

# TexasOnline 2.0 Master Agreement

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Between

**The State of Texas, acting by and through  
the Texas Department of Information Resources**

*and*

**Texas NICUSA, LLC**

## **Exhibit C Financial Model**

July 31, 2009

## Exhibit C Financial Model

Contents of *Exhibit* follow:

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### Article I. Introduction

The purpose of *Exhibit C* is to address the agreed-upon Financial Model for TexasOnline 2.0.

### Article II. Financial Model Contractual Principles

*Exhibit C Financial Model* addresses the following principles:

#### **Section 2.01 Financial Model for TexasOnline 2.0**

- (a) The requirements for the Financial Model for TexasOnline 2.0 are contained in this *Exhibit*. The Vendor's Financial Model supports and is consistent with the terms of the Master Agreement.
- (b) The Financial Plan is the Vendor's projection of the economic value during the term of the Master Agreement. The Financial Plan includes a consolidated statement of operations for Core Requirements, Portal Enhancements, Strategic Requirements and the Master Work Order in *Attachment C-2a* and the narrative discussion including all key assumptions, risks, and risk mitigation strategies used to generate revenue, cost, and capital investment in *Attachment C-1*. The following sections describe the key components of the Financial Plan.

#### **Section 2.02 Staffing Projections**

- (a) The Vendor will establish and maintain an *Attachment G-8 Organization and Staffing Plan* that identifies the personnel, skill sets, and organizational structure determined by Vendor to perform Services for TexasOnline 2.0. The Vendor will ensure adequate staffing to fulfill the terms of the Master Agreement.
- (b) Because the TexasOnline 2.0 Program is primarily funded through Transaction Revenue, the general level of personnel and resources available to perform TexasOnline 2.0 work may be adjusted up or down by Vendor based upon the Vendor Portion of Total Revenue. Initial staffing will be set forth in the *Attachment G-8 Organization and Staffing Plan*, and Vendor will notify DIR of changes in the Quarterly Organization Chart for the TexasOnline 2.0 Program.

### **Section 2.03 Core Requirements**

- (a) The Vendor will be responsible for management, operation, and delivery of the core requirements for TexasOnline 2.0. In *Attachment C-1*, the Vendor provides a complete narrative description that supports the requirements in the Master Agreement.
- (b) The Business Model Forecast is a projected statement of operations throughout the Initial Term of the Master Agreement. *Attachment C-2a* provides estimates for the Master Agreement, including the Master Work Order when the Master Work Order Projects become part of the TexasOnline 2.0 Master Agreement upon expiration of the Master Work Order.

### **Section 2.04 Portal Enhancements**

- (a) The Vendor provides a narrative description in *Attachment C-1* and provides consolidated financial information in *Attachment C-2a* that supports the requirements in *Exhibit N Portal Enhancements*. Final financial information supporting Portal Enhancements will be addressed through the Business Case Process outlined in *Attachment H-1 Policies and Procedures Manual*.

### **Section 2.05 Strategic Requirements**

- (a) The Vendor provides a narrative description in *Attachment C-1* and provides consolidated financial information in *Attachment C-2a* that supports the requirements in *Exhibit O Strategic Requirements*. Final financial information supporting Strategic Requirements will be addressed through the Business Case Process outlined in *Attachment H-1 Policies and Procedures Manual*.

### **Section 2.06 Opportunities for Distinction**

- (a) The Vendor provides a narrative description in *Attachment C-1*. Detailed financial information supporting Opportunities for Distinction will be addressed through the Business Case Process outlined in *Attachment H-1 Policies and Procedures Manual*.

### **Section 2.07 Implementation Costs**

- (a) In preparing to assume full operational control of TexasOnline 2.0 by January 1, 2010, the Vendor has taken and will continue to undertake various activities to ensure a successful transition as defined in *Exhibit E Implementation*. As a result of the Vendor's acquisition of the *Texas Electronic Framework Agreement*, Vendor began the transition on May 30, 2009 and continues transition activities. Vendor acquired access to the knowledge, certain intellectual property rights, and existing staff experienced with the applications, services, security, and help desk procedures for the Current Contract. Thus, the Vendor's Implementation Plan has been streamlined. There are certain activities that apply specifically to the transition to TexasOnline 2.0, including conducting final knowledge transfer, transitioning the Customer Agreements, establishing the Program Management Office, and submitting the Plans. Vendor will bear the costs associated with these transition activities.

## **Section 2.08      *Financial Model***

- (a) The State's share of revenue is comprised of two elements, (i) the Financial Model for the Master Agreement and (ii) the Master Work Order.
- (b) Under the Financial Model for the Master Agreement, which excludes Master Work Order Projects until their expiration under the Texas Electronic Framework Agreement, the State's Share of Total Revenue is 38% from January 1, 2010 through August 31, 2010; 39% from September 1, 2010 through August 31, 2011; and 40% from September 1, 2011 through the remainder of the term of the Master Agreement.
- (c) Vendor is compensated for Services provided under the Master Agreement through receipt of Total Revenue after the distribution of the State Share of Total Revenue.
- (d) Master Work Order Projects will continue to operate under the financial model detailed in the *Texas Electronic Framework Agreement*, as amended, until August 31, 2012 or August 31, 2014 (assuming the additional extension options for certain MWO projects beyond 2014 are not exercised by the State), as applicable, at which time the Master Work Order Projects will transition to the Financial Model of the Master Agreement.
- (e) Vendor will coordinate with DIR through the Annual Budget, Budget Amendment, and Business Case processes for the Data Center and TEX-AN costs. An increase of 5% or more in the total charges for DCS or TEX-AN services as a result of a change in either program's pricing may trigger a Business Case Process to review the impact on the Annual Budget and prioritization of TexasOnline 2.0 Projects.
- (f) Vendor plans no fee increases for existing applications and services provided under the Current Contract.
- (g) For all new services, the Vendor will work with DIR through the Business Case Process to determine a total transaction fee to be charged to the Customer or end user. The total transaction fee is comprised of the fees charged by credit card issuing companies and the acquirer for merchant processing services and a TexasOnline 2.0 administration fee for administration of end user accounts and customer service.
  - (i) The fees charged by credit card issuing companies and the acquirer are passed through at actual cost and are not marked up.
  - (ii) The fees charged by credit card issuers and acquirers are governed by the issuers and acquirers. They are variable based on a number of outside factors, including but not limited to type of card used (reward card versus business or consumer card) and special incentive programs. Thus, the rates are subject to change at any time. Vendor reserves the right to pass on any changes to interchange rates or acquirer processing fees through the total transaction fee. Any fee changes will be closely coordinated with DIR.
  - (iii) The TexasOnline 2.0 administration fee will be determined in coordination with DIR through the Business Case Process. Any changes to the administration fee will be closely coordinated with DIR.

## Article III. Methodology for Updating Associated Attachments

### Section 3.01 Update Process for Attachment C-1

- (a) Recommendations
  - (i) Either DIR or Vendor may submit to the other Party a recommendation for changes or additions to *Attachment C-1*. Such recommendation will be in writing and will (i) specifically identify the portion or portions of *Attachment C-1* to be changed (ii) include the specific language to accomplish the proposed change, and (iii) identify the reasons for the proposal and anticipated improvements from the change or repercussions for failure to adopt the change. A copy of the recommendation will be provided to DIR and the Vendor.
- (b) Review and Input
  - (i) DIR will determine whether input on the recommendation from any other governance body and/or Customer is appropriate, and will promptly circulate the recommendation to those identified. If DIR does request input from any other governance body and/or Customer, DIR will require any input to be provided in writing and submitted within a specified period of time, not to exceed 60 days from the date of the recommendation.
  - (ii) DIR and Vendor will each receive a copy of the written input from the other governance bodies and/or Customers, if applicable. The Party making the recommendation may propose adjustments to the recommendation to address any input of the other governance bodies and/or Customers.
- (c) Approval
  - (i) If DIR and Vendor agree upon the recommendation, the Parties will execute a revision to *Attachment C-1*, as applicable, which will be effective when signed by authorized representatives of both DIR and Vendor, and the revised *Attachment C-1* will be posted in a location agreed to by Vendor and DIR.
- (d) Appeal
  - (i) If the DIR and Vendor cannot agree on a recommendation, the recommendation may be submitted to the Executive Steering Committee for resolution.

### Section 3.02 Update Process for Attachment C-2

- (a) *Attachment C-2* reflects the consolidated statement of operations projected at a single point in time and includes the basis for the Data Center and TEX-AN cost estimates. No update process applies to *Attachment C-2*. Budget process will be used to reflect on-going activities.

## Article IV. Documents Referenced in Exhibit C Financial Model

### Section 4.01 Attachments to Exhibit C

(a) The following attachments are incorporated as part of *Exhibit C Financial Model*:

**Table 1: Exhibit C Financial Model Attachments**

Title	Description and Contents
<i>Attachment C-1 Financial Plan Narrative</i>	<i>Attachment C-1</i> is a detailed narrative of the Financial Plan and includes key assumptions.
<i>Attachment C-2 Consolidated Statement of Operations for Core Requirements, Portal Enhancements, Strategic Requirements and Master Work Order, As Applicable</i>	<i>Attachment C-2a</i> presents a projected consolidated statement of operations for Core Requirements, Portal Enhancements, Strategic Requirements, and the Master Work Order under the Financial Model. It also includes <i>Attachments C-2b and C-2c</i> documenting Data Center Services (DCS) projected costs.

### Section 4.02 Exhibit C Associated Plans and Timelines

(a) No plans and timelines are associated with *Exhibit C Financial Model*.

### Section 4.03 Other Referenced Documents in Exhibit C

(a) The following documents have been referenced in *Exhibit C Financial Model*:

**Table 2: Other Referenced Documents**

Title	Description and Contents
<i>Attachment G-8 Organization and Staffing Plan</i>	Defines the required human resources needed to ensure adequate staffing to complete transition, maintenance, and development activities
<i>Attachment H-1 Policies and Procedures Manual</i>	Provides a detailed description of the Annual Budget and Business Case Processes, which will provide a mechanism to update <i>Attachment C-1 Financial Plan Narrative</i> .
<i>Texas Electronic Framework Agreement</i>	The original contract for the development and operation of TexasOnline. The Master Work Order is found in Amendment 10.