

**DEPARTMENT OF INFORMATION RESOURCES
OPEN BOARD MEETING**

Thursday, August 21, 2014 9:30 a.m.

300 West 15th Street, Clements Building, Room 103 Austin, Texas 78701

MINUTES

PRESENT Cynthia Villa
Keith Morrow
Richard Moore (Acting Chair)
Robert Pickering
Wanda Rohm
Arthur Troilo III
Melody Parrish, Ex-officio

ACTION *Mr. Moore* called the meeting to order at 9:30 a.m. with a quorum present.

TOPIC **2. Approve Minutes from the June 9, 2014, Board meeting**

MOTION A motion was made to approve the previous meeting minutes by *Ms. Rohm* and seconded by *Mr. Troilo*.

ACTION The minutes were unanimously approved.

TOPIC **3. Executive Director's Report on Agency Performance**

DISCUSSION Ms. Karen Robinson, Executive Director, updated the board on highlights of the agency since the last meeting in June.

Ms. Robinson explained that this meeting is a big meeting because of the budget discussion. Every two years, more time is spent on finance items during the August board meeting because of the Legislative Appropriations Request (LAR). The finance team and operations folks worked hard to develop a budget request that continues our efforts in delivering value for our customers. Ms. Robinson explained that Mr. Nick Villalpando would discuss our budget for FY16 and FY17; a proposed decrease in fees to our customers in the next biennium; our Q3 financial results; our FY15 operating budget request, and proposed administrative fees.

Before Ms. Robinson introduced our new internal audit director, and thanked Ms. Sharon Blythe, Internal Auditor, for stepping up to the plate in keeping the Audit division operating smoothly during the interview process. She thanked and commended Sharon for her hard work. Ms. Robinson also gave special thanks to *Richard Moore* and *Cindy Villa* for their work on the Finance and Audit Subcommittee. We added more conference calls to their schedules, and their efforts have paid off greatly. She then introduced Lissette Nadal-Hogan, Director of Internal Audit.

Ms. Robinson said that Mr. Martin Zelinsky would present rulemaking actions for consideration. After Mr. Zelinsky's presentation, she explained that we would move to items 10 and 11 in the agenda, Texas.gov and Technology Sourcing Office briefings, due to

action items up for consideration. Afterward, she explained that we would pick back up with a security update, a data center update, and a special presentation on the legacy systems study by Mr. John Van Hoorn.

Ms. Robinson told the Board that the Texas.gov program continues to meet its revenue goals contributing to \$9.6M in general revenue in Q3 this year, and that Mr. Todd Kimbriel would brief them on the Texas.gov data portal launched in July. The portal provides a platform for state agencies to publish high value datasets allowing citizens to access government data and enables government and citizen developers to create applications in open government. Ms. Robinson thanked the team and the Technology Sourcing Office for publishing the sales data for the Cooperative Contracts program as the first dataset in Texas that has been published for us. This is a great project.

She said that Ms. Mary Cheryl Dorwart had four action items for consideration and would also update the Board on recent HUB activities. We have had some Board participation in these activities, too. Our HUB team works internally and externally. DIR co-sponsored events in Austin and San Antonio. The San Antonio event was a collaboration with Bexar County, and we received excellent feedback from the participants. DIR was recognized by the National Association of State Procurement Officials for this year's Cronin award for procurement and excellence in our DBITS program. DIR was also recognized for its Quality Assurance Team (QAT) and its processes.

Ms. Robinson said that Mr. Brian Engle would give an update on cybersecurity, including TAC 202 and the statewide information security program. This program continues to trend upward. With the upcoming addition of the Texas InfoSec Academy education program for agency information security officers, Ms. Robinson said that we will have even more opportunities to engage with our state agency customers.

Ms. Robinson said that Mr. Dale Richardson would update the Board on data center services, with a look at our customer scorecards and our service level agreements. On a side note, she said that DIR continues to build a good relationship with our Xerox partners. In a recent meeting with Xerox corporate staff, we discussed the organization and how Xerox could better provide services to DIR and to our customers.

Ms. Robinson said that Mr. Todd Kimbriel would play emcee and introduce his Operations team. Mr. John Van Hoorn will brief us on the Legacy Systems Study. The 83rd Legislature directed DIR to conduct that study. Ms. Robinson explained that we are working with state agencies to collect data on approximately 14,000 systems, servers and mainframes and that this is quite an interesting process. A report is due in October 2014.

She said that Mr. John Hoffman would provide an update on Communications Technology Services as we continue to make progress on increasing the capacity of the Austin metropolitan network and enhancing our security operations toolset.

Ms. Robinson said that Ms. Leah Folgate would provide a Project and Program Management Office (PPMO) update on the DIR website initiative and our enterprise capabilities solutions.

Ms. Robinson said that Ms. Priscilla Piphon would provide an update from the Chief Customer Office.

From a Legislative perspective, Ms. Robinson has kept the Board updated on our interim charges. She updated the Board on hearings: joint hearings on the House Committee on Technology and the House Committee on Efficiency and Reform; House Committee on Technology, House Committee on Elections, House Committee on House Appropriations; Senate Committee on Organization.

Earlier this month, Speaker Straus introduced the Strategic Fiscal Review. DIR was asked to participate in this review and welcomed the introspection from the Speaker's committee as we are always looking for ways to improve the services provided to the state and the way that we serve the state government and educational entities. We are focused on transparency and are happy to provide any information that is asked. We have a good story, and Ms. Robinson is happy to share it with this leadership.

Karen introduced the new DIR employees to the Board.

TOPIC

4. Finance Update

Mr. Moore began this portion of the meeting by saying that "it's chock full of information, but to the board members, it's probably the most important part of our responsibilities of approving the budget and administrative fees."

DISCUSSION

Mr. Nick Villalpando, Chief Financial Officer, shared a finance update. He explained that overall, our Q3 operating revenue is trending 9.5% under budget, primarily related to infrastructure investments made for telecom and data center projects. The Cooperative Contracts program has a positive variance of 3.5% of administrative fee revenue, which is very healthy growth. Operating expenditures are below budget at approximately 4.8%. We had budgeted net revenue for the year at approximately \$1.1M positive. We are forecasting at approximately \$375K negative, primarily due to investments and infrastructure for telecom and data center projects. We forecast ending the fiscal year with a \$2M fund balance approximately, agency-wide, which is within our maximum allowable \$3.8M.

Mr. Villalpando discussed budget amendments for consideration. Two amendments were for Board notification purposes only and two were for Board approval. All amendments are for reclassifying expenditures and moving budget authority from one area to another. There is not a net increase to DIR's budget. We are simply shifting available expenditures between various categories.

Amendment 1 (for Board notification) is to increase TEX-AN Cost of Services by \$230K and decrease TEX-AN Other Operating Expense by \$230K. The purpose of this amendment is to increase the amount available for network infrastructure.

Amendment 2 (for Board notification) is to increase Clearing Fund Professional Fees by \$220K and decrease Statewide Technology Account Professional Fees by \$220K. The purpose of this amendment is to transfer appropriation authority to increase the amount of cybersecurity activities paid by the Clearing Fund (Cooperative Contracts).

Amendment 3 (for Board approval) is to increase Capitol Complex Telephone Systems (CCTS) cost of services by \$350K and decrease Statewide Technology Account cost of services by \$350K. The purpose of this amendment is to increase CCTS cost of services due to increase cabling activity.

Amendment 4 (for Board approval) is to increase CCTS professional fees by \$1M and decrease TEX-AN professional fees by \$1M. The purpose of this amendment is to increase the amount of network security activity being charged to CCTS.

MOTION

A motion was made to approve Amendments 3 and 4 by *Ms. Rohm*. The motion was seconded by *Mr. Pickering*.

ACTION The motion was unanimously approved.

DISCUSSION Mr. Villalpando presented the FY 2015 Operating Budget. He reviewed high-level budget assumptions and philosophy, overall fee evaluation and goal-setting process, and forecasting customer demand.

Administrative fees for cooperative contracts are paid to DIR by vendors who sell goods and services to eligible customers. Vendor prices include the DIR fee. Current estimates for the FY15 average administrative fee is 0.65% (compared to 0.50% for FY14). There are a couple of reasons for this. In FY15, cybersecurity (and all other direct programs that do not charge administrative fees) is being funded out of the cooperative contracts program. The appropriations bill allowed for an increased budget for the cybersecurity program of approximately \$2M. The current FY15 revenue estimate is \$14.8M, based on a \$2.3B estimated customer volume. Administrative fees for data center services will remain at 2.95%. Communications Technology Services delivers a range of services to customers, including TEX-AN, CCTS, and a multitude of other services delivered by DIR. Our fees are a mix: certain services that are provided directly by vendors and DIR charges a fee on top of that and services, particularly within CCTS, where we deliver the service, and our fees are set at amounts needed to recover them.

The Texas Legislature has appropriated \$5.7M in Cooperative Contracts revenue to fund Statewide Cybersecurity Services for FY15. Our full-time equivalent (FTE) cap has increased to 198 (from 196 in FY14). Also included are across-the-board legislative salary increases of 2% in FY15. Expenditure limits written in riders during last session, as a result of Sunset review, are still in place.

Mr. Moore told the Board members that by comparing budgets for FY14 and FY15, the increases will actually track back to these items. He asked Nick to explain what the increases are in cybersecurity.

Mr. Villalpando explained that the increase is \$1.8M. DIR is also in the process of staffing out its positions. We budgeted FY15 at being fully staffed.

Mr. Villalpando referenced the budget request. One line item he explained was the appropriations increase request for TEX-AN at \$11.5M. This is the amount we anticipate we will need an additional appropriations authority to pay for the telecom services and needs of our customers. In FY14, the Board approved our request to the Legislative Budget Board (LBB) for \$9M within the telecom program due to the anticipated need for budget authority. This trend continues. The budget we are requesting is a \$300M budget, contingent upon receiving approval for \$11.5M from the LBB.

He then moved to the DIR operating expenses based on the budget request. The estimated FY15 net operating revenue is \$34,346,789. The FY15 DIR operating budget request is \$32,821,917, which is \$4.5M more where we see ending FY14. Approximately half of this is for cybersecurity, and \$1.5M is for that run rate in our FTE and being fully staffed, and we anticipate some additional expenditures in our program areas.

From a budget perspective, we are requesting \$300M, which includes \$32.8M to fund DIR.

Mr. Villalpando reviewed the FY15 operating statement. The indirect administration is at \$6.1M for the agency (2% of our total budget; 18.7% of our operating expenses). We continue to look for ways to keep our indirect administrative expenses as low as possible.

He reviewed the revenues for telecom (Communications Technology Services): 12% for TEX-AN vendor-provided services; 4% for GO DIRect local service contracts; 2% for GO DIRect wireless services and conferencing, and 0.5% for GO DIRect managed telecommunications services. Revenue is derived from telecom projects performed at customer request. Revenue is also earned from operating the CCTS. Mr. Villalpando also reviewed the revenues for cooperative contracts. Revenue is derived from charging administrative fees between 0.25% and 1.0% on the purchase volume of cooperative contracts (estimated rate of 0.65% on portfolio in FY15). Revenue is also derived for Data Center Services (DCS) from an administrative fee of 2.95%.

Mr. Morrow asked what the philosophy on the increase in cooperative contracts is.

Mr. Villalpando explained that the expenditures are related to cybersecurity. In FY15, the General Appropriations Act (GAA) requires that \$1.8M more be spent on cybersecurity. Therefore, this program is completely funded by the Cooperative Contracts program in FY15.

Mr. Moore explained that the program also funds other operating expenses, not only cybersecurity, but in the past, Texas.gov administration.

Mr. Villalpando also confirmed that any service that DIR provides and does not charge an administrative fee, we recover 100 percent from the Cooperative Contracts program.

Mr. Troilo asked Mr. Villalpando how he sees the investment in infrastructure improvement, concerning gross revenue and cost of services, trending, in the next biennium.

Mr. Villalpando explained that we always have amounts for ongoing infrastructure needs built in to our costs of services. For example, there is a monthly phone bill. That is a cost of service. Other costs of service are equipment needs. Since these costs are part of that network, we also account for these as costs of service. Back to the FY14 discussion, there were additional infrastructure needs that we had that were not anticipated that necessitated a budget amendment. So, within costs of service there are direct invoice amounts from vendors and ongoing infrastructure needs.

Mr. Troilo asked what is our trend and how will it affect our budget going forward in the next biennium now that we have seen the infrastructure improving costs.

Mr. Villalpando explained that we will continue to see this in the telecom program. We will have amounts related to the infrastructure investments that we anticipate. Within DCS, what we have included in the budget, we have included the straight pass-through amounts for the data center vendors. We are not seeing a significant amount of DIR-funded infrastructure within the DCS program. We may need to shift our budget around to recover that. There will be ongoing budget set aside within telecom with ongoing infrastructure upgrades, especially what we are bringing forward in FY15. Anything over and above forecasts we will be bring to the Board for consideration.

Mr. Moore discussed the difficulties with capital planning and isolating your projected needs for ongoing expenditures and one-time expenditures. We are blessed with Nick and Michael Sparks.

MOTION A motion was made to approve FY15 Operating Budget Request, contingent upon receiving the LBB's approval to exceed within the telecom division and to approve the FY15 Administrative Fees and 4 by *Mr. Moore*. The motion was seconded by *Ms. Rohm*.

ACTION The motion was unanimously approved.

DISCUSSION Mr. Villalpando began his discussion about the 2016-2017 Legislative Appropriations Request. Our administrative fees will stay at FY15 levels with DCS. We are anticipating a reduction of 12% to 11% for vendor-provided services in telecom. Also, within the Cooperative Contracts program, we anticipate a fee reduction from 0.65% with no general revenue requested.

Mr. Villalpando explained our FY16 and FY17 income statements.

Our LAR assumes no changes to our riders. We are requesting to have some flexibility in our not-to-exceed appropriations limits; we feel that we can still provide oversight, even with some flexibility in our requirements, and we are also asking for some flexibility in our maximum allowable fund balances (\$15M), too. Also requested is an increase to the maximum executive director salary appropriation authority to \$221,500.

Mr. Morrow asked what entity pays if the physical plant at the data centers require equipment upgrades. Where does that reinvestment come from?

Mr. Villalpando explained that there are certain infrastructure agreements and refreshes that are built into the current agreement with existing service providers.

Ms. Villa complimented Mr. Villalpando and Mr. Sparks for the outstanding job they did in putting this presentation together. This took 2-3 months of hard work. Congratulations to Nick, Michael, and their team.

MOTION A motion was made to approve and submit the FY16-17 LAR by *Mr. Pickering*. *Ms. Villa* seconded the motion.

ACTION The motion was unanimously approved.

TOPIC **5. Internal Audit Update**

DISCUSSION *Mr. Moore explained that we have just hired an internal audit director. He also complimented Sharon Blythe on her hard work during the interim period. We are in the process of putting together a revised audit plan for the October meeting.*

TOPIC **6. Texas Administrative Code (TAC)**

DISCUSSION Mr. Martin Zelinsky, General Counsel, presented three rules for adoption and authorizing final publication.

- 1) 1 Texas Administrative Code, Chapter 201, concerning General Administration
- 2) 1 Texas Administrative Code, Chapter 209, concerning Minimum Standards for Meetings held by Videoconference
- 3) 1 Texas Administrative Code, Chapter 213, concerning Electronic and Information Resources, as a result of the rule having undergone rule review

MOTION A motion was made to approve the rules for adoption and authorizing final publication in the Texas Register by *Mr. Morrow* and seconded by *Ms. Rohm*.

ACTION The motion was unanimously approved.

DISCUSSION Mr. Zelinsky presented one rule for publishing notice in the *Texas Register* for rule review.

- 1) 1 Texas Administrative Code, Chapter 216, concerning Project Management Practices

MOTION A motion was made to approve the rule for publishing and review by *Mr. Troilo* and seconded by *Ms. Rohm*.

ACTION The motion was unanimously approved.

DISCUSSION *Mr. Moore said that the rules are a very important aspect to the role of the Board. They will apply to all agencies. This is how DIR expresses its policies regarding information technology. The rules have been reviewed, been to the Texas Register at least once, and now we are asking for final approval.*

Mr. Zelinsky reviewed the Rule Review Schedule with the Board. These rules/chapters will be reviewed as part of our review cycle. We will amend rules when the need arises.

Mr. Moore said that the rule review process is good. It gives agencies the opportunity to review and re-review their rules periodically and get public input.

TOPIC **7. Information Security Update**

DISCUSSION Mr. Brian Engle, Chief Information Security Officer, gave an update on the Office of Chief Information Security Officer (OCISO).

There is no action requested of the board on TAC 202 at this time, but an update on activity is provided for the board's information. In July, the proposed rule revisions were presented to the Information Technology Council on Higher Education (ITCHE). We have received comments and are on track to review those in depth and on a steady track to present those to the Board at the October meeting, to request that the revision be published in the *Texas Register* for public comment.

Mr. Moore asked Mr. Engle to send copies of this rule to the Subcommittee as far in advance as possible. In terms of rulemaking, TAC 202 is one of the most important sets of rules that we have. It has not been changed significantly in 10 years.

Mr. Engle agreed and explained that the structure of the rule would change significantly. Comments received from ITCHE were quite favorable.

Mr. Moore explained that this is our opportunity, as the Board, for DIR to set the policy for the state as it relates to cybersecurity. He feels that it is an important set of rules and looks forward to seeing them.

Mr. Engle reviewed the scope of the statewide information security program. One of the items we received approval for was an education program, the Texas InfoSec Academy, due to launch in October 2014. There are many preparations in progress. We are really excited about the depth and the breadth of this offering. It is available to all state higher education institutions and state agency information security officers, and we are able to offer a very rich amount of technical and leadership level courses, preparing ISOs to be CISOs. This program also includes industry standard security certification preparation.

Mr. Engle reviewed the statistics of participation in the statewide information security program. We continue to see an increase, quarter after quarter, in comparison in each area. With the launching of InfoSec Academy, we expect to hit 100% in each area of participation, so our goals will be met and a sustainable platform to continue to reach 100% of eligible agencies will exist.

Mr. Moore asked if there was an overall certification.

Mr. Engle explained that the job classifications (sometimes) require an industry certification to be part of the skills a person has. State jobs do not specify requirements for these industry certifications. With the basis of the InfoSec Academy, we put ourselves in a position to have a curriculum that can be designated for that. As a side note, we have some requests through the State Auditor's Office to have the job roles defined more distinctly.

Mr. Engle said that we are at 87% of combined participations. Nine organizations are missing, mostly small agencies or boards. It is a really lofty goal to get to 100%, and we are close.

Mr. Engle said that we have 15 agencies but are trending behind this biennium for security assessments. There are 10 in the queue. For controlled penetration testing, we exceeded our goal for FY14. We have 45 complete, 2 in process, and 2 in queue.

Mr. Moore asked if the assessments referred to are in conjunction with Gartner. We use the funds budgeted for cybersecurity to carry out both these activities as well as Brian's office.

Mr. Engle confirmed that the assessments are done in conjunction with Gartner.

TOPIC 8. Data Center Services Update

DISCUSSION Mr. Dale Richardson, Director, gave an update on Data Center Services.

Mr. Richardson explained the two main areas of focus: day to day operations, allowing our agency customers applications to meet business requirements, and project delivery, which are projects that agency customers use to put new infrastructure into the program to facilitate solutioning and refreshing hardware.

With regard to scorecard feedback, we had a very good April, May, and June. In April, we attained our highest level ever of 97%. Our challenges were back-up recovery and projects. Service level agreements (SLAs) are the "bright spot" and cornerstone of this program. In April, we achieved 92%; in May, 100%, and in June, 99%. We continue to meet our SLAs consistently month after month. Our Sev 1 outage times continue to decline month after month. The time it takes to fix those outages continue to reduce month after month, too.

If you recall, under the new contract, we had a backlog of work orders, and all work orders have been worked.

Mr. Richardson explained our goal of consolidated server compute in the consolidated data centers is 75%, and we are moving to achieve that target by August 2016. We continue to push consolidation from legacy data center servers to consolidated data center servers. We have 24 more months and as you can see, we are at 55%.

Mr. Richardson explained the total servers built. For consolidation, refresh, requests, and infrastructure, we are hitting 100 servers per month. On the contract, 100 to 150 servers should be consolidated per month. From a capacity standpoint, the program is delivering. During our meeting with corporate executives from Xerox, they agreed where they need to be making improvements in skillsets, leadership, and resources. We garnered for executive commitment to continue with this program.

TOPIC

9. Chief Operations Office Update

DISCUSSION

Mr. Todd Kimbriel, Chief Operations Officer, introduced his team: Mary Cheryl Dorwart, John Hoffman, John Van Hoorn, and Leah Folgate.

Mr. John Van Hoorn, Director of Enterprise Solution Services, gave an update on the Legacy Systems Study. HB 2738 required DIR to conduct this study. Mr. Van Hoorn and his team performed an inventory of systems used by state agencies (including desktops, if requested by agencies); identified costs, security risks, and remediation estimates for legacy systems. The team also provided a plan for assessing and prioritizing statewide modernization projects. The effort was interesting in that we were able to engage with a number of agencies throughout the process. The effort was fairly significant for the agencies. Our requirement was to complete this study by October 2014. Mr. Van Hoorn recapped the timeline. We engaged with Gartner due to the complexity of the data. 112K hardware and software components were collected; a large portion was legacy. Analysis is continuing at this time. We will provide an analysis for each agency. Our deliverables are to provide our analysis and recommendations to each agency, and to state leadership on request, classified as confidential. Executive summary will be public and made available to anyone interested in that information.

Mr. Moore asked if the summary would contain the percentage of systems at risk due to their age.

Mr. Van Hoorn confirmed that at-risk systems would be included in the study.

This project caused the agencies to do analysis that had not been done in quite some time. They were able to use a configuration database in capturing that data for Data Center Services agencies. In many cases, the DCS customers got a great deal of value from this process. Challenges to overcome include disconnects in the accuracy of the configuration management database (CMDDB). A key part is application portfolio management, current state, where it is going, and cost, which gets down to a very granular-level.

Mr. Moore asked if the cost data being collected now is based on estimates.

Mr. Van Hoorn answered that when we asked for those 30 questions to be answered, 3 of those questions related to financials: current costs for licenses, cost for ongoing support,

and whether the agency had existing remediation plans. The agencies did the work to identify what those costs were.

Mr. Moore said that this would provide a better inventory about the state's cost of IT and the risks involved in legacy systems.

John Van Hoorn said that we hope to see some movement in the adoption of application portfolio management.

4,460 applications were identified, along with 112K components. All interested agencies were able to talk with us in terms of remediation, how they could collaborate across agencies, and what application portfolio management options would be helpful. He gave many thanks to the Office of Communications within DIR. They assisted us in gathering lots of helpful information.

Ms. Parrish said that this was a significant amount of work, and it will be a significant cost for all agencies to bring their legacy systems up to date, but through this process, TEA found some low hanging fruit and at no cost were able to have some cost savings. In some instances, we were paying for multiple maintenance agreements and are now able to consolidate that. We divided ours into 2 phases – a legacy systems update in next biennium, and then an additional one in the following biennium.

Mr. Van Hoorn said that these are the types of stories that made this a very worthwhile project for us.

Mr. Moore said that he thinks that the legislature is recognizing IT and the cost of doing business each biennium.

TOPIC

10. Texas.gov Update

DISCUSSION

Mr. Todd Kimbriel gave an update of Texas.gov.

On July 1, we launched a new open data portal, which provides a self-service portal for citizens to do their own data analysis (extract data, download data, perform graphical interpretations of data). For many people, this is the first step towards people building applications based on their own perceived use of government data. We posted our cooperative contracts dataset on this portal. We are working with the Texas Parks and Wildlife Department (TPWD) and Comptroller of Public Accounts (CPA) in getting their datasets on this portal, too. We are also in discussions with Texas Water Development Board (TWDB) on posting their datasets on the portal, particularly GIS data.

Mr. Moore said that this whole initiative is new but it brings out a lot of possibilities. Using the contract business and where it occurs, someone could find out what areas and agencies are buying certain types of items and follow up with them to offer follow-on services. It offers a lot of business potential. We look forward to offering the infrastructure for this.

Mr. Kimbriel said that a GIS component was built into the portal.

Sixteen new services were launched in Q3, primarily around on-line payment collections, including our text-pay direct program. Texas Workforce Commission (TWC), Department of Motor Vehicles (DMV), University of Texas (UT) and TPWD were the new adopters of those services. In our fee pay and fee pay lite program, Texas Department of Agriculture (TDA)

and the Cities of Troy and Helotes were new users of those program capabilities. We were very pleased to see them come onboard.

He said that we continue to focus on online presence and expanding our advertising strategies around the online presence. We are working closely with Texas Department of Public Safety (TxDPS) on coordinating our strategies to encourage online adoption for driver license renewal services, in conjunction with their overwhelmed field offices. In some cities, they have a congestion problem with those inline services. We've targeted advertisement in certain cities (San Antonio, Houston, and El Paso) to help with this problem. Driver license renewals have increased 8% compared to FY13. Vehicle registrations have increased 17%. Year-to-date visits to the Texas.gov portal have increased 11%. We continue to see benefits in the marketing plan and advertising strategies that are being deployed every year.

From a transaction revenue perspective, our trends flattened out a little compared to FY13: a slight decrease but we consider it to be relatively stable. There is a slight increase in state share and that is a result of the different types of fees that are collected for different programs. One of the key contributions to the flattening of this is movement of the E-filing program to the Office of Court Administration (OCA), as well as moving the Smart Buy program to the CPA.

Mr. Moore pointed out that the chart covers the fees that are collected and understates the total business volume, which is several billion dollars.

Mr. Villalpando confirmed this.

Mr. Kimbriel explained that these dollars go to the agencies for licenses, and that is how they are reimbursed for their fees.

For the last two months of the quarter, service levels were met at 100%. In March, we had 4 outages that caused us to miss our targets. Those outages lasted from 10 to 36 minutes. For a variety of technical reasons and our reviews of those outages, no action was taken.

Mr. Kimbriel discussed action items for Board approval. A program for online vital records retrieval for the vital statistics unit at Department of State Health Services (DSHS) was developed by a prior TexasOnline operator. We are in the process of building a strategy for Gen2 of this particular system, which will expand the program. The expiration of our Master Work Order, the original contract for TexasOnline, satisfied the cost recovery aspect of the work order (which expires 8/31/14). This created a condition where we need to look at reducing fees. One of the corresponding action items is a reduction in fees for death certificates and copies for online processing. We have a related action item to fund the future redevelopment of Gen2. We need to reallocate the gap that could be offered as cost savings, and route that money to a dedicated account to the CPA specifically for the Vital Statistics unit at DSHS. We spent months working with our partner and CPA to determine that this is the best course of action. We ask that both be approved. The fee charged by Texas.gov establishes a maximum cap for the counties. The challenge is that the counties have a revenue stream associated with the pricing that they have set. A consideration is to not approve only one of these actions; this would create a significant challenge from a county perspective. We feel we have statutory authority according to Texas Government Code 2054.111. The funds resulting from DSHS cost recovery fees can only be used by DSHS in a dedicated account managed by CPA. They understand that this is an obligation on the part of DSHS. They must seek appropriation authority to use those funds. The funds are being earmarked to work with the Texas.gov program into the

account and tagged only for Vital Statistics to seek the appropriations authority to rebuild the TERS system. We have an appropriate set of conditions that they will be put to good use. There is a risk that they may or may not get that authority when they seek that authority.

Mr. Moore said that the statute provides that DIR can establish a fee essentially on behalf of another agency to recover costs from working with Texas.gov. We have the authority to do this and order DSHS plan.

In the event that there were any questions for DSHS, Mike Cardwell and Tim Patterson were available to address any questions from the Board.

MOTION A motion was made to approve the DSHS VSU Fee and DSHS VSU Recovery Fee by *Mr. Troilo* and seconded by *Ms. Rohm*.

ACTION The motion was unanimously approved.

TOPIC **11. Technology Sourcing Office Update**

DISCUSSION Ms. Mary Cheryl Dorwart, Director, updated the board on the Technology Sourcing Office (TSO).

Ms. Dorwart reviewed the key performance indicators for FY14 (through Q3): sales continue to increase over the previous year (we are at 16 percent from FY13 through Q3); education is leading the way (at 6.5%). Houston ISD is the second top customer for these three quarters. They purchased \$40M in laptops. The top 20 customers make up 40 percent of the purchases. We have about 2000 customers.

Ms. Dorwart updated the Board on the Oklahoma pilot project. The Board approved the agreement on June 9, 2014. Shortly after that, staff from the contracting and finance groups met with State of Oklahoma staff. There were many benefits from these face-to-face, in-depth discussions about the cooperative contracts program. From those discussions, Oklahoma saw a much broader use of our contracts going forward. They are reviewing our contracts and adding Oklahoma-specific terms and conditions so they can be used. The first sale was reported in June: Grand River Dam Authority made an equipment purchase. We are hopeful for a successful program.

Mr. Kimbriel mentioned that everyone he has talked with has been ecstatic about this program.

Ms. Dorwart mentioned that some contracts have been awarded for each of the RFOs in negotiation. The Education IT Products and Services RFO has been posted. We have included an emerging technology clause, which has been very successful with TEX-AN contracts.

Ms. Dorwart presented the first FY15 Procurement Plan. There are 20 procurements in place for cooperative contracts to refresh expiring contracts.

Ms. Dorwart presented two statements of work: (1) NetSync Network Solutions, a HUB reseller; the purpose is to prepare for the end of life of the existing data network; we are looking at \$2,394,376.64 for equipment and 1 year maintenance; this has been discussed in the TEX-AN Board Subcommittee; (2) CenturyLink for the TEX-AN Next Generation; the

purpose is to provide a VOIP Telecommunications system to 3 state-owned buildings located in El Paso, Houston, and Fort Worth to 2200 users in 16 different state agencies (including HHSC, TCEQ, and OAG); this includes the installation of new platforms, maintenance, and trouble ticket management; the total cost over 5 years is estimated to be \$2,773,854.70.

Ms. Dorwart presented the contract amendment for Texas NICUSA, for the TexasOnline 2.0 Master Agreement. This amendment has been presented to the Texas.gov Executive Steering Committee on April 14, 2014. It has also been presented to the DIR Board Texas.gov Subcommittee on April 25, 2014. No appreciable change in contract amount is anticipated. The purpose of Amendment 3 is to create an accurate methodology for calculating the fee at contract termination for End of Term Business Cases, clarification of Disentanglement expenses, documentation that Vendor will provide for 2 additional reports related to the Technology Management Plan, and documentation of a revised annual due date for the Marketing Plan.

Mr. Moore confirmed that the items on the procurement plan that are over \$1M will come over individually to the Board for action when the contracts are ready. This is part of the process established when we set up the different thresholds for the Board's approval.

Ms. Dorwart agreed. She explained that we come to the Board annually with a procurement plan, which is a list of procurements. Quarterly, we submit a report to the Board for contracts over \$100K and contracts over \$1M.

MOTION A motion was made to approve the 2015 Procurement Plan by *Ms. Villa* and seconded by *Mr. Troilo*.

ACTION The motion was unanimously approved.

MOTION A motion was made to approve the two Statements of Work and contract amendment by *Mr. Troilo* and seconded by *Mr. Pickering*.

ACTION The motion was unanimously approved.

DISCUSSION Our HUB coordinators have worked diligently with our service delivery vendors to ensure all HUB participation opportunities are reflected in the reporting. Our overall HUB spend may appear low, but we did have a significant procurement that is taking our overall HUB spend to almost 23%. We will be in a much better position when we report our end-of-year (EOY) FY14 report. Our cooperative contracts HUB purchases remain strong as our contracts provide HUB contractors for agency technology purchases for agencies.

We have conducted and participated in several economic opportunity forums. Ms. Robinson presented at the forum in San Antonio with Bexar County. There were 200 registrants, and it was quite successful. Last week, DIR co-sponsored the 2014 Procurement Connection Seminar and Expo with the Comptroller's office. We appreciate *Mr. Troilo* taking his time to attend and represent DIR.

During this month's HUB/Cooperative Contracts Board Subcommittee meeting, *Ms. Rohm* and *Mr. Troilo* requested that the Board receive a schedule of the forums in which DIR participates. We will provide this information to you through Karen's bi-weekly report

Mr. Troilo explained that they are held in all areas of the state. This would be of interest to the Board if there is something in their area, and we like to have as much advance notice as possible. We may not be hosting, but we are partnering in those areas to reach the HUB

community, the state, and beyond. In working with the Comptroller at the procurement connection, there were over 400 attendees. This was a major event that informed vendors on becoming a successful HUB and there was new information regarding veterans. There were lots of booths, too. Mary Cheryl, Lynn, Lisa, Wanda, Karen, get the word out to help our HUB community. We need to be sure El Paso, West Texas, the Valley, and major metro areas are all included.

Mr. Moore thanked Mr. Troilo and Ms. Rohm for taking their time to attend the HUB events.

We had a 400% increase in the number of our progress assessment reports received in FY14. The importance of this is that these reports reflect where vendors are conducting their subcontracting activity, so that the agencies can report that subcontracting activity in their individual reports for the CPA.

TOPIC 12. Communications Technology Services Update

DISCUSSION: John Hoffman, Director, gave an update on Communications Technology Services (CTS).

In order to meet the growing needs of state agencies, the CTS team has investigated a number of solutions that will enable innovation and technical solutions for years to come. These solutions are due to an increased demand of what we have seen from our agencies. We have seen traffic grow at roughly 300% over the last 3 years. There is increased usage on the internet, connectivity of data centers, and migrations to telecom services, such as video. We are nearing end on a key component of the legacy network. For the NextGen solution, we have worked with a couple of different vendors and have a statement of work bid. Overall, it enