563	-	122,468,620	39,067,490	61,356,778	22,044,352
07/01/16 - 6/30/17	66,021,433	56,448,244	-	122,469,677	39,067,827	61,357,308	22,044,542
07/01/17 - 6/30/18	66,020,061	56,450,753	-	122,470,813	39,068,189	61,357,878	22,044,746
07/01/18 - 6/30/19	66,021,205	56,450,955	34,515,000	156,987,160	50,078,904	78,650,567	28,257,689
07/01/19 - 6/30/20	66,020,275	56,447,147	55,499,765	177,967,187	56,771,533	89,161,561	32,034,094
07/01/20 - 6/30/21	66,021,717	56,450,059	55,501,336	177,973,111	56,773,422	89,164,529	32,035,160
07/01/21 - 6/30/22	66,030,619	56,450,277	55,498,054	177,978,950	56,775,285	89,167,454	32,036,211
07/01/22 - 6/30/23	-	56,447,241	55,498,787	111,946,028	35,710,783	56,084,960	20,150,285
07/01/23 - 6/30/24	-	56,448,924	55,501,955	111,950,879	35,712,330	56,087,390	20,151,158
07/01/24 - 6/30/25	-	-	55,501,884	55,501,884	17,705,101	27,806,444	9,990,339
07/01/25 - 6/30/26	-	-	55,498,073	55,498,073	17,703,885	27,804,534	9,989,653
07/01/26 - 6/30/27	-	-	55,501,469	55,501,469	17,704,969	27,806,236	9,990,264
07/01/27 - 6/30/28	-	-	55,493,085	55,493,085	17,702,294	27,802,036	9,988,755
07/01/28 - 6/30/29	-	-	-	-	-	-	-
07/01/29 - 6/30/30	-	-	-	-	-	-	-
07/01/30 - 6/30/31	-	-	-	-	-	-	-
07/01/31 - 6/30/32	-	-	-	-	-	-	-
07/01/32 - 6/30/33	-	-	-	-	-	-	-
07/01/33 - 6/30/34	-	-	-	-	-	-	-
07/01/34 - 6/30/35	-	-	-	-	-	-	-
07/01/35 - 6/30/36	-	-	-	-	-	-	-
07/01/36 - 6/30/37	-	-	-	-	-	-	-
07/01/37 - 6/30/38	-	-	-	-	-	-	-
07/01/38 - 6/30/39	-	-	-	-	-	-	-
07/01/39 - 6/30/40	-	-	-	-	-	-	-
07/01/40 - 6/30/41	-	-	-	-	-	-	-
07/01/41 - 6/30/42	-	-	-	-	-	-	-
07/01/42 - 6/30/43	-	-	-	-	-	-	-
07/01/43 - 6/30/44	-	-	-	-	-	-	-
07/01/44 - 6/30/45	-	-	-	-	-	-	-
	638,231,285	544,505,162	534,009,408	1,716,745,854	547,641,928	860,089,673	309,014,254

* London Interbank Offer Rate -- Used as proxy for Short-term investment yields

Appendix D: Report on the Status of Funding

REPORT TO THE CALIFORNIA LEGISLATURE
ON
THE FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA

October 24, 2007

Legislative Provisional Requirement
Budget Act of 2007
Item 8860-002-0001 Provision 2 (b)

Prepared By
State of California
Department of Finance ▪ State Controller's Office ▪
State Treasurer's Office ▪ Department of General Services

Report on the
Financial Information System for California

In Response to:

Legislative Provisional Requirement
Budget Act of 2007
Item 8860-002-0001 Provision 2 (b)

PURPOSE

The Legislature issued provisional requirements in the Budget Act of 2007 to the Department of Finance for the Financial Information System for California (FI$Cal) project #8860-30. This report responds to the Legislative requirement in Item 8860-002-0001 Provision 2 (b) to provide a report on the status of California's funding discussions with the federal government.

BACKGROUND

National Perspective

The federal Office of Management and Budget (OMB) establishes the principles and standards for state, local and tribal agencies outlined in OMB Circular A-87 for determining allowable costs, cost eligibility, capitalization requirements, and development of cost allocations and indirect cost rates.

The U.S. Department of Health and Human Services (DHHS), Division of Cost Allocation (DCA) is the cognizant agency to negotiate the cost allocation methodology and rates for California and other state and local governments. DCA is the approving authority for the cost allocation methodology the FI$Cal project will use to allocate project costs to all state departments.

The FI$Cal project must be approved to proceed beyond the planning stage (i.e., Legislative approval of funding is necessary) to claim the fair share of federal reimbursement for project costs.

California Perspective

The FI$Cal project is applying the federal principles and standards for identifying the methodologies to be used in allocating each state department's fair share of costs in order to properly allocate costs to all available funding sources, including federal funds. The FI$Cal project will be used by all California departments; the project has identified two methodologies to allocate project costs.

1. Interim allocations will utilize an indirect cost allocation methodology. Allocations to departments will be based on the percentage that each participating departmental budget represents of the total state budget. All departmental cost centers are

included in the allocation methodology, such as state operations, local assistance, capital outlay and continuous appropriations, to ensure fair-share allocations.

2. Transactional allocations will utilize a direct cost allocation methodology. Transactional allocations to departments will be based on each department's utilization of the system. Allocations based on statistically valid departmental transaction data will ensure each department bears its fair share of FI$Cal costs.

3. FI$Cal design, development and deployment costs for each wave of departments are proposed to be financed. General Fund loan authority will also be necessary, to cover the period until the financing can be accomplished. Repayment of the General Fund loan and the financing will be accomplished with costs allocated as described above.

4. The two proposed cost allocation methodologies were developed to be utilized at different points in time during each department's roll-out schedule. Once the system is deployed and operational in a department, the department will be billed based on the percentage of the departmental budget to the total state budget. When transactional data is available for the department and data validity can be verified, the department will be billed annually based on departmental transaction data. Fifteen to 18 months is estimated as the time between the departmental "go live" date and when sufficient valid data is available for analysis.

2006-2007 Milestones

January 5, 2007 – Direction was received from DHHS and DCA regarding lessons learned from the State Controller's Office 21st Century Project. According to the federal government, the development costs for new software initiatives must be capitalized and amortized over the useful life of the project. The amortization charges cannot begin until the new system is implemented and in use by departments with federal programs. In order to charge federal funds, the cost allocation methodologies must be pre-negotiated with DHHS and DCA.

June 19, 2007 – FI$Cal project leaders met with the DHHS and DCA. FI$Cal gave an overview and status of the project with timelines. There was a discussion of federal funding options and processes. The DHHS and DCA briefed FI$Cal on what they required.

2007-2008 Milestones

September 7, 2007 – Research on other state's cost allocation models was conducted by Lamont Financial Services[35] resulting in a report on the Conceptual Cost Allocation Plan for the FI$Cal project. Lamont identified other states' consideration of debt financing for all or a portion of their Enterprise Resource Planning (ERP) systems. In general, other states' decisions were to bear the costs of project development and implementation by the state General Fund, until a fair and equitable cost allocation plan based on actual system transactional data could be developed. States are also funding ERP system costs by issuing certificates of participation. The Lamont report

[35] Financial Advisor to the State Public Works Board

recommended establishment of an internal service fund to segregate and easily monitor all costs and reimbursements related to the FI$Cal project.

September 18, 2007 – FI$Cal project leaders and the Assistant Chief of the Fiscal Systems and Consulting Unit (FSCU) drafted a discussion document on the approach for the cost allocation plan (CAP) for the FI$Cal project. Survey information of other states revealed they each used their state's existing CAP rather than develop a new one for their ERP system. Some states utilized an indirect allocation methodology heavily weighted by human resources transactions since the initial modules implemented were human resources modules. Discussions were also held with the Government Finance Officers' Association to identify cost allocation methodologies used for cities and counties.

September 19, 2007 – FI$Cal project leaders and FSCU met with DHHS and DCA. The FI$Cal project gave a status of the project and a walkthrough of the FI$Cal cost allocation information and framework, followed by a discussion. The DHHS and DCA provided more instructions and asked for more details.

October 11, 2007 – FI$Cal project leaders and FSCU met with DHHS and DCA. The FI$Cal project gave a presentation on the proposed financing methodology and a discussion ensued on short and long-term cost allocation approaches and objectives. An indirect cost allocation methodology based on a ratio of departmental budgets to the total state budget was discussed as an interim allocation until transactional data becomes available to direct charge departments based on actual transactional data. The DHHS and DCA agreed conceptually with both the proposed financing methodology and interim cost allocations, but requested to review a detailed proposal.

Next Steps

- FI$Cal project leaders are drafting a request to the federal OMB at the suggestion of DHHS and DCA asking for confirmation of federal allowability of interest financing. Confirmation was suggested regarding OMB Circular A-87's direction for financing costs, including interest, associated with otherwise allowable costs of equipment. Among the OMB conditions are that the financing must be provided by a third party, the assets must be used in support of federal awards, and interest earned on borrowed funds must be used to offset the current period's cost or the capitalized interest. The financing plan for the FI$Cal project meets all of the conditions.

- FI$Cal project leaders have agreed to prepare a detailed report to provide additional specifics for preliminary agreement by DHHS and DCA for the estimate of the amount to be financed, estimated interest costs and financing arrangements for the project.

CONCLUSION

The proposed cost allocation methodologies were developed with input, expertise and assistance from the federal government and state partner control agencies. Methodologies take into consideration research done on other states and local governments, best practices and lessons learned.

Following the Legislature's Provisional Requirements in the Budget Act of 2007, the FI$Cal project is busy with multiple planning tasks as directed. On October 11, 2007 the federal government agreed conceptually with both the proposed interim and transactional-based allocations and the plan for financing the FI$Cal project. Discussions with the federal negotiators will continue until we reach a final understanding that leads to the development of an approvable cost allocation methodology for the FI$Cal project. Of the highest importance in the funding of this project, is the Legislature's support through approval, authorization, and funding of the FI$Cal project.

Appendix E: Memorandum of Understanding/Project Charter

State of California

FI$Cal Project Charter
Version 3.11

October 8, 2007

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FI$Cal Project Approval of the Project Charter

Approved on behalf of the Steering Committee, by consensus decision, at the Steering Committee Meeting held on:

October 10, 2007	2:00 PM
Meeting Date	Time

Signature: _____ _____

Fred Klass, Chair — Date
FI$Cal Steering Committee

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Document Revision History

Date	Version	Last Updated By	Status/Comments
3/24//06	0.1	Informatix	• Initial Draft
4/07/06	0.2	Informatix	• Interim review changes
4/25/06	0.3	Informatix	• Incorporates review comments and change requests from DOF
5/8/06	0.4	Informatix	• Changed style formatting (serif fonts to Arial 11pt). • Incorporated BSDU's review comments
5/10/06	1.0	Informatix	• Final version
1/22/07	2.0	Informatix	• Incorporates project scope changes and updates Phase 3 and 4 work plans based on the approved Deliverable E.8 – Detailed Work Plan for Requirements Definition Sessions (Phases 3 & 4)
2/15/2007	3.0	FI$Cal Project Team	• Update Project Charter
4/15/2007	3.5	FI$Cal Project Team	• Updated 2.5.2 Roles and Responsibilities • Updated Steering Committee Members
09/24/2007	3.6	FI$Cal PMO	• Updated Governance, Roles and Responsibilities, inserted updated diagrams
09/26/2007	3.7	FI$Cal PMO	• Minor updates
09/27/2007	3.8	FI$Cal PMO	• Minor updates
10/05/2007	3.9	FI$Cal PMO	• Incorporates various reviewer comments
10/08/2007	3.10	FI$Cal PMO	• Incorporates various reviewer comments
10/08/2007	3.11	FI$Cal PMO	• Incorporates various reviewer comments

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Table of Contents

Introduction

This project charter defines the scope, objectives and participants of the Financial Information System for California (FI$Cal) project. The project charter provides a delineation of roles and responsibilities, outlines the project objectives, and identifies the main stakeholders. The project charter establishes the project governance and the authority of the project management team. The establishment of the project charter is considered an industry best practice. This project charter will be revised as approved by the Project Steering Committee. The project management standard for the FI$Cal Project Charter, and Project Management Plan, is based on the Project Management Body of Knowledge (PMBOK), from the Project Management Institute (PMI).

Project Information	
Project Name:	Financial Information Systems for California (FI$Cal)
Project Sponsor:	Fred Klass
Project Executive:	Suzanne V. Bost
Project Manager:	Valerie Varzos
Project Partners:	Department of Finance State Controller's Office Department of General Services State Treasurer's Office

Charter

Project Background

In March 2005, the Department of Finance (DOF) was approved to implement the Budget Information Systems (BIS) project. The objective of the BIS was to replace DOF's existing budget development and administration legacy systems with a commercial-off-the-shelf (COTS) budget information system. A comprehensive statewide financial system, beginning with the budget component, envisioned to support the state's fiscal and policy decision processes and when fully implemented, BIS would support the budget development and administration needs of departments and agencies.

The BIS staff conducted workshops for budget staff in individual state departments. The workshops, collaboration and discussions with the project stakeholders along with the information gathered and shared in researching other governments and corporations brought into sharp focus the need to consolidate and modernize the state's financial business systems rather than simply developing a statewide budget system. In addition, there was a broad realization that California cannot conduct business efficiently or effectively using numerous independent, stand-alone systems—or information silos.

In December 2006, a Special Project Report was approved that expanded the scope of the BIS project to more broadly address financial management in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management and human resources management. This expanded scope is reflected with a new vision and project name, FI$Cal.

In July 2007, in response to the December 2006 Special Project Report, the Legislature passed SB 78 (Section 65) requiring DOF to submit to the Legislature, no later than April 1, 2008, an approved Special Project Report for the FI$Cal Project.

2.2 Vision

To serve the best interest of the state and its citizens and to optimize the business management of the state, we will collaboratively and successfully develop, implement, utilize, and maintain an integrated financial management system. This effort will ensure best business practices by embracing opportunities to reengineer the state’s business processes and will encompass the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management and human resources management.

2.3 Leadership and Partnership for Success

To achieve the new project vision (an enterprise view); there is a critical need to provide statewide leadership and coordination. This begins with a partnership among the state's four control (lead) agencies DOF; State Controller’s Office (SCO), Department of General

Services (DGS), and the State Treasurer's Office (STO). These agencies have reached consensus on scope and approach to achieve the vision as well as roles and responsibilities. Each recognizes the unique opportunity that an enterprise view offers the state and its citizens. Each entity has unique constitutional and/or statutory responsibilities relative to specified business processes that will be separately maintained throughout the partnership. This will require members of the team to have dual reporting relationships both to the FI$Cal Project and to their constituent department. These team members will have a key responsibility to report and raise issues to both the project management and their constituent department management.

2.4 Constitutional or Statutory Responsibilities

The current core[36] constitutional and/or statutory responsibilities of the Partner agencies will not change as a result of implementation of the proposed enterprise financial system. In addition, the roles and responsibilities for system administration will be clearly delineated since the administrative functions in the centralized system will be owned by multiple Partner agencies through the established partnership. However, implementation of the proposed enterprise financial system may require statutory (and/or regulatory) modernization.

A formal memorandum of understanding (MOU) between the Partner agencies will be executed to provide the framework for this partnership. The MOU will include covenants guaranteeing that the partners' constitutional and/or statutory responsibilities will not change without the affected partner's concurrence; each partner will have "ownership" of their respective business areas in relationship to the system. Therefore, each partner will have the authority to ultimately determine how the system will be developed, configured, etc., in relation to their respective business roles and responsibilities. The MOU will be defined by the steering committee and approved by the Partner agencies.

The FI$Cal project will have a broad impact on departments and agencies throughout the state. Consequently, it is anticipated that the respective departmental representatives will participate in the FI$Cal project at varying levels to provide input into the strategy and requirements, as needed. Section 2.3.1 Project Governance provide details regarding roles and activities of the various FI$Cal stakeholders.

2.5 Governance

An important success factor throughout this project is the common understanding of who is on the project and their roles and responsibilities. The governance of this project is by the Steering Committee comprised of the four Partner agencies, and representatives of other state agencies. Escalation, if needed is to the Project Directorate. As the project proceeds, it is anticipated that clarification and amendments to project team roles and responsibilities will periodically be required.

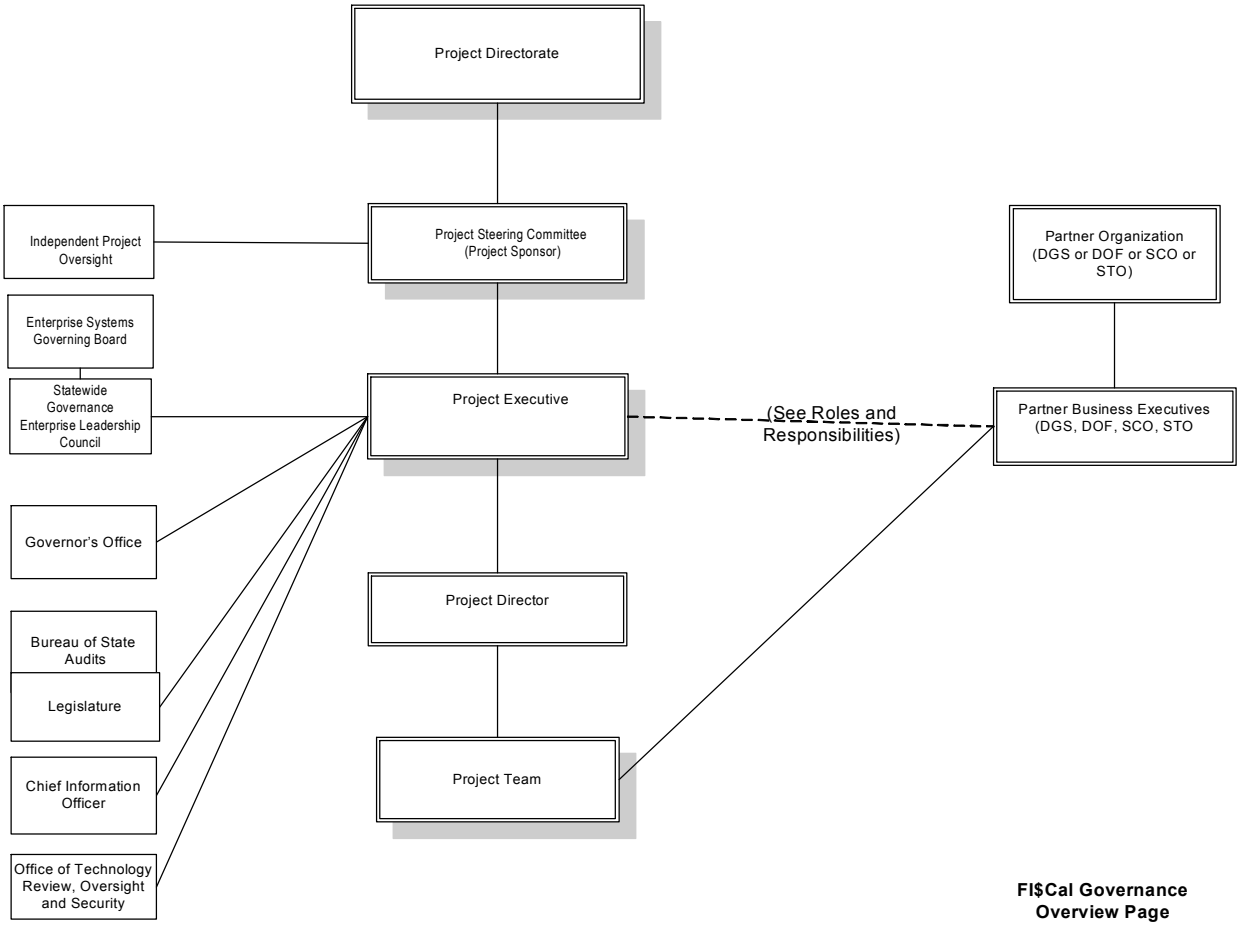
This project will participate in the newly established enterprise project governance structure. This structure provides for statewide governance on state enterprise issues through the Enterprise Leadership Council (ELC) and the Enterprise Project Advisory Committee (EPAC), who will act as advisory group to the FI$Cal Steering Committee and other enterprise projects and is also recognized as a stakeholder group..

[36] Core constitutional and/or statutory responsibilities refers to the current core mission, functions and responsibilities of the Partner agency.

2.5.1 Project Governance

Project Governance is represented by a project directorate, a steering committee, a project executive, and a project director (see Section 3.4.1 Steering Committee Membership and Organization). The membership of the project Steering Committee reflects the project's primary financial management functions and the partnership among the four Partner agencies and departments. Each Partner Agency identifies its Steering Committee members. The Project Executive selection includes the participation of the Steering Committee.

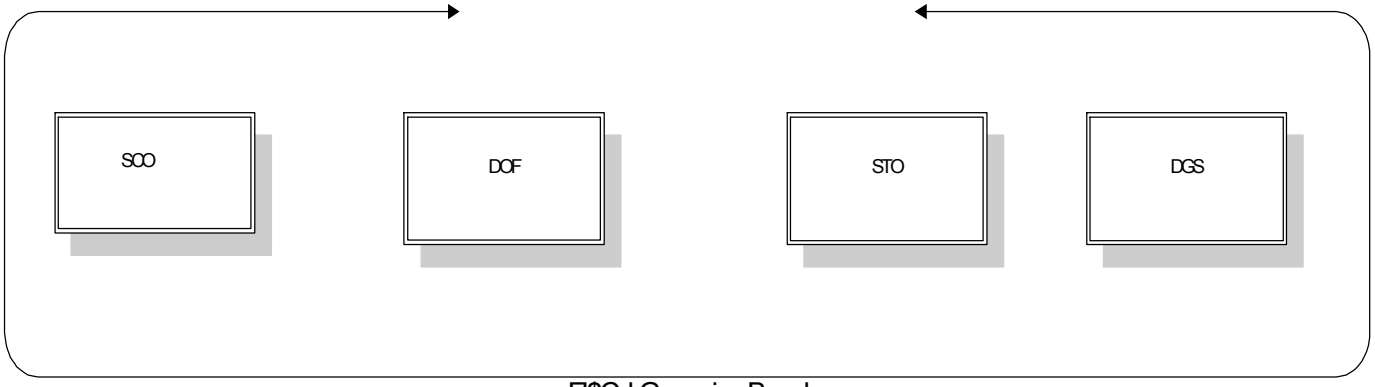
FI$Cal Project Governance
Overview – (Stage 1 & Stage 2 Transition)



FI$Cal Governance Overview Page

2.5.2 PROPOSED FI$CAL GOVERNING BOARD

Proposed
FI$Cal Service Center
Governing Board
(After Stage 1 & Stage 2)



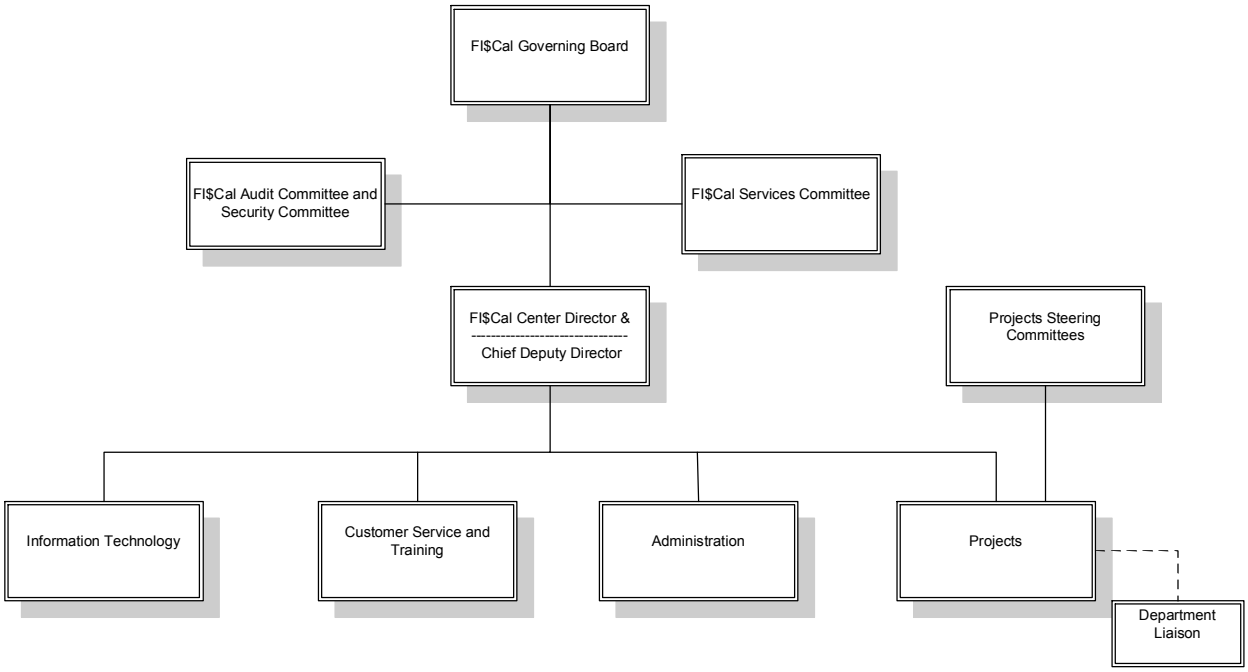
FI$Cal Governing Board

The FI$Cal Service Center governing board membership will include the SCO, DOF, STO and DGS designees. Each Partner department project needs and policy issues will be vetted and presented to the governing board. It is envisioned that each Partner department will have a staff consisting of a customer service unit and an administrative/budget unit that will facilitate departmental needs as is related to the FI$Cal System.

Staff from the four Partner agencies may be part of the FI$Cal Service Center to ensure partner needs are met; this may be a continuation of the matrix organization approach where business needs are addressed but critical processes, such as configuration management, are centrally managed. A process must be put in place to accomplish the business owner's critical business priorities in a timely fashion. The board will set project priorities on an annual basis but with an understanding that the center will retain staff who will respond to critical ad-hoc needs.

FI$Cal Service Center Organization Overview[37]

FI$Cal Service Center
Organization Overview
(After Stage 1 & Stage 2)
DRAFT



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Staff from the four Partner agencies may be part of the FI$Cal Service Center to ensure partner needs are met; this may be a continuation of the matrix organization approach where business needs are addressed but critical processes, such as configuration management, are centrally managed. A process must be put in place to accomplish the business owner's critical business priorities in a timely fashion. The board will set project priorities on an annual basis but with an understanding that the center will retain staff who will respond to critical ad-hoc needs.

[37] See Special Project Report 2 for discussion of the Project Stages.

2.5.3 Roles and responsibilities[38]

Roles	Responsibilities
Project Directorate	■ Resolve policy issues or other critical issues in the event that the Steering Committee has reached an impasse. Makes final decisions on outstanding item(s) that cannot or will not be resolved by the Steering Committee. Composition of the Directorate is the four Partners (SCO, DGS, STO, and DOF); representation will be the Director of Finance, the Director of General Service, the Controller or his/her chief of staff, the Treasurer or his/her chief of staff.
Project Sponsor	■ Chair the Steering Committee. ■ Champion statewide support for the project. ■ Provide sponsorship and support for project. ■ Ensure project funding and resources.
Steering Committee	■ Establish project goals and priorities. ■ Review and approve actions by the Change Control Board (significant changes to project scope, budget or schedule). ■ Appoint Steering Committee Chair, who will also be the Project Sponsor. ■ Assign authority to the Project Executive. ■ Assist in the selection of the Project Executive ■ Provide statewide leadership and support for project. ■ Participate in coordination and allocation of departmental and project resources. ■ Support the project by communicating the vision and working to reduce barriers and mitigating risk. ■ Facilitate the interdepartmental collaboration of a statewide system. ■ Provide issue resolution across agencies. ■ Participate in the identification of issues that have statewide impact and require Enterprise Leadership Council (ELC) review. ■ Provide advice regarding consistency with statewide strategies, direction and policies. ■ Participates in succession planning.
Project Executive	■ Promote the vision for the Project. ■ Provide leadership for the project. ■ Liaison to the Legislature, State CIO, Governor's Office, departments, and agencies. ■ Provide Executive oversight for the project and the delivery of the solution. ■ Report project achievements and status to the Steering Committee. ■ Elevate issues to the Steering Committee. ■ Coordinate information and issues with the Partner Business Executives when the project management processes (project management plans) do not provide an approach or resolution. ■ Chair the Change Control Board. ■ Serve as a project spokesperson responsible for communicating project strategy, benefits, direction, status, and recommendations to stakeholders, public, Legislature, and the ELC. ■ Take Steering Committee issues forward to the ELC, as needed for statewide issues. ■ Approve final project deliverables. ■ Approve risk mitigation strategy and action. ■ Participates in succession planning.
Partner Business Executives	■ Appointed by and report to their representative Partner agencies. ■ Coordinate activities between the project and their respective partner agencies. ■ Ensure that the project business vision, goals, objectives, policies and procedures are identified and met. ■ Assist with prioritizing and resolving business priorities related to the project. ■ Serve as a project spokesperson responsible for communicating project strategy, benefits, direction, status, and recommendations to their respective department. ■ Coordinate with and provide guidance to the project management team, review and provide input on key project deliverables and acceptance criteria.

[38] For a full listing of Roles and Responsibilities, see Special Project Report 2.

Roles	Responsibilities
	■ On an as needed basis, coordinate significant project deliverable concerns with their representative partner management. ■ Ensure the coordination and integration of project activities and transition activities within their respective agency. ■ Identify project risks and issues, participates in approval of risk mitigation strategy and actions. ■ Perform responsibilities within the project management structure to participate with critical problem solving. ■ Participate as a member of the Change Control Board (with the Project Executive). ■ Responsible for escalating issues within the established project management processes documented in the project management plans. The Project and Business Executives may meet and choose alternative resolution processes which may include an emergency meeting of the Steering Committee in the event of an immediate or critical need. ■ May elevate project concerns with their representative management at the highest levels in the event a critical need is not being addressed in a timely manner. ■ Participates in succession planning.
Project Director (State Project Manager)	■ Provide a centralized structure to coordinate and manage the project, its staff resources, teams, activities, facilities, communication, and outreach using structured project management methodologies. ■ Elevate requests or issues to the Change Control Board. ■ Report to the Project Executive. ■ Ensure overall project process and deliverable quality – responsible for the delivery of the solution. ■ Ensure the solution implemented addresses the project's and associated program objectives. ■ Ensure quality control and quality assurance are performed in accordance with the quality plan. ■ Serve as central point of communication and coordination for the project. ■ Ensure timely communication with the Project Executive and Partner Business Executive through the established project management process (project management plans). ■ Direct the activities of state and vendor personnel assigned to the project. ■ Monitor the planning, execution, and control of all activities necessary to support the implementation of a statewide enterprise financial system. ■ Provide leadership to state staff assigned to manage the multidisciplinary project teams including business process teams, technology teams, acquisition teams, change management teams, project administration teams, and training teams. ■ Maintain and monitor the project plan and performance, including performance of contractor teams such as the acquisition assistance vendor, software vendor, and system integrator ■ Coordinate with the independent verification and validation (IV&V) and independent oversight consultant to address and incorporate findings and recommendations. ■ Participate in the identification, quantification, and mitigation of information technology (IT) project risks. ■ Participate in quality planning, assurance, and control. ■ Direct the development of project documentation required by control agencies. ■ Participates in succession planning.

2.5.4 Roles and Responsibilities Guide

The roles and responsibility guide, attached as Appendix B, identifies the parties responsible for various tasks and activities required for the procurement, development, implementation and maintenance of the FI$Cal Project. For all tasks and activities not covered in this Guide or defined in the FI$Cal Project Charter or Project Plans, the FI$Cal Steering Committee agree there will be further discussion and mutual agreement regarding the respective roles and responsibilities. The FI$Cal Project Charter and the Communication Plan is also a supplement to this document.

The statewide Project Team is a matrixed organization that includes representatives from state departments and agencies, the Department of Technology Services, State Personnel Board, Department of Personnel Administration and all four partner organizations (DGS, STO, SCO, and DOF.)

Team members will work collaboratively to develop a statewide system. Decisions will be made by the Project Team following the vision, goals, objectives and the requirements of the project.

2.5.5 Statewide Governance

As the state moves forward with the development of a statewide enterprise financial management and information system the need for leadership and governance related to statewide (enterprise) level issues is reinforced. The FI$Cal Project will have access to a statewide governance structure encompassed in the Enterprise Leadership Council (ELC). The ELC, established through a charter of the members, will establish the forum and structure for stakeholders of the FI$Cal Project as well as other enterprise projects in development by other state agencies.

The ELC is sponsored by the State CIO, who will have primary responsibility for overall ELC management, support and coordination. The diagram on the following page displays the relationship of enterprise projects to the ELC. The ELC consists of the following voting statewide enterprise project stakeholders:

- State Chief Information Officer
- Director, Department of DOF
- Agency Secretary, Business, Transportation and Housing
- Agency Secretary, Corrections and Rehabilitation
- Agency Secretary, California Environmental Protection Agency
- Agency Secretary, Education
- Agency Secretary, Food and Agriculture
- Agency Secretary, Health and Human Services
- Agency Secretary, Labor and Workforce Development
- Agency Secretary, Resources
- Agency Secretary, State and Consumer Services
- Agency Secretary, Veteran's Affairs

- Director, Department of Personnel Administration
- State Controller
- State Treasurer
- Executive Director, Board of Equalization
- Military Department
- Office of Emergency Services
- Office of Homeland Security

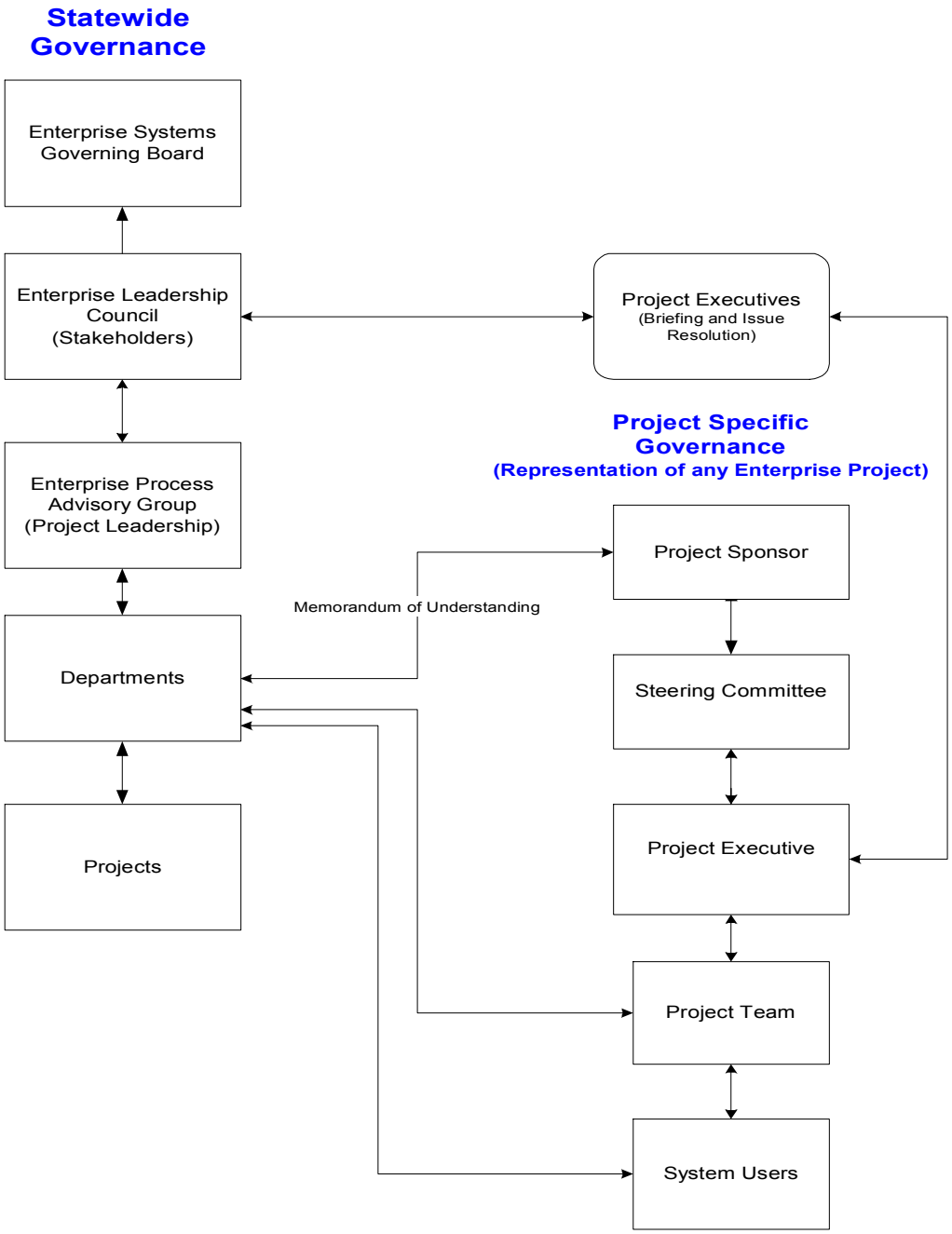
2.5.6 Enterprise Systems Governing Board

The ELC charter establishes the Enterprise Systems Governing Board (Board). Collectively, the Board membership represents the control agencies that will have the statutory and constitutional authority or responsibility to adopt the majority of the policy recommendations of the ELC. From time to time, policy decisions may be referred by the ELC to the collective decision making authority of the Board. With the SCO and STO being independently elected officials, each will have the final determination on any recommendations affecting their business areas and the ability to accomplish their constitutional responsibility. This would also apply to the statutory authority and responsibility of the other members. The Board will consist of the following membership:

- The Director of Finance
- The State Controller
- The State Treasurer
- The Secretary of the State and Consumer Services Agency
- The State Chief Information Officer

2.5.7 Enterprise Systems Governance model

This model represents any enterprise project and its relationship to the Enterprise Leadership Council (ELC). The ELC may advise the FI$Cal Steering Committee or any enterprise project and is a key stakeholder of the FI$Cal Project.



Project Objectives

This is a high-level summary of the Project objectives. For more detail, reference Special Project Report 2.

- Reengineer the state's outdated business architecture and processes. There is a unique opportunity to coordinate, partner, and create new business architecture and focus on a statewide strategy.
- Realize project cost efficiencies from a coordinated effort with an enterprise-wide focus versus multiple, separate projects.
- Provide an enterprise-wide system utilized by all departments.
- Provide effective management tools and information for departments and control agencies.
- Avoid redundant costs and ultimately provide operational efficiencies by performing administrative functions as a statewide enterprise versus individual organizations.
- Address workforce succession planning through the use of a common statewide system to provide homogenous business processes, practices, standardized tools, and administration to state employees performing the basic business process of the state resulting in significant reduction in training costs as departments move from one agency/department to another.
- Provide accessible management information with both depth and breadth through business intelligence applications.
- Integrate the budget development, budget administration, accounting, procurement, payment, human resources and reporting processes of the state.
- Provide centralized administration with decentralized operations.
- Provide superior data quality and integrity by formulating common business terms, policies, and practices within a system that employs strong internal controls.
- Maintain an historical archive of electronic information that can be retrieved when needed.
- Avoid the redundant cost of multiple instances of individual systems developments at each state department/agency.
- Coordinate a collaborative statewide ERP effort for departments to replace their aging financial systems individually.
- Establish the state's enterprise ERP software standard. The implementation and configuration of the system components will be incrementally developed and installed. In terms of licensing, the state will obtain and use an enterprise license that ensures only those licensing costs applicable to a specific project phase or activity will be charged. The state does not intend to pay for licenses until they are needed to ensure the best pricing for the state and compliance with the Legislative notification of Budget Act Control Section 11.10 - Statewide Enterprise Licensing Agreements.

3.1 Scope

Essentially all state governmental entities will utilize this system within defined roles and responsibilities. Affected organizations will participate in project team and leadership roles

to develop and transition over time to a standardized, integrated, automated system to support administrative functions. To ensure the full vision can be met by the initial procurement to select a core software tool and adopt it as a standard, the functionality workshops have not excluded any departments for the purpose of defining requirements. All departments reviewed the requirements and either agreed they met their business needs or provided additional requirements.

3.1.1 Initial Scope Efforts

The following summarizes the business functionality that will be represented by the initial product selection and has been defined by the four lead agencies and departments:

- Budget Development and Enactment
  - Planning
  - Development and Enactment – Including decision making support, the spring budget update, Legislative actions and veto decision processes.
  - Position Control and Salary Administration - The focus is utilizing position control and salary administration data from the 21st Century Project for the purpose of budget development. This information will also be used for other accounting purposes such as cost allocation.
  - Revenue Forecasting - Includes revenue estimates for most non-major revenues (e.g., special funds). Complex forecasting tools used to calculate the major sources of revenue, primarily for the General Fund will continue to work independent of this system; although, summary data will be entered (or interfaced) to support the budget development process.
  - Budget Documents (Governor's Budget, Salary and Wages Supplement, May Revision Highlights, Budget Highlights, etc.)
- Budget Control – Budget Administration and Monitoring
- Appropriation Accounting – Cash Control
  - Budget Control (includes Allotment Accounting , Budget Plans, and Budget Preparation Support for departments)
  - Including the Budget Administration, budget Executive Orders and budget revisions process among departments, DOF, and SCO.
- General Ledger Accounting - including central/shared tables for consistency (i.e., chart of accounts, commodity and service codes)
- Receivables/Collections
  - Revenue and Receipt Accounting
  - Accounts Receivable (excluding major cashiering and cash receipting functions)
- Payables
  - Encumbrance Accounting beginning with the Requisition Process for internal control and identification of “spend” information (i.e., what are we buying for the state)

Accounts Payable
Office Revolving Fund
SCO Disbursements

Procurement –

Contracts –Includes functionality to establish, manage, and administer departmental contracts and the State's leveraged procurement agreements. DGS Participation will provide oversight and policy consistency.

Requisitions and Purchase Orders – Includes functionality to create requisitions, create and manage purchase documents, delivery and receipt, and manage the State's payment cards. DGS participation will provide statewide process oversight and policy consistency.

Vendor Management – requirements for departmental processing in consistent statewide process including a single statewide vendor file.

Solicitations and the solicitation process (such as utilizing best practices for electronic Bids, Request for Information or Request for Proposals)

Notices of intent to award and contract award

Solicitation advertisement and supplier subscription service

Commercially available electronic catalogs and catalog ordering (this would not include customized electronic catalogs)

Project Accounting: FI$Cal will account for, and report on, project expenditures made by State departments. It is envisioned that FI$Cal will provide a comprehensive data store for project activity across the State. It is likely that FI$Cal will be used in conjunction with specialized project management and engineering systems for those departments focused on capital projects. It is expected that the financial impact of project decisions and all project financial activity will be reflected in FI$Cal, and will be reported as necessary to meet federal, State, and management reporting needs.

Grant Management: FI$Cal will account for, and report on, grant financial activity, with the State as either a grantee or a grantor and provide a comprehensive data store for grant activity across the State. Although the State would prefer to use FI$Cal as the tool of choice for grant accounting, grantor and grantee reporting and program compliance activity may continue to require specialized systems. However, it is expected that the financial impact of grant administrative decisions including the distribution of personnel and overhead costs will be reflected in FI$Cal, and will be reported as necessary for federal, State, and management purposes.

Cost Accounting: The departments using FI$Cal will require the ability to distribute personnel and overhead costs across different programs, project, grants, and other chart-of-account elements. FI$Cal will provide a cost allocation and labor distribution component, down to various levels including program, project, fund, unit, and activity, that will meet the needs of all user departments, and without significant time delay in the provision of financial information. *The SCO 21st Century HRMS is the system of record for Human Resource data for the State of California.*

Cash Management: FI$Cal will provide the foundation for state's cash management system. As part of FI$Cal, a number of systems in the Centralized Treasury "System" will be replaced, including the following:

Bank Reconciliation System (which includes the monitoring and managing of the cash in depository banks)

Front-End Deposit System (FEDS)

Check Writing System

Bank/Warrant Reconciliation: FI$Cal will be required to perform bank reconciliation between the STO and third-party financial institutions. The STO acts as a bank and is presented with warrants by financial institutions for redemption. In addition, the State applies a set of rules that effectively allow departments to establish separate checking accounts (e.g., Office Revolving Funds, trust accounts and other cash/general cash accounts) which are expected to remain. Current system internal controls must continue to operate and apply to the implementation of these requirements.

Asset Management – focusing on department and state-level asset accounting (Governmental Accounting Standards Board 34 and 35). In scope asset accounting includes the scheduling and location of the asset to confirm the control account value.

Human Resources

Position Control and Salary Administration – The 21st Century Project is the system of record including all transactions related to this functionality

Data transfer from 21st Century Project to support budget and accounting functionality requiring this information.

Labor distribution - state accounting requires labor distribution to spread costs to other funds and programs.

Employee identification/authentication and role based authority (for the FI$Cal Project only)

Single Time Sheet for state employees for both cost accounting and leave accounting.

The project will also include:

- The statutory expenditure audit function. This is not a function of the system, but a requirement by statute for all expenditures to be audited before paid. This audit function is defined by a set of requirements and will include standard processes and audit tools to meet the requirements.
- Security Plans and Protocols to provide sufficient level of protection and integrity for the state's critical information.

3.1.2 Out of Scope in Initial Effort

The first stage will defer departments that have implemented or are in the process of implementing an ERP system; however, these departments will be required to provide data for receipts, accounting, disbursements, and year-end reporting. A standard interface will be developed for these departments to either exchange data or information through the interface or to enter state-level information into the statewide ERP system as needed by one of the Partner Agencies for this stage. Most departments have not developed the budget portion of an ERP system and it is expected that they will utilize the FI$Cal system for

budget development. This interim process will remain in place until the full transition to a statewide financial and administrative system is completed.

The following business functionality is considered to be out of scope for Stage One of the project; however, it is intended that the software will support the full vision/spectrum functionality to lay the foundation for future separate but related projects.

Asset Management functions (DGS/Departments) – functions where asset management functionality is desired beyond asset accounting, identification and location.

Inventory Management – functions that track the warehousing, utilization, and restocking of inventory.

Human Resources – all functions with the exceptions noted above. The 21st Century project will be the source of data.

Revenue Forecasting – Forecasting requirements performed by DOF for major revenues using data which originates from departments. (e.g., FTB, BOE).

Specialized Business Functionality Department Systems – Specific functionality, such as major (very large and specialized) Cashiering/Cash Receipting/AR, are excluded. However, a key function is to record revenue and cash and reconcile to the cashiering subsidiary systems. Accounts Receivable must be part of this system. It is a critical subsidiary to the GL and a foundation of the ERP. Very large, specialty A/R systems such as Department of Health Services' Genetic Disease billing system or Franchise Tax Board's ARCS (Accounts Receivable Collection System) are not part of this project. Therefore, the software selected will stipulate that capabilities to support these types of functions will be available because the tool selected may be used for the future replacement or upgrade of these systems in separate but related projects. There are also very specialized expenditure programs such as Medi-Cal, In Home Support Services, and Child support that have special custom programs to meet their mandates. But is also expected that the standard functions of these special expenditure programs will be part of the FI$Cal System such as payables, disbursements and bank reconciliation. In summary, while some specialized systems will reside outside of FI$Cal (for example, to determine what amounts should be apportioned to local governments, what should be paid to IHHS workers or doctors, etc…) but the outcome of these computations will populate and use the functions of FI$Cal in the Accounts Receivable, Accounts Payable, General Ledger, etc…

Employee Expense Claims – SCO has CALATERS in place which all departments are mandated to use by July 1, 2009. When CALATERS must be upgraded, just like the A/R systems, this software may be used for the future replacement or upgrade of these systems in separate but related projects. There may be departments exempt from CALATERS that may require this functionality sooner as a separate but related project.

It should be emphasized that a key point of this project specifies that the state intends to purchase an ERP software solution that will be the standard for the state. Establishing the standard helps achieve the vision. The statewide governance process will be the forum should this standard no longer serve the state.

3.2 First Stage Use of FI$CAL

As a result of staged implementation, departments will fall into several usage types as described below.

3.2.1 Full System Utilization

The majority of departments will utilize this system to build their budgets; prepare departmental allotments for specified divisions, bureaus, and/or programs; administer/monitor approved budgets; perform all accounting transactions; record all purchasing transactions; process the payment of claims (disbursements); and complete year-end reports.

3.2.2 Indirect Beneficiary/Utilization

The next largest group of departments that will benefit from the system includes those departments that currently do not prepare their own budgets, do limited management of the budget, do not perform accounting transactions, and do not record their own purchases. Typically, these services are provided by the DGS' Contracted Fiscal Services or another large department within their agency area; these departments are identified in "Full System Utilization" above. Given the additional capability of the system to monitor department expenditures, it is likely that these departments will utilize various system reports and budget monitoring capabilities or business intelligence tools such as "dashboards" or business intelligence applications to monitor cash flow, revenues, expenses and other traditional financial information.

3.2.3 Budget Development and Administration Exclusively

All departments that are currently required to submit budget information to DOF will be required to use this system to prepare and submit their budget requests and/or present their annual budget. This requirement would affect departments identified above as deferred from the full system implementation and would include departments that have implemented or are implementing individual ERPs, various entities from other branches of government (Legislative and Judicial), and legally exempt organizations like PERS, and University of California.

3.2.4 Electronic Data Exchange/State Level Accounting

Direct usage, interface, or data entry will be required for state-level accounting purposes, by the conclusion of the project, as follows:

- All departments that must report information for inclusion in the State of California Financial Statements will use the system directly or indirectly.
- All departments that use the SCO to issue warrants will use the system directly or indirectly.

- All departments that are required to use the STO's authorized demand deposit accounts will use the system directly or indirectly.
- All departments included in the Governor's Budget must use the system directly or indirectly.

3.3 Project Assumptions, Dependencies and Constraints

The following sets forth the assumptions on which the project is based, the external events the project is dependent upon, and the constraints under which the project is to be conducted.

3.3.1 Assumptions

- Adequate project funding is available throughout the project lifecycle.
- Vendor/software selection schedule is not delayed significantly.
- Higher priority projects do not impact the schedule or resource requirements.
- Vendor resources (product and system integrator) and state staff are utilized during implementation and operations phases.
- The project adheres to a formal project management methodology and project schedule. Proactive risk, issue and change management strategies are employed.
- Project implementation and deployment activities do not negatively impact the timely development and presentation of the Governor's Budget and May Revision, year-end financial statements, or other state business activity.
- Business roles and responsibilities for each partner agencies do not change or expand with an enterprise-wide system and roles and responsibilities for system administration are clearly delineated since administrative functions in the centralized system will be owned by multiple Partner agencies.
- The state will support and operate in a dual environment concurrently as legacy systems are phased out and the new system is implemented and phased in. Interfaces with the legacy systems and some departmental systems are required while phasing in the new system implementation. However, the proposed solution will ensure that the four partnering agencies are able to perform their primary tasks in the developed solution.
- Project governance must be active in promoting the opportunity for business process improvements in the state's financial management business architecture, and potential policy and statutory changes. Specifically, business processes are simplified and optimized wherever possible to meet the goals of the project within specified timeframes.
- The IT infrastructure at state agencies (including workstations or desktop platforms) is mature and sufficient to support this solution. To the extent this is not true, it is expected that departments will identify and seek the resources for remedy.
- The SCO's 21st Century Project includes necessary position data and history as the state system of record to support the Project. This is a function of project dependencies and schedule. Currently this information is part of the SCO Legacy systems.

3.3.2 Dependencies

- Appropriate state program and technical resources are allocated to the Project Office, and to any ancillary teams related to this effort.
- Supporting contracts and procurements are completed on schedule.
- Expenditure authority is provided through the annual budget process.
- Stakeholders reach agreement on a statewide coding structure (chart of accounts).
- A rigorous change management program is developed and in place to manage resistance to change and to assist state departments, agencies and other stakeholders' transition to the new system and processes.
- Agencies and departments participate and provide information as required to successfully develop and implement system interfaces and data exchange processes.
- Changes to existing laws are made to support the system business processes reengineering.

3.3.3 Constraints

- Solution operates in the context of the state's direction for an enterprise-wide solution.
- The solution makes use of the state's computing resources, technical infrastructure and data center where appropriate.
- Some departments have program needs that cannot be met by an enterprise-wide administrative system. A process will be developed to identify and document unique business needs (i.e. program specific and not common to the statewide enterprise) that are beyond the enterprise system.

3.4 Steering Committee Membership and Organization

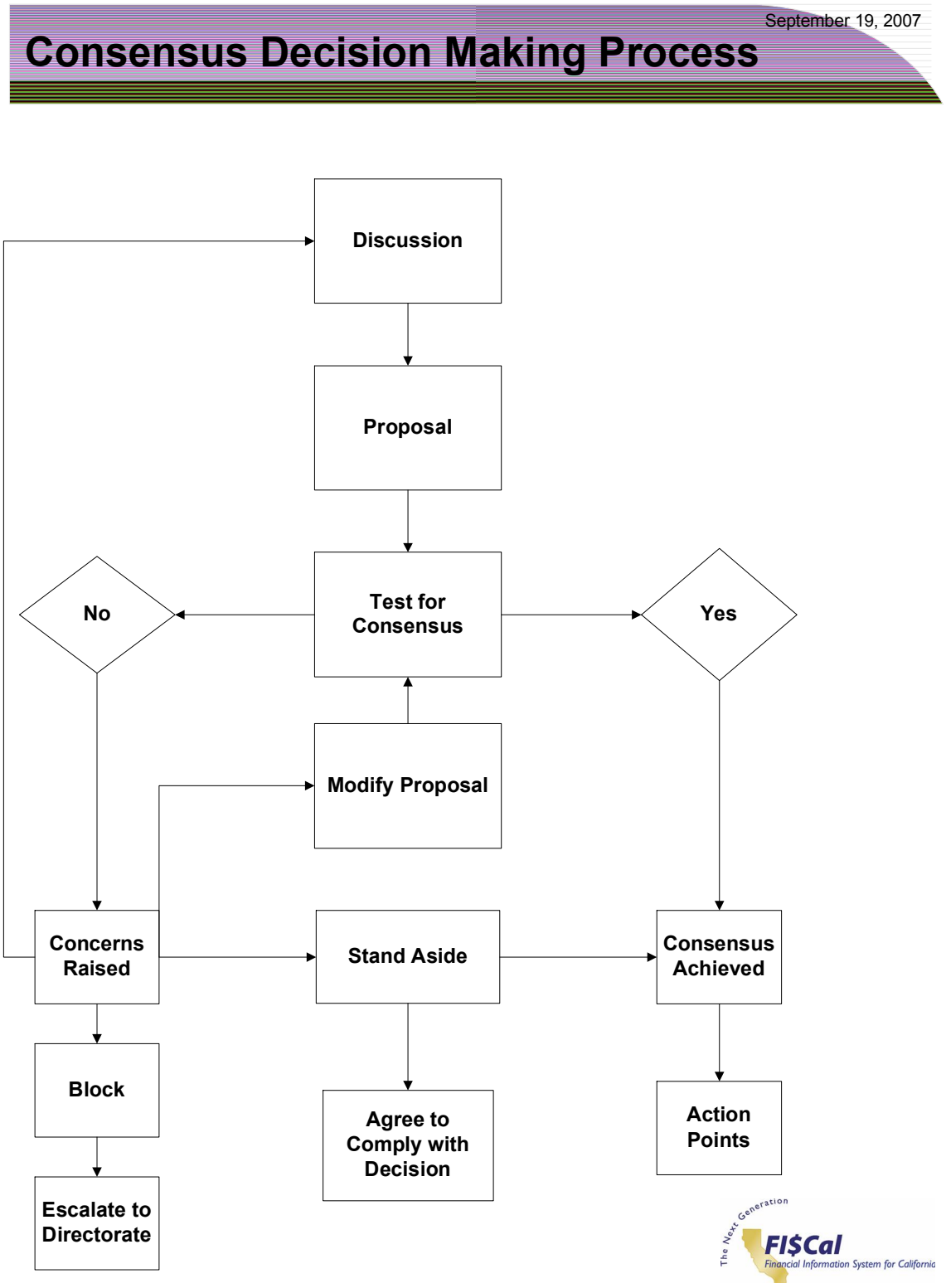
The content in this section will result from Steering Committee agreements regarding the decision-making process, issue resolution, alternative members, meeting frequency and other items.

3.4.1 Membership

Steering Committee		
Name	Business Title	Role
Fred Klass	Chief Operating Officer Department of Finance	Project Sponsor - Chair
Suzanne V. Bost	Program Budget Manager Department of Finance	Project Executive
Veronica Chung-Ng	Program Budget Manager Department of Finance	DOF Committee Member
Karen Finn	Program Budget Manager Department of Finance	DOF Committee Member
Michael Carter	Chief Operating Officer	SCO Committee Member
John Korach*	Division Chief Accounting and Reporting	SCO Committee Member
Adrian Farley	Interim Deputy Director Procurement Division	DGS Committee Member
Doug Button	Deputy Director Real Estate Services Division	DGS Committee Member
Doug Spittler	Director Cash Management Division	STO Committee Member
Robert (Bob) Garcia	Chief Deputy Director	DSS Committee Member
Frank Collins	Deputy Director Administration	EDD Committee Member
Dave Gilb	Director	DPA Committee Member
Vacant	FI$Cal Project Director	Project Director

* John Korach retired and was replace by Jim Lombard, Chief Administrative Officer, in November, 2007.

Appendix A Consensus Decision Model



Appendix B Roles and Responsibilities Guide

Legend:

Project Directorate	• Director of Finance • Director of General Services • State Controller / or Chief of Staff • State Treasurer / or Chief of Staff
Project Sponsor	• Chair of the Steering Committee
Steering Committee	• *State Controller's Office* • State Treasurer's Office • Department of General Services • Department of Finance • Department of Personnel Administration • Two Rotating Department Representatives
Four Project Partners	• DOF, DGS, SCO, STO
Partner Business Executives	• DOF, DGS, SCO, STO
Matrix Project Team	• FI$Cal Project Team
Other Organizations	• Legislature • CIO Office • Departments • Control Agencies
Responsibility	• Joint = Shared responsibility • Primary = Lead responsibility • Support = Participatory Responsibility

FI$Cal Roles & Responsibility Guide

	Tasks	Project Directorate	Project Sponsor	Steering Committee	Four Project Partners	Partner Business Executives	Matrix Project Team	Other Organizations
Project Administration	Resolve policy/critical impasse issues	Primary	Support	Support		Support	Support	
	Escalate unresolved issues to Steering Committee					Support	Primary	Support
	Escalate unresolved issues to Project Directorate			Primary		Support	Support	
	Develop, request and obtain the required resources (budget) to support the project		Primary	Support			Support	
	Provide the required administrative and technical project resources to support the project						Primary	
	Provide the required business experts to support the project.			Support	Joint		Support	Joint
	Prepare the Interagency Agreements for the project						Primary	
	Designate primary points of contact to communicate about and respond to administrative issues and inquiries, such as budget and fiscal issues			Joint			Primary	Joint
	Develop accounting of and manage the project budget and expenditures						Primary	
	Develop needs for state and federal funding for the project						Primary	Support
	Secure state funding for the project		Joint	Support	Support		Joint	Joint
	Secure federal funding for the project			Support			Joint	Joint
	Report all project expenditures				Support		Primary	Support

	Tasks	Project Directorate	Project Sponsor	Steering Committee	Four Project Partners	Partner Business Executives	Matrix Project Team	Other Organizations
	Maintain all budget and accounting records for the required duration of the project, which will be up to at least 5 years after final payment or until any audits are resolved, which ever comes later						Primary	
	Secure authority through state agencies, as needed, to acquire project approval or required products and services, including requests for project delegation and procurement for the project.		Support	Support			Primary	
	Determine federal and state legislative impacts to the project				Joint	Joint	Joint	Joint
	Develop, resolve issues about and communicate all program policy that impacts the project				Joint	Joint	Support	Joint
	Manage all project audits, including but not limited to receiving, replying to, developing improvement plans for audit exceptions and maintaining an inventory of all project decisions and issues						Primary	
	Approve all project management plans, including modification to plans as determined through the course of the project			Joint			Joint	
	Procure and manage the Project Management Office						Primary	
	Manage Quality Assurance for FI$Cal						Primary	
	Communicate the project vision to the potential vendors working with the state DGS Procurement Officials						Primary	

	Tasks	Project Directorate	Project Sponsor	Steering Committee	Four Project Partners	Partner Business Executives	Matrix Project Team	Other Organizations
	Establish and maintain the project library, archives and tools for all project information						Primary	
	Serve as the Executive Liaison and primary point of contact for all project vendors engaged in the development of the project						Primary	
	Approve the FI$Cal Project Procurement Plan			Joint			Joint	
	Develop and approve all related procurement documents, including but not limited to the ITPP and primary procurement evaluation and selection criteria and plan, RFP			Support			Primary	
	Publish procurement documents to appropriate audience to the vendor community						Primary	
	Respond to all protest						Primary	
	Select Qualified Vendor (Business Partner) pool						Primary	
	Obtain all required state approvals for the procurement documents						Primary	
	Schedule and conduct all Qualified Vendor discussions						Primary	
	Receive all responses to the RFP from qualified vendors						Primary	
	Evaluate all responses to the RFP						Primary	
	Select Vendor and completed process to issue Intent to enter into award						Primary	
	Debrief Vendors not selected for contract						Primary	

	Tasks	Project Directorate	Project Sponsor	Steering Committee	Four Project Partners	Partner Business Executives	Matrix Project Team	Other Organizations
	Respond to all Vendor inquires and requests			Support	Support	Support	Primary	Support
	If applicable, conduct negotiation of contract terms and conditions with selected Vendor						Primary	
	Award and execute contract						Primary	
	Manage all Vendor contracts and maintain final contract authority, including but not limited to resolution of any disputes						Primary	
	Reject non-conforming services or deliverables						Primary	
	Notify Vendor that they are in breach of contract or default for failure to deliver agreed upon deliverables or performance						Primary	
	Pay for deliverables that have realized performance measures						Primary	
Planning and Tracking	Formal identification of the project business case, project goals, objectives, expected outcomes, key stakeholders, sponsor(s), etc. (I.e. project charter)		Joint	Joint	Joint	Joint	Joint	Joint
	Detailed project planning with all activities (tasks), milestones, dates and estimated hours by task loaded to project management software; lowest level tasks of short duration with measurable outcomes						Primary	
	Completion of planned tasks recorded within PM software						Primary	
	Actual hours expended by task recorded at least monthly within PM software					Support	Primary	Support

	Tasks	Project Directorate	Project Sponsor	Steering Committee	Four Project Partners	Partner Business Executives	Matrix Project Team	Other Organizations
	Estimated hours to complete by task recorded at least monthly within PM software						Primary	
	Staff planning, including organization chart, written roles and responsibilities, plans for staff acquisition, schedule for arrival and departure of specific staff, and staff training plans						Primary	
	Development and maintenance of project cost estimates and supporting data for each cost category						Primary	
	Use of software size estimation where custom software development or COTS modifications are a significant component of cost						Primary	
	Use of two or more estimation approaches (e.g. top-down, bottom-up, parametric) to refine estimates						Primary	
	Independent review of estimates							Primary
	Recording of actual costs by cost category and comparison to budget					Support	Primary	Support
	Maintenance of supporting data for actual costs						Primary	
	Tracking and reporting (within status reporting process) of work plan activities, resource utilization, schedule and milestone completion status						Primary	

	Tasks	Project Directorate	Project Sponsor	Steering Committee	Four Project Partners	Partner Business Executives	Matrix Project Team	Other Organizations
	Formal configuration control, including a written configuration management plan covering change control/approval for key specification documents (e.g. contracts, requirement specifications and/or contract deliverables) and software products and specific staff roles and responsibilities for configuration management			Support	Support	Support	Primary	
	Formal tracking of issues/problems and their resolution, including assignment of specific staff responsibility for issue resolution and specific deadlines for completion of resolution activities			Support			Primary	Support
	Assessment of user satisfaction at key milestones						Primary	
	Planning in compliance with formal standards or system development life-cycle (SDLC) methodology						Primary	
	Formal enterprise architecture planning						Primary	
	Completion of project closeout activities, including a PIER, collecting and archiving up-to-date project records and identifying lessons learned						Primary	
Procurement	Use of appropriate procurement vehicle						Primary	Support
	Inclusion of a detailed written scope of work for services requested in solicitation document						Primary	Support
	Detailed requirements specifications included in solicitation document						Primary	Support
	Material participation of outside expertise (e.g. DGS, Departmental specialists, consultants)						Primary	Support

	Tasks	Project Directorate	Project Sponsor	Steering Committee	Four Project Partners	Partner Business Executives	Matrix Project Team	Other Organizations
	Consultation with qualified legal counsel for procurement if outsourcing						Primary	Support
Risk Management	Formal continuous risk management, including development of a written risk management plan, identification, analysis, mitigation and escalation of risks in accordance with DOF/OTROS Guidelines, and regular management team review of risks and mitigation progress			Support		Support	Primary	
	Use of SEI "Taxonomy Based Questionnaire" or similar risk identification aid(s)						Primary	
Communications	Formal communications management, including a written project communications plan. Regular status reporting to key stakeholders, including progress against timeline and budget; risk management results and status; issue management results and status; Written escalation policy for issues and risks; Regular stakeholder involvement in major project decisions, issue resolution and risk mitigation						Primary	
System Engineering	Ongoing user involvement commensurate with user impact			Joint	Joint	Joint	Joint	Joint
	Formal user approval/sign-off on written specifications			Joint	Joint	Joint	Joint	Joint
	Adherence to a formal system development life-cycle (SDLC) methodology						Primary	

	Tasks	Project Directorate	Project Sponsor	Steering Committee	Four Project Partners	Partner Business Executives	Matrix Project Team	Other Organizations
	Use of requirements management software and tracking of requirements traceability through all life-cycle phases						Primary	
	Adherence to software engineering standards						Primary	
	Product defect tracking beginning with Requirements Specifications						Primary	
	Performance of formal code reviews						Primary	
	Quality assurance through all life-cycle phases						Primary	
	Formal testing and user sign-off of test results and completed system			Joint	Joint	Joint	Joint	Joint
	Adherence to an architecture plan						Primary	
	Deliverable inspections, beginning with requirements specifications					Support	Primary	
	Formal IV&V (refer to Oversight Plan, Quality Management Plan and Communication Management Plan)						Joint	Joint
	Develop and define project approach			Support	Support		Primary	
	Approve project scope			Joint	Joint			Joint
	Develop automated systems objectives			Support	Support		Primary	
	Develop, maintain and administer the FI$Cal Scope Management Plan			Support	Support		Primary	
	Develop, implement and maintain a requirement management tool						Primary	
	Develop and define all business requirements, including technical, non-functional, role based authorities and functional requirements			Support	Support		Primary	Support

	Tasks	Project Directorate	Project Sponsor	Steering Committee	Four Project Partners	Partner Business Executives	Matrix Project Team	Other Organizations
	Develop and define all business process changes			Support	Support		Primary	Support
	Approve all automation business requirements; roles based authorities, and functional requirements at project initiation, RFP approval, and Systems Design Document approval. Including changes that change cost, schedule, scope or policy. Approval timeframe must be responsive to schedule and contract requirements.			Joint	Joint	Joint	Joint	Joint
	Develop performance measures (benefits) and define project deliverables			Support			Primary	
	Approve the performance measure deliverables			Joint	Joint		Support	
	Evaluate the performance measures resulting from the deliverables to determine if benefits have been realized			Joint	Joint		Support	Joint
	Review and accept project deliverables for implementation purposes only						Primary	
	Continue deployment of new system			Support	Support		Primary	Support
	Operate and maintain new system during the project.						Primary	
	Identify criteria and approvals for adding and deleting users			Joint	Joint		Support	Joint
	Identify changes to the new system			Joint	Joint			Joint
	Develop and implement system enhancements and upgrades			Support	Support		Primary	Support
Security	Develop and administer policies, protocols, and procedures				Joint		Joint	Support

Appendix F: Oversight Plan

Three groups will provide independent oversight of the FI$Cal project: the Independent Project Oversight (IPO) vendor, the Bureau of State Audits (BSA), and the Office of Technology Review, Oversight, and Security (OTROS). The configuration of oversight entities complies with the requirements of Section 65, Chapter 172 of the statutes of 2007 (SB 78).

The IPO team consists of an Independent Project Oversight Consultant (IPOC) who will monitor and assess the FI$Cal project management processes and performance, and an Independent Verification and Validation (IV&V) consultant who will evaluate the project processes and documentation from a technical perspective. Per SB 78, the IPO contract is administered by the BSA, which includes reviews of IPO deliverables and review and approval of the IPO invoices. OTROS provides oversight services as outlined in the IT Project Framework, including the review of monthly Independent Project Oversight Reports (IPOR), prepared by the IPOC.

The communication processes between the three oversight groups are defined in the FI$Cal Oversight Communication Management Plan, which was collaboratively developed by BSA and OTROS. The plan outlines the meetings that will occur between the oversight groups and the documentation that will be shared with and reviewed by the groups. For example, weekly meetings are held with FI$Cal management to discuss the concerns and findings of the IPOC, BSA, and OTROS. Such meetings ensure that risks and issues identified by the oversight groups comes to the attention of FI$Cal management in a timely manner. In addition, when warranted, the IPO team, BSA, and OTROS will meet to discuss general oversight concerns and issues, independent of the FI$Cal team.

The Oversight Communication Management Plan also defines escalation processes used by the three oversight groups. An escalation would be invoked if one of the oversight groups identifies a project risk or issue that the FI$Cal team has not responded to adequately. Because of the different reporting responsibilities of each group, the escalation path is different for each group and is explained more fully in the Oversight Communication Management Plan.

Per SB 78, BSA will periodically report, as needed, to the Legislature concerning the project condition pursuant to Chapter 6.5 (commencing with Section 8543) of Division 1 of Title 2 of the Government Code.

Appendix G: FI$Cal Team Overview

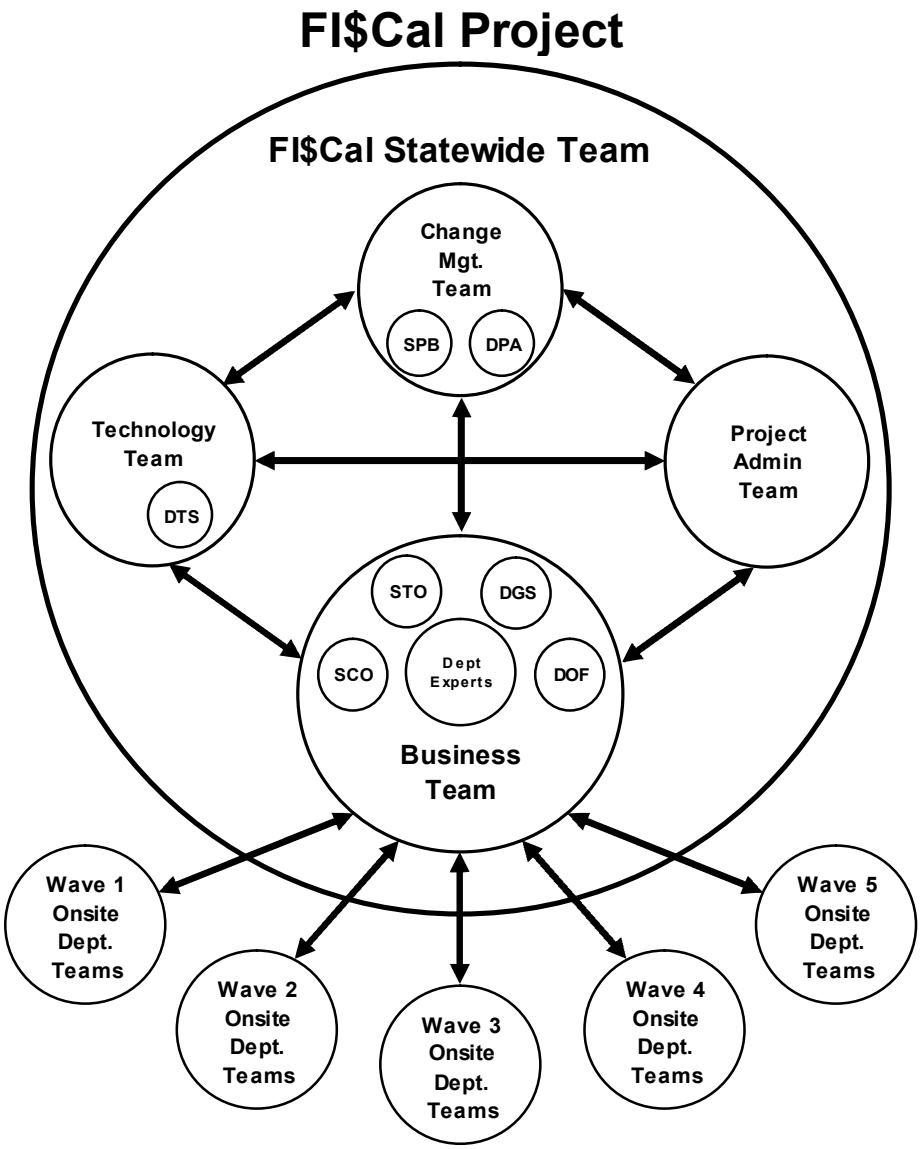
The FI$Cal Project is a transformation project which will be implementing fundamental changes to our financial management infrastructure (people, processes, and systems). To accomplish this effort, a qualified and skilled team will be deployed across the effected agencies.

The diagram at the end of this section provides a visual relationship of the teams at a high level. The FI$Cal procurement will be asking the Prime Contractor to recommend the best project model for the California FI$Cal Project. However, the project was required to develop and propose a model as a starting point with our understanding of state government and of ERP projects in order to provide a project estimate and Total Cost of Ownership.

The FI$Cal Project is a strong matrix organization. The following defines the organization and logistics of the project team:

- The diagram shows the four components of the statewide team and their relationship with the on-site departmental teams:
    - Technology Team.
    - Business Team.
    - Organizational Change Management Team.
    - Project Administration Team.
- The Project Administration, most of the Technology and some of the Change Management team (training and communication) are hired by the project organization.
- The balance of the Change Management team is staffed by the Department of Personnel Administration and the State Personnel Board.
- SCO, DGS, STO and CALSTARS requested staff to provide support to the FI$Cal Project in addition to their existing legacy IT staff.
- The Business Team is the largest team; it primarily consists of subject matter experts from the following departments (Partner Agencies). These departments are the hiring authority for these experts:
    - State Controller's Office.
    - Department of General Services.
    - State Treasurer's Office.
    - Department of Finance.
- In addition to the above Partner Agency positions, there are designated positions for subject matter experts from other state departments.
- The FI$Cal project will gradually ramp up the statewide team over a period of two years. There is a small core team currently in place. The following is the high level schedule to staff the project team:

  - Early 2008-09:
    - Supplement existing standard departmental administrative support staff (procurement, administration, facilities).
    - Begin ramping up staff from all functions of the FI$Cal Statewide Team to conduct procurements.
    - Recruit the Technology Team staff that will support and build the project technology infrastructure.
  - January 2009 Partner Agency staff to replace existing staff that will be dedicated to the FI$Cal Project Business Team (one year in advance).
  - Early 2009-10 additional members added to the Statewide Team.
  - January 2010 balance of members added to the Statewide Team.
- The project has provided for hiring staff to backfill state business subject experts one-year in advance of bringing the identified expert onto the statewide project team.
- Beginning in 2010-11 (2 years in advance of deployment) Wave 1 departments assign members to their on-site teams and back fill the vacated positions. Each year following, the subsequent Wave departments staff their on-site teams.
- The Partners believe there is synergy in working together to staff the FI$Cal Project team and propose that they jointly:
  - Recruit.
  - Examine.
  - Advertise.
  - Interview.
- It is envisioned that all members of the statewide team are co-located. On-site departmental teams are located at their department.
- Each member of the statewide business team will be assigned at least three departments that are in different stages of development:
  - Preparation.
  - Implementation.
  - Release, Stabilization and Support.
- On-site departmental teams will be provided tools and templates to complete their tasks such as:
  - Documenting the existing organization, systems, and processes.
  - Performing gap analysis.
  - Data conversion activities.
- Implementing and documenting the new organization, systems, and processes.


FI$Cal Project
FI$Cal Statewide Team
Change Mgt. Team
SPB
DPA
Technology Team
DTS
Project Admin Team
STO
DGS
SCO
Dept Experts
DOF
Business Team
Wave 1 Onsite Dept. Teams
Wave 2 Onsite Dept. Teams
Wave 3 Onsite Dept. Teams
Wave 4 Onsite Dept. Teams
Wave 5 Onsite Dept. Teams

Appendix H: Succession Planning

Due to the duration and scope of the FI$Cal Project, succession planning is critical. In the past, succession planning typically targeted only key leadership positions in projects. In today's organizations, in addition to leadership positions it is important to include key positions in a variety of job categories. In addition, succession planning can help develop a diverse workforce, by enabling decision makers to look at the future make-up of the organization as a whole. This plan focuses on three specific areas: (1) the Partner Leadership (the Director of Finance, the Controller, the Treasurer, and the Director of General Services) including the state executive leadership levels; (2) the Project Executive and Director; and (3) the Project Staff.

To be successful, succession planning should encompass the following criteria:[39]

- Involvement of top management, employees, and other stakeholders.
- Identification of the critical skills and competencies required.
- Develop strategies to address gaps and conditions that need attention.
- Build the capability needed to address administrative, educational, and other requirements.
- Monitor and evaluate the progress toward goals and objectives.

H.1 Project Leadership at the State Executive Level

The long-term success of organizations requires continuity in top management. The commitment and involvement of the Partner Agencies at the highest level is the key to leadership succession planning for the Project. The strategy to ensure organizational leadership and support that will bridge the inevitable changes in government leadership is:

- Utilizing a Memorandum of Understanding between the Partner Agencies to memorialize the vision, the governance and the structure of the Project; and
- Establishing in statute the requirement for the Project partnership to develop and implement the Project.

As part of the budget process, the FI$Cal Project will introduce proposed legislation.

It must also be recognized that the Project leadership at the state executive level must not only support the Project and its vision, but also support the project management to ensure successful recruitment and transition over time.

[39] GAO-04-39, Human Capital: Key Principles for Effective Strategic Workforce Planning

H.2 Project Executive and Director

Leadership succession planning should be implemented with a focus on where the organization is heading in the future. What will the top positions look like in the next two, three, and five years? Planning for the competencies of the current positions is necessary, but more important and essential is the need to project what competencies the positions will require in two to five years. Instead of automatically replicating and reproducing an existing leader, the strategy is to make a selection based upon the phase of the Project and skill sets required to lead the Project though specific phase(s). The plan includes ensuring an overlap of leaders for development purposes and to ensure continuity of leadership. It is also important that the Steering Committee participate in the determination of the Project Executive hiring.

Strategies for replacement of the Project Executive include:

- Determine the competencies needed to lead the FI$Cal implementation the next two to five years.
    - The Project Steering Committee will participate in selecting the new Project Executive.
    - Provide at least a three month overlap when a new Project Executive is brought to the team to ensure a successful transition of leadership between the outgoing and incoming Project Executive.

The Project Director is selected by the Project Executive with the consensus of the Steering Committee. The Project Director is the state's Project Manager. It is critical for the Project Manager of an ERP project to have both a strong understanding of the state's business environment, familiarity with ERP products and structure, the principles and practices of project management, as well as a fundamental understanding of information technology principles. The Project Director is anticipated to be selected from within the state ranks to ensure a strong understanding of the state's business environment and a vision of the future. The succession plan includes the development of critical skills and competencies within the project team required for this and other leadership roles to ensure a strong pool of candidates for the continued health of the project leadership.

H.3 Project Team

Successful leadership requires a competent project team structure and staff. Succession planning ensures that there are highly-qualified people in all positions, not just today, but tomorrow, next year, and five years from now. Succession planning establishes a process that recruits employees, develops their skills and abilities, and prepares them for advancement, all while retaining them to ensure a return on the organization's training investment. Succession planning involves:

- Understanding the organization's long-term goals and objectives
- Identifying the workforce's developmental needs
- Determining workforce trends and predictions

A successful project requires the human infrastructure to continue to support the anticipated transition of individuals at all levels throughout the project lifecycle and continued into the operations and maintenance of the system in the future. The FI$Cal Project is committed to the concept of quality succession planning and will undertake, at a minimum, the following activities to support quality succession planning throughout the Project:

- Develop and implement a rigorous communication strategy
- Identify expected vacancies in a timely fashion
- Determine critical positions
- Identify current and future competencies for positions
- Develop and implement a rigorous recruitment strategy
- Create assessment and selection tools
- Supplement human resource functions to include active recruiting and staffing
- Identify gaps in current employee and candidate competency levels
- Develop Individual Development Plans for employees
- Align training plans to support the Development Plans
- Develop and implement coaching and mentoring programs
- Assist with leadership transition and development
- Develop an evaluation plan for succession management
- Participate in state level human resource task forces, committees, and activities

Appendix I: Stage 2 Departments

The Preferred Alternative's Stage 2 of deployment includes three waves. Stage 1, which precedes this stage, includes two waves of the Partner Agencies and selected departments. The following tables list the departments to be implemented during each wave as part of the current project schedule.

STAGE AND WAVE	DEPARTMENTS
Stage 2/Wave 3: Departments Go Live July 2014	Air Resources Board
	Secretary for Environmental Protection
	Commission on Peace Officer Standards and Training
	DGS - Contracted Fiscal Services
	Alfred E. Alquist Seismic Safety Commission
	California Gambling Control Commission
	California Law Revision Commission
	California Medical Assistance Commission
	California State Library
	California Tahoe Conservancy
	California Transportation Commission
	California Victim Compensation and Government Claims Board
	Children and Families Commission
	Commission on State Mandates
	Commission on Teacher Credentialing
	Commission on the Status of Women
	Department of Finance
	Education Audit Appeals Panel
	Electricity Oversight Board
	Emergency Medical Services Authority
	Fair Employment and Housing Commission
	Fair Political Practices Commission
	Managed Risk Medical Insurance Board
	Milton Marks "Little Hoover" Commission on CA State Government Organization and Economy
	Office of Administrative Law
	Office of the Inspector General
	San Gabriel and Lower Los Angeles Rivers & Mountains Conservancy
	Sierra Nevada Conservancy
	State Independent Living Council
	State Public Defender

STAGE AND WAVE	DEPARTMENTS
	Department of Housing and Community Development
Stage 2/Wave 3: Departments (Continued) Go Live July 2014	California Coastal Commission
	California Conservation Corps
	California Integrated Waste Management Board
	California Student Aid Commission
	Department of Aging
	Commission on Aging
	Department of Alcohol and Drug Programs
	Department of Alcoholic Beverage Control
	Alcoholic Beverage Control Appeals Board
	Department of Child Support Services
	Department of Corporations
	Department of Fair Employment and Housing
	Department of Financial Institutions
	Department of Managed Health Care
	Department of Personnel Administration
	Department of Pesticide Regulation
	Department of Real Estate
	Office of Real Estate Appraisers
	Franchise Tax Board
	Governor's Office
	Military Department
	Public Utilities Commission
	San Francisco Bay Conservation and Development Commission
	Secretary of State
	State Controller's Office
	California Institute for Regenerative Medicine
	California Senior Legislature
	State Personnel Board
	State Treasurer's Office
	California Alternative Energy & Advanced Transportation Financing Authority
	California Debt and Investment Advisory Commission
	California Debt Limit Allocation Committee
	California Health Facilities Financing Authority
	California Industrial Development Financing Advisory Commission
	California School Finance Authority
	California Tax Credit Allocation Committee
	Scholarshare Investment Board

STAGE AND WAVE	DEPARTMENTS BY WAVE
Stage 2/Wave 4:	Agricultural Labor Relations Board
Departments	California Horse Racing Board
	California Postsecondary Education Commission
Go Live July 2015	Commission on Judicial Performance
	Department of Boating and Waterways
	Department of Community Services and Development
	Department of Consumer Affairs
	Boards
	Bureaus, Programs, and Divisions
	Board of Chiropractic Examiners
	Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun
	Department of Developmental Services
	Department of Health Care Services
	Department of the California Highway Patrol
	Secretary for Business, Transportation and Housing
	High-Speed Rail Authority
	Department of Fish and Game
	Wildlife Conservation Board
	Office of Emergency Services
	Office of Environmental Health Hazard Assessment
	Office of Planning and Research
	Office of Statewide Health Planning and Development
	Office of Traffic Safety
	Public Employment Relations Board

STAGE AND WAVE	DEPARTMENTS BY WAVE
Stage 2/Wave 5:	Board of Governors of the California Community Colleges
Departments	California Housing Finance Agency
	California Arts Council
Go Live July 2016	*California State Summer School for the Arts*
	California Science Center
	Colorado River Board of California
	Department of Food and Agriculture
	Department of Industrial Relations
	Department of Insurance
	Department of Public Health
	Department of Toxic Substances Control
	Dept of Forestry and Fire Protection
	Secretary for Resources
	Department of Veterans Affairs
	Office of the Lieutenant Governor

Appendix J: Cost Estimates and Assumptions

FI$Cal Project Cost Estimate Narrative Detail

I. Scope and Breadth of the FI$Cal Project

The FI$Cal Special Project Report (SPR) and Budget Change Proposal (BCP) include a description of the project scope; what is being developed and the approach. Comprehending the scope and size of the project requires comparative information.

This project will change the way that the State of California does business, and will affect every state department.[40] It is important to understand that from a business perspective California is massive. If California was a Fortune 500 company, it would be ranked in the top 10.[41] Over the 12 years of the project (2005-06 through 2017-18) California will be required to manage more than $10 trillion dollars.[42] This project proposes to spend $1.6 billion (less than one percent or 0.16 percent) to assist in the management of those operations. By any standard, that is a reasonable relationship. The following text will provide further context for the size of the FI$Cal Project:

1. FI$Cal seeks to replace the administrative services systems for a total of 134 state departments, divided between 73 departments and their 61 associated client departments.[43] An example of a client department is the California Alternative Energy and Advanced Financing Authority that is a client of the State Treasurer's Office.

   The relationship between departments and client departments adds to the complexity of the project. For example, the various boards and commissions of Consumer Affairs have their accounting performed by Consumer Affairs. Hospitals affiliated with Department of Mental Health, Developmental Services, and Veterans Affairs have decentralized accounting, but these organizations have been counted as one organization for project implementation and deployment. They must deploy at the same time due to organizational and financial dependencies. Another example is the Department of General Services Contracted Fiscal Services (CFS). CFS is an accounting office that services 28 smaller departments. CFS, although not technically a department, must be counted as one department because it will have to be converted at one-time, but the 28 client departments will have separate system configurations and training needs.

[40] The term "department" refers to any state department, agency, board, bureau, commission, or any other entity that is currently a part of the state's financial system

[41] Based on General and Special Fund revenue. For a display of revenue, see: http://www.ebudget.ca.gov/Enacted/BudgetSummary/SUM/8867168.html

[42] Based on annual revenues and expenditures equal to 2007-08 projected forward

[43] The term "associated client departments" refers to those departments whose administrative services are provided by another state agency

2. The FI$Cal Project could be viewed as several projects in one. It is designed as a single project because research has shown that in order to effectively integrate administrative systems using Enterprise Resource Planning (ERP) Software, it is critical to work as one organization. The multitude of administrative systems across various departments that FI$Cal will be replacing need to be coordinated and their data brought into the system in an integrated manner. An example of a large organization that tried to implement an ERP by separating its project into the component parts was the U.S. Navy. The Navy's initial approach was to break up their ERP project into smaller, individual projects, and then roll up the individual ERP systems into a single unit at a later date. This approach did not effectively work, as demonstrated by a 2005 Government Accounting Office (GAO) report[44]. The GAO reported that the Navy had to end its project, in which it had invested over $1 billion in system development, and start again with a single, integrated project, which is the FI$Cal approach. Lessons learned from our own California projects also emphasize early coordination and integration to realize ERP benefits. The Bureau of State Audits report on the California State University implementation (report 2002-110) noted that benefits were limited without an enterprise-wide, integrated approach.

   On the other hand, to assist in understanding the level of effort required for the project, the business areas can be viewed as "separate projects". The following list provides a business perspective of the FI$Cal project as if it were 20 different projects with integrated data. This information provides an understanding of the required number of subject matter experts, the size of the data capture, the level of training required, and additional effort that is required for each of the bulleted projects below. If the total estimated FI$Cal project cost ($1.6 billion) was divided by these 20 projects, each project would cost $80 million. This is less than the project estimates for a single-function statewide system (e.g. the 21st Century or the Budget Information System projects[45]). If this amount is applied to just the 73 primary departments for the departmental systems, the cost would be just over $1 million per department per system. This is less than most project estimates for new systems. Today, many of our existing "shadow" systems – our many systems at departments – are stand alone systems that serve the functions listed below:

   - Replace Statewide Budget Systems (Department of Finance (DOF) Budgets).[46]
   - Create Standard Department Budget System.
   - Replace Statewide General Ledger and Financial Reporting State Controller's Office (SCO).
   - Replace Department General Ledger and Financial Reporting (DOF, CALSTARS).

[44] GAO report GAO-05-858, Nave ERP Adherence to Best Business Practices Critical to Avoid Past Failures

[45] Estimates for these projects were $140 million and $138 million, respectively

[46] When referring to a "Statewide" process or system, it should be understood that this is a system that captures all the information for the state as an entity (i.e. the systems at DOF, SCO, DGS, and STO). A "departmental" process or system provides information about the department and its programs.

- Replace Department Accounts Payable (part of CALSTARS, part of SCO, and part of Department of General Services (DGS), and part of hundreds of departmental systems).
- Create Statewide Accounts Payable (What does the state owe? New functionality).
- Replace Department Accounts Receivable (A/R) (CALSTARS provides some A/R functionality, but primarily department A/R is supported by hundreds of "shadow" systems. This project does not replace the very large, specialized program A/R such as Child Support, Tax Collection, or other very specialized systems. However, it is expected there will be an interface with these systems).
- Statewide Asset Management System (New).
- Create Standard Department Asset Management System (New – will replace hundreds of department "shadow" systems).
- Create Statewide Grant Management System (New).
- Create Standard Department Grant Management Systems (New – this will replace department "shadow" systems).
- Create Statewide Procurement System for requisition, vendor and procurement data
  (New – DGS currently captures limited procurement information on large procurements only).
- Create Standard Department Procurement System for requisition, vendor, and procurement data (New – this will replace hundreds of department "shadow" systems including systems that track and monitor contract obligations and expenditures).
- Replace Statewide Disbursement and Expenditure Adjudication System – ((SCO) - This includes a redesign of the statewide claim process).
- Replace (create) Department Standard Cost Accounting System – (Some of this functionality is in CALSTARS).
- Create Statewide Cost Accounting System (New).
- Create Standard Department Project Accounting System (New – this is expected to replace hundreds of department "shadow" systems).
- Create Statewide Project Accounting System (New).
- Replace Department Cash Management Systems (Some of this functionality is in CALSTARS and some in department "shadow" systems).
- Replace Statewide Cash Management System – (State Treasurer's Office (STO)).

3. The FI$Cal project will affect a large number of state employees, changing the way that they do their jobs. It will replace current processes, modernizing the way that California conducts business. To identify the number of users for the integrated FI$Cal System, we assumed that a reasonable representation could be based on the number of positions of budget and accounting classifications in the state. The result was almost 6,000 state employees. However, this assumption does not account for the number of generalist classifications that are used in many areas such as asset management, procurement and department budget offices. As such, the 6,000 under represents the number of users. The core users affected by this project will more likely range from 10,000 to 12,000 primary users. However, it is also anticipated that most managers will use this system for managing their budget and program areas. That increases the number of users to 40,000 (there are about 28,000 CEAs, managers, and supervisors in state service). The project has the potential for all

employees to use the system to record labor distribution, project activity tracking, and activity-based costing functions. This would increase the total number of users to about 225,000.[47]

II. Cost Estimate Methodology

A number of studies and reports were examined, as well as other ERP projects and large technology projects, to arrive at a variety of methods for estimating the cost of the FI$Cal project. The conclusion after examining this information is that the total cost of implementing an ERP project varies with a number of factors. The FI$Cal project team made estimates based on the number of organizations (approximately 134 departments and four control agencies); the geographic distribution; the number of end users (about 40,000); and the number of functions being implemented. We would note that the estimated number of state staff necessary to implement the project represents about 2 percent of the end users.

Three different costing methodologies were used in estimating the costs for the FI$Cal Project:

- Top-Down Estimating – Compares the project to other similar projects and accepts, the actual costs from the similar projects as the estimate.
- Analogous Estimating – Utilizes established per unit costs to develop cost estimates. A well known example of this approach assumes the cost of constructing a house is $250 per square foot.
- Bottom-Up Estimating – Identifies the specific tasks and the level of effort to complete those tasks.

Top-Down Estimating

Information from many large ERP projects was collected and used to assist with Top-Down Estimating Techniques. This is a method that looks to project of similar size and scope. This type of project is difficult to identify, but we worked with a number of external organizations to identify similar projects including the Government Finance Officers Association and Gartner Research. The following is a listing of large projects that were used to assist in the development of the costs for FI$Cal.

Large California state departments that have recently implemented, or are in the process of implementing an ERP system, include:

- SCO 21st Century Project - $140 million.
- Department of Motor Vehicles - $25 million.
- Department of Water Resources - $68 million.
- California Department of Corrections and Rehabilitation - $145 million.
- Department of Transportation (partial implementation only) - $47 million.
- California State University - $662 million.
- Administrative Office of the Courts - $113 million.

[47] This is the 2007-08 approximate total number of state employees, not including higher education

To illustrate economy of scale, if the FI$Cal project is implemented in 73 departments the cost would be $22 million per entity—if all 134 state departments are implemented, the cost is only $12 million per entity.

Recent California County ERP Implementations:

- Los Angeles County - $188 million (a reimplementation of an existing central system).
- Marin County - $16 million.

Other States Full ERP Implementations:

- Commonwealth of Pennsylvania - $295 million (note Pennsylvania is about one-fourth the size of California).
- State of Ohio - $158 million.

Federal ERP Implementations (Source – Government Accounting Office reports):

- Navy – Over $1 Billion.
- Army – Over $5 Billion.
- NASA – Over $800 Million.
- Air Force – Estimated $800 Million.

Private Sector ERP Implementations:

- Nestle - $3 Billion.
- Fortune 50 corporations average $1.2 billion[48].

Other large California program systems – The following are not ERP Systems but are presented as large California program projects that reflect the number of users, the complexity, a large number of organizations, and the geographic diversity which is also characteristic of the FI$Cal Project.

- The California Child Support Automation System (CCSAS) has two components:
  - A case management, accounts receivable/collection system and an accounts payable system. Implementation is at 58 counties; requiring 662 staff (FTB, DCSS and counties), and an un-quantified number of contractors. Total project costs of about $1.3 billion.
  - A contracted disbursement system with an estimated total cost of over $200 million.
- Statewide Automated Welfare System (SAWS) – the SAWS project consisted of four projects (ISAWS, CalWIN, C-IV, and Leader). Each of these projects provided a similar function for a subset of 58 counties with an approximate average cost of $500 million each, or $2 billion. These systems primarily provided case management for the welfare population of the state.
- Case Management Information and Payrolling System II (CMIPS II) – CMIPS II is a home heath care payroll system and is considering utilizing an ERP human resources payroll module. Project planning costs alone are estimated at $15 million.

[48] Deriving Value from 21st Century ERP Applications, META Group, 2003, available at www.metagroup.com, includes an adjustment for inflation

- Electronic Benefits Transfer (EBT) – EBT is a single function project for disbursing food stamp benefits (eligibility is part of the SAWS system). The one-time costs were approximately $120 million.
- The Medi-Cal Fiscal Intermediary is a claims processing system (A/P and Disbursement only) with annual maintenance costs of $150 million.

Analogous Estimating

Analogous estimating is a technique that is based on a component estimation factor derived from a large sample. For example, the cost of building a house may be estimated based on the number of square feet and the cost per square foot. The following estimates were computed for the FI$Cal Project.

1. Total Cost of Ownership: In a study prepared by the META Group,[49] the total cost of ownership of an ERP system was estimated to be $48,946 per user.[50] The study analyzed the cost of implementing an ERP system by both private and public sector organizations with a completed implementation and at least six months of operational experience. Based on the timing of the project and the survey, the META Group's cost estimate was adjusted for inflation. Based on the estimated number of users of FI$Cal (12,000 core users (accountants, business services, budgets), plus 28,000 regular users for management and business analysis), the project is estimated to be nearly $2.0 billion.[51]
2. Equivalent Revenue: Based on the META Group data, private sector organizations with more than $1 billion in annual revenue averaged a total project cost equal to about 1.1 percent of total revenue. The smaller the organization, the larger the percent of total revenue required for the project implementation; the cost based on the size of the organization is reduced as the organization size increases indicating that there is an economy of scale with a consolidated approach. Total budget/expenditures are comparable to total revenues in the private sector. California's total budget/expenditures for all funds for 2007-08 are about $321 billion. Using this methodology, the total cost of the project is estimated to be about $3.5 billion compared to the proposed $1.6 billion.
3. Number of Modules: ERP systems have been traditionally viewed as modular functionality. The cost of an ERP project is a factor of the number of functions, the number of organizations, the geographic distribution of the organizations, and the number of users. The FI$Cal project is planning to implement nine modules (including human resources, which is required for labor distribution and other functions) for all departments. We estimate that if each of 134 departments implemented their own ERP system with approximately nine modules each, the cost to the state would exceed $6 billion. Implementing as one integrated project provides economy of scale.
4. The following information (including software costs) was used by the Department of Technology Services (DTS) to estimate the costs of hosting, system integrator, and

[49] Deriving Value from 21st Century ERP Applications, META Group, 2003, available at www.metagroup.com

[50] For the purposes of this analysis, survey responses for only the top tier vendors, Oracle, PeopleSoft, and SAP, were used

[51] The total assumption is 40,000 users multiplied by $49,000.

software. Full disclosure also requires that we believe that each of these organizations were probably not consistent in their methods for identifying "total" project costs.

- Department of Water Resources (DWR) implemented all private sector financial modules for $68 million (as of 1999). This estimated does not include the plant management ERP expansion.
- Department of Motor Vehicles (DMV) implemented five modules for $25 million (as of 2001).
- California State University (CSU) implemented financial and human resources modules plus student data for $662 million (as of 2002).
- The 21st Century Project is implementing part of one module (human resources) statewide for $140 million (as of 2006).
- Administrative Office of the Courts (AOC) is implementing all financial and human resources modules in 58 counties for $113 million (as of 2005). Our interviews with the AOC have indicated that the number of funds and variety of programs implemented are relatively small compared to FI$Cal.
- Caltrans is implementing limited deployment of the General Ledger, A/P, and A/R for an estimated $47 million (estimate for 2006).
- The Department of Corrections and Rehabilitation is implementing the financial modules and human resources for $145 million (as of 2006).

Using the DWR cost of $68 million for one department, implementing FI$Cal in 73 departments would cost over $5 billion (recognizing that some departments are larger that others). The DWR project is a reasonable comparison, as it most closely resembles the scope of the FI$Cal project.

Using the data from the other departmental implementations and adjusting for inflation, yields an average cost per module of about $121 million. For FI$Cal to implement nine modules with this methodology, the estimate would be $1.1 billion without ERP benefits.

Bottom-Up Estimating

Bottom-Up estimating was used to derive the required level of project staff. The specific project team structure was identified and populated based on project tasks, workload, knowledge, skills and abilities, and the composition of other projects. When the total team structure was identified, cost reasonableness tests were applied. This was the most challenging estimate and several methods were used:

- Project staffing was built based on identified and/or estimated tasks by teams and project phases.
- Staffing estimates were made based on the required knowledge base of the various functional teams, including General Ledger and Financial Reporting, Accounts Receivable, Accounts Payable, Cash Management, Budgets, Disbursements, Asset Management, Grant Management, Procurement, Cost Accounting, and Project Accounting. We noted that the state has become very specialized and "fractured" in its maintenance and support of legacy systems and administrative processes.
- Staffing levels from other ERP projects, both within and outside of California, were examined and applied to the estimated level of effort of the FI$Cal project.

- Lessons learned from ERP projects, both within and outside of California, were taken into account.

Conclusions:
The level of proposed FI$Cal project staff and the distribution of that staff are reasonable:

- A Gartner report on staffing requirements, gathered from ERP project survey data, indicates that the estimated size of the FI$Cal statewide team falls within the range of what a typical ERP project of this size should be. Based on the assumptions in this report, the average statewide team size would be 1.92 percent of the number of named (total) users or 8.25 percent for the number of concurrent (logged on at any one time) users. Based on the 40,000 total estimated users, the estimated size of the statewide team should be about 800. The state proposed FI$Cal team reaches its peak level in 2014-15 at 714 state staff.
- Another Gartner report analyzes the distribution of ERP project staffing.[52] The estimated statewide staffing also falls within the typical distribution for staff for an ERP project. The benchmark data from 27 ERP projects indicate:

Gartner Benchmark Data **ERP Project Staff Allocation**	**Estimated FI$Cal Project Staff Allocation**[53]
33% Consulting Staff	36% Consulting
33% Business Staff	33% Business
9% Contracted Staff	6% Other Contracted Staff
25% Internal Information Technology Staff	25% Internal Technical (includes project management staff)

III. Overall Cost Estimates and Assumptions

The following major assumptions were used to develop the total costs for the 12-year life of the project (2005-06 through 2017-18). The Preferred (proposed) Alternative includes costs through 2017-18.

13. The project incorporates 134 departments.
    - On-site teams will be provided for departments to document their baseline systems, processes, and organization; transform their organization; transition to the new system, and re-baseline the new organization.
    - The statewide project team will provide the central procurement, system development, and maintenance of the system and will have representation from all stakeholders (Partner Agencies and selected departments).

[52] Gartner Research: Gaining Insights from [ERP Support] Staffing

[53] Based on estimated expenditures for each listed category

- It is anticipated that the solution will be implemented in five “waves”, where each wave indicates a certain number of departments (which vary by wave) to be brought into the system. The first wave begins July of 2012.
- Full system functionality, statewide, will be completed by June 2016, with 2016-17 costed for Wave 5 stabilization, project closeout, and the first full-year of system maintenance beginning in July 2017.

14. The project will provide statewide financial management and procurement functionality for an enterprise of 345,000 employees and the following financial activities:
    - $321 billion Budgeted Funds.
    - $498 billion Receipts.
    - $498 billion Disbursements.
    - $760 billion Assets.
    - $531 billion Investments.
    - $1 trillion Payments.
    - $1.2 trillion Deposits.
    - $452 billion Compensating Balances.
    - 231 million square feet buildings.
    - $137 million payment items.
15. The Project will replace over 50 Partner Agency legacy systems and over 1,000 departmental subsidiary (shadow) systems.
16. The project will provide funding to departments to provide specific business experts to the project. Departments will be implemented in waves, and for each single department, this process includes phases over three years. Year 1 is for documenting current processes and mapping workflows. Year 2 is for addressing differences between existing procedures and the ERP solution, conversion activities, training, and conversion. In Year 3, departments start using the system and are supported through stabilization activities. The positions will be filled in advance of system deployment beginning with Year 1 to allow sufficient time for training and developing the new staff that will backfill and replace the expert that will be assigned to the project.
17. The project requires that vendor staff will be co-located with state staff (effects facilities cost).
18. The project will train about 50,000 state employees.
19. The project will build both a new physical (hardware) infrastructure and establish an operational system support organization.
20. State staff will maintain the system in the future and the project is staffed appropriately.
21. The project includes costs for annual technical system maintenance to keep the system current and avoid major upgrades (project will engage in incremental annual upgrades).
22. Beginning in 2008-09, and in addition to the existing staff level, 208.3 positions are required of which 177.3 positions are required for the basic, on-going staffing and 31 sponsor agency administrative positions are needed as reflected in the Project Team Staffing chart below.

Project Team	Function(s)	Number of Positions
Executive Team • Project Executive • Project Director • Partner Business Executives	Executive Management	6
Project Administration • FI$Cal • DGS	• Project Management • Schedule Management • Scope Management • Resource Management & Allocation • Risk and Issue Management • Procurement and Contract Management • Financial and Business Services • Document Control & Support Staff Activities • Quality Assurance • Recruitment & Retention	33
Technology Team • FI$Cal • DOF • SCO • DTS	• Enterprise Architecture • Legacy Systems Interfaces • Information Security • Technology and Infrastructure Services • Desktop and Email Support • Customer Services Help Desk • Technical Environment Enterprise Architecture • Systems Quality Assurance • Systems Quality Control • IT Process Management • Telecom and Network Technology • Department Legacy Transition • Data Center Network & Operating Systems	41
Business Team	• Requirements Management	

Project Team	Function(s)	Number of Positions
• FI$Cal • DOF • SCO • STO • DGS • SPB • DPA	• Process Reengineering • Change Management • Legal Regulatory and Policy • Department Readiness • Functional Service & Support	97.3
Sponsor Agency Administrative Staffing	Administrative Services • Business Services • Human Resources • Training • All other administrative functions	31
Total		**208.3**

23. Salaries are budgeted at the top step assuming that the project will require the most experienced and knowledgeable staff.
24. Overall, the cost changes from the prior SPR (SPR #1) were driven by:
    - An increase of two years to the total project term – from 10 years to 12 years.
    - Increase in total budgeted staff, after working with the business requirements and as the Partner Agencies became more familiar with the scope of the project, they are anticipating increased customer support will be needed. The staffing increases primarily are in the following areas:
        - SCO business representation.
        - SCO legacy system support.
        - DGS Asset Management.
        - DGS Procurement.
        - Various technical project positions; many of these technical positions directly reduced data center costs.
        - General administration positions (human resources, facilities, etc.).
    - Staff related expenses (i.e. standard comp and training).
    - Facilities – facility costs increased for three reasons: (1) more state staff (2) additional vendor staff co-located for knowledge transfer and (3) increase in the facility rate per square foot.
    - Software costs have increased – specifically third-party software that will be needed for the project. Recently completed procurements and market research required an adjustment in the estimate.
    - Some costs have decreased – for example, specific estimates for department teams have been developed resulting in an overall decrease. Telecommunications costs also decrease.

Personal Services
Personal services costs total $20.8 million for 208.3 positions in 2008-09 and $38.1 million for 371.7 positions in 2009-10.

Operating Expenses and Equipment
Operating expenses and equipment costs total $16.8 million in 2008-09 and $42.2 million in 2009-10. The estimated costs are detailed below as either one-time or ongoing costs.

One-Time Costs
One-time staff (salaries and benefits) includes project (executive, project administration, and technical staff) and program (departmental and business team staff) and assume the following:

- Statewide technical, project, and business team (including change management) staffing is based on estimated workload as well as the knowledge, skills, and abilities required to reengineer the state's administrative systems.
- Staff retention and succession planning is critical due to the duration and scope of the project. A pay differential for project classifications for state employees assigned to the FI$Cal project is included in the personal services calculation effective 2008-09 and ongoing. Staff are eligible for financial incentives upon completion of service and required skills training criteria.
- On-site Department Team staff: On-site department team estimates are included for every state department based on size of the department. Departmental size

was estimated based on the number of the accounting staff in the departments. That staffing ratio also is an indicator of the complexity of the department. On-site department team staffing is estimated, on average, at 8 for a large department, 5 for a medium-sized department, and 1 for a small department. Actual staffing per department will almost certainly vary from these strict estimates, and will be determined based on actual department size and functional complexity within each wave.

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1) Data Center technical staff: Based on the size and complexity of this project, dedicated IT resources will be required to support the infrastructure. The following drivers determined the data center technical staff; this staff is a combination of FI$Cal technical team, vendor, and DTS staff:
   - DTS stated that they do not usually support development environments. The FI$Cal project will provide its own facilities for these environments.
   - To emphasize vendor accountability this proposal assumes that the vendor will manage the FI$Cal production environment until the system is fully deployed – at that time it will transition to state staff.
     - Key factors for vendor management include that: (a) the state should avoid the cost of a system physical migration project after the project is complete and (b) requiring the state and the vendor to work together to provide knowledge transfer to state employees and providing a facility to support that approach.
     - Data center costs are part of the overall project costs and combined with the business-based or solutions-based procurement project cost and are considered as part of the procurement process.
     - To simplify the procurement process and ensure an environment for vendor accountability, FI$Cal proposes to adopt the Customer Owned Equipment Managed Services (COEMS) model of hosting FI$Cal infrastructure at DTS. The vendor can bid the equipment that best meets the proposed solution. In this model, the contractor will initially support the system and train project staff (including DTS staff) to take over support of the system. DTS services for data backups and off-site disaster recovery facilities will be utilized.
     - Utilizing the COEMS model also addresses vendor accountability for system performance on this project. The vendor manages the system at the state site, but is not restricted to utilizing only state standard equipment. As a business-based procurement, they will bring the best solution to the state. This approach will enable the state to hold the contractor accountable for systems performance and functionality discrepancies and streamline the management of the system. This model resulted in an overall lower cost than that proposed in SPR #1. While it included an increase in the number of technical support positions needed, DTS costs are reduced significantly. The net change to project costs is neutral.
2) One-time Hardware Purchases:
   - FI$Cal will require PCs, printers and LAN hardware for the project team, including both state and vendor staff. This hardware also includes fire suppression, air conditioning, security, UPS backup, as well as power-generated backup requirements. Costs were derived from strategic sourcing where applicable. A total one-time cost for these items is $3.1 million over the life of the project. One-time hardware costs for 2008-09 are $1.4 million and for 2009-10 are $645,000.
   - Hardware purchases are included for the new system development, testing and training environments.

- Workstation, help desk, local area network, printer and LAN servers support staff were based on a ratio of 35 to 1 (15 PY). This ratio is higher than the average department, due to the complexity of the project.
- Printers and copiers are based on ratios of 12:1 for printers; 30:1 for copier/fax/scan, personal printers were also identified for potential management, and two high-volume copiers were identified for the organization given the need for mass production and training.

3) One-time Software Purchase/Licenses:
   - The software costs are based upon an enterprise licensing model and include the additional software necessary for the project.
   - Software costs are estimated to be $2.0 million over the life of the project for basic office software and special project-related purchases (including MS Project, Visio, and the MS Office suite of products) for project staffing and vendor staff. Software costs for 2008-09 are $542,000 and for 2009-10 are $346,000.
   - One-time ERP software licensing costs, and any other third-party software required for the solution, are estimated at $25.8 million in 2011-12 and $77.4 million total over the life of the project. This estimate will be updated based on procurement efforts and reflected in a subsequent SPR.
   - Software costs are derived from an average of cost information provided by the California Department of Corrections and Rehabilitation and Los Angeles County during related business process re-engineering efforts and data from the following implementations:
     - State of Pennsylvania: One-time software costs of $29 million for full ERP implementation (53 agencies and 80,000 employees)
     - SCO: Estimated one-time software costs of $10 million to $22 million for the 21st Century Project
     - State of Arizona: One-time software costs of $7.5 million for full ERP implementation (143 departments and 30,000 employees)
4) One-time Telecommunications:
   - One-time telecommunications costs are $133,000 for 2008-09 and $942,000 for 2009-10.
   - These costs reflect a new telephone system, all wiring related to the LAN/WAN, and DTS costs. These costs were not part of the original estimate included in the FI$Cal SPR #1.
   - Costs assume a move to and from an interim building to a permanent building. The estimates are derived from strategic sourcing or DTS directly. There is an additional one-time hardware purchase for preparing to move to a new location for the team, subsequent to an interim move (see facilities discussion). The total one-time hardware cost includes DTS connection lines, phone lines, security, air conditioning, and fire suppression, power generator backup system and network /phone cabling.
   - Telecommunication costs include amounts for internal telecommunications systems required for comprehensive customer support.
5) One-time Training:
   Standard training costs for 2008-09 are $676,000 and for 2009-10 are $1.2 million. Specialized training costs for 2008-09 are $1.5 million and for 2009-10 are $3.4 million.
6) One-time Contract Services:
   External Consulting & Professional Services are $1.6 million for 2008-09 and $15.8 million for 2009-10:

- Change management services are estimated at $2.3 million ($250,000 in 2009-10 and $500,000 annually through 2013-14). Change management services are required of the primary vendor, but the state anticipates additional facilitation in addition to the standard services of system implementation.
- Project Management: Costs are estimated at $500,000 throughout the duration of the project. This contract is a condition of project approval.
- The Independent Project Oversight Consultant (IPOC) and Independent Validation and Verification (IV&V): Project oversight has been estimated at a total of $10.5 million over the life of the project, which includes both IPOC and IV&V, ($577,000 beginning in 2008-09). This contract is a condition of project approval.
- Consulting services to assist departments with as-is documentation is estimated at a total of $13.0 million for the project. The services are assumed to begin in 2009-10, and are divided annually according to the estimated departmental need based on composition of the project waves. There is approximately $2.5 million in 2009-10 and 2010-11, $3.0 million in 2011-12, and $2.5 million in 2012-13 and 2013-14.
- Additional contracted programmers to assist departments with any required legacy system changes are estimated at $1.8 million ($900,000 in both 2010-11 and 2011-12).
- Development of departmental interfaces for program specific systems is estimated at $17.5 million over the life of the project beginning in 2010-11 and continuing through each wave as departments are added to the system.
- Procurement Contract Services: Costs are included for assistance with procurement activities, including a Procurement Specialist estimated at $333,000 in 2008-09 and $167,000 in 2009-10.
- A Financial Analyst estimated at $500,000 in 2009-10 during the procurement to assist in reviewing bidders' financial information.
- Additional consulting services estimated at a total of $2.0 million over the life of the project ($250,000 annually beginning in 2008-09 and ending 2015-16) for assistance with succession planning, Steering Committee guidance, and other internal communication activities.

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✓ <u>Interdepartmental Consulting & Professional Services</u> costs are $77,000 for 2008-09 and $77,000 for 2009-10:

- The Bureau of State Audits (BSA) will oversee the contract for an independent consultant to perform oversight functions for a total of $77,000 per year.
- State agencies will be reimbursed through interagency agreements for departmental staff working on the FI$Cal project. These costs are for a maximum of $13.2 million for 2008-09 and $20.6 million for 2009-10 and are included in FI$Cal's budget.

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7) One-time Agency Facilities:
   - One-time facilities costs projected over the life of the project are $6.7 million. Costs for 2008-09 are estimated at $2.5 million and for 2009-10 are estimated at $1.7 million. One-time costs for 2008-09 are comprised of $2.1 million for furniture and equipment and $425,000 for moving costs. One-time costs for 2009-10 are comprised of $1.3 million for furniture and equipment with $425,000 for moving costs.
   - The project will require a facility to house the project team, the training organization, the customer service organization, and the application maintenance organization. A standard state formula for lease space was used based on the

number of individuals we expect to accommodate. State staff, plus vendors, plus surge or hoteling space, classrooms, conference rooms, auditorium, and estimates for additional project-specific related space are included in BCP Attachments B and C for one-time furniture and equipment detail costs. Specialty space for the facility was determined through a "lessons learned" from the 21st Century project.

- Estimates include the build out of the actual computer room(s), for air conditioning, fire suppression, janitorial and security staff which were inadvertently omitted in SPR #1.
- Facilities costs also include UPS power to sustain a 24/7 up-time operation.
- Furnishings were estimated based on the number of positions and consultants and using standard state criteria. Estimate is $6,000 per position for furniture for either modular or hard-walled offices.
- Estimate includes 10 training rooms; the assumption is each classroom supports 25 students. This is the estimated space required to provide end-user training for departmental staff for system functionality. Based on information gathered from similar projects (Marin County, Los Angeles County) space estimates were made assuming all training occurs in the 60 days prior to "go live" for each Wave. These training rooms are also used during the design and implementation phase for those activities as well as space for training project staff on an ongoing basis.
- Additional facility space for the following rooms was included in the 180 square foot per position estimate, and furniture estimates for these rooms are also noted parenthetically:
  - Large Conference Rooms (2 @ $15,000 ea).
  - Small Conference room furniture (4 @ $10,000 ea).
  - Quiet room furniture (8 @ $3,000 ea).
  - Team room furniture with electronic whiteboards (15 @ $10,000 ea).
  - Testing Room furniture (1 @ $52,000).
  - Teleconferencing and Bridge Line equipment (1 @ $10,000).
  - File Rooms (4 @ $3,000 ea).
  - Library (1 @ $12,000 ea).
  - Auditorium (1 @ $52,000).
  - Computer Rooms (2 @ $35,000 each for one in 2008-09 and one in 2009-10).
- Moving Costs: One-time moving costs are included based on the anticipated need to find interim space to accommodate the procurement activities and move the furniture and hardware to a permanent facility when adequate space is located.
- DOF-approved standard complement costs are used. Variations from the standard complement are itemized and justified.
- As with personal services costs, OE&E was calculated for department on-site teams and for contractor staff as well (excluding travel and training costs).
- No additional "one-time other" costs have been identified. If additional costs are required, the costs will be identified in the procurement and included in the next SPR.

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Continuing Project Costs

1) Ongoing staff (salaries and benefits) includes executive, project administration, technical and business team staff. Peak staffing is in 2014-15 and declines thereafter to a final level of 248 PY in 2017-18, which is the current estimate needed to maintain the system.
2) Ongoing Telecommunications:

- This cost does not include the costs associated with the monthly phone bills (which are included in the standard complement), but rather reflects the monthly charges for maintaining the network and phone communication lines. The estimated costs are $1.5 million annually. This estimate was derived from actual current billings from DTS and AT&T and other state agencies.

3) Ongoing Training:
   Specialized ongoing training costs begin in 2009-10. Costs for 2009-10 are $21,000.
4) Ongoing Data Center Services:
   - The data center utilized existing system costs and extrapolated to identify the data center cost estimate for the new system.
   - Data center costs are estimated to begin in 2009-10 at a cost of $8.1 million with a total cost of $298 million over the life of the project.
5) Ongoing Agency Facilities:
   - Ongoing facilities costs are based on the positions needed for state staff for maintenance and operations. The annual estimated cost is $6.1 million based on the highest staffing requirement for the project.
   - Facilities costs were estimated based on $3.75 per square foot with an average estimated 180 square feet per position to reflect work space, common areas and conference space requirements. Fees are included for DGS Real Estate Services Division. The cost estimate assumes office space in the central downtown ("core") area in order that the project staff remain centrally located to facilitate communication with departments and project partners.
   - Facilities costs include a furniture refresh in 2017-18.
6) System maintenance begins September 2012 for Wave I – with the first full-year of maintenance in 2013-14.
7) Continuing Hardware Leases/Maintenance:
   - Costs are included for the maintenance associated with the project team's LAN / WAN hardware and software, office equipment maintenance agreements, as well as building security maintenance agreements. Costs for 2008-09 are $150,000 and for 2009-10 are $178,000.

8) Continuing support for maintenance and operation:
   - The software is continually updated and refreshed. Current experience at state agencies with ERP systems indicate that updates and diagnostic support are required on a continuous basis.
9) Continuing Software Maintenance/Licenses:
   - Ongoing software costs include enterprise licensing as well as the other supporting software required for the project.
   - Software licenses for PCs and required project productivity software will be renewed on an annual basis.
   - Continuing software maintenance/licenses costs are projected to begin in 2009-10. Costs for 2009-10 are $128,000.
10) Ongoing Other:
   - Operating Expense and Equipment (OE&E) amounts are included for state staff based on DOF-approved standard complements costs. Any variation from the standard complement is itemized and justified.

FI$Cal Costs: Project Proposed in December 2006 vs. Preferred Alternative

The total estimated project cost for the Financial Information System for California (FI$Cal) project as proposed in SPR #2 is $1.620 billion over 12 years. The total estimated cost for FI$Cal in SPR #1 was $1.334 billion over 10 years, a net increase in cost of $286 million and 2 years.

Costs by Category:

The table below details by category the major cost differences between the two estimates.[54]

	PY	$ in millions
FI$Cal as Proposed		**$1,334**
Staff (Salaries & Benefits)	**986**	$169
Agency Facilities		$41
Standard Complement		$35
Contract Services		$21
Data Center Services		$11
Software Maintenance/Licenses		$9
Hardware Lease/Maintenance		$1
Telecommunications		($0)
Total Project Difference	**986**	**$286**
		$1,620

Cost Drivers:
There are two primary drivers for the increase in cost:

1. The addition of two years to the project schedule.
2. The addition of 986 personnel years (PY) over the 12 years of the project (partially due to #1 above).

Between Special Project Report (SPR) #1 and SPR #2 there were two years added to the project: A year for planning and an additional year for project procurement and implementation (6 months each). We estimate that the additional two years accounts for $68.1 million of the increased cost to the project total.

The additional two years were added due to:

[54] Each category is a combination of one-time and ongoing costs as shown on the economic analysis worksheet (EAW).

1. The project's Steering Committee's decision to extend the procurement and development phase of the project. This additional year accounts for the most significant portion of the additional cost. This year requires additional payments for each of the cost categories.
2. The Legislature's action to extend the development phase of the project in order to accomplish additional project planning activities and develop specific information for Legislative review and consideration.

The additional year of planning occurs in Fiscal Year 2007-08 with staffing at 29.5 PY. The additional year of procurement and design spans two different fiscal years and adds an estimated 322.6 PY to the project total.

Over the 12-year life of the project (2005-06 through 2017-18) there is an increase of 986 PY, or 82 positions per year on average.[55]

Over the proposed 12 year life of the project versus the original 10 year project period, the change in one-time positions is an increase of 128 positions while the change in ongoing positions is an increase of 858—a total change of 986 positions over the life of the project.

The salaries and wages for the 986 additional positions accounts for the majority of the cost increase ($169 million) as well as the increase in related operating expense and equipment (OE&E) and standard complement ($35 million). The salaries and benefits increase also reflect the general salary increase of 3.4 percent, along with other position-specific increases (e.g. for the DOF budget series). The OE&E increase also reflects an updated calculation of the DOF-approved standard complement.

Based on the maximum staffing level in 2014-15, the staffing increases are primarily in the following areas:

- Project Administration Team: 5
- Basic project infrastructure staffing: 0.6
- Administration Services (HR, Business Services): 24
- Business Team: 16
- Technical Team: 31
- FI$Cal Interim Project Development Data Center (directly reducing Data Center costs): 22

Another Project Summary View:

The total estimated cost for FI$Cal in SPR #1 was $1.334 billion over a period of 10 years, which is an average cost of $133.4 million per year. The total estimated cost for

[55] This includes both one-time and ongoing positions, department on-site positions, but does not include contractor staff.

FI$Cal in SPR #2 is $1.62 billion over a period of 12 years, which is an average cost of $135.0 million per year.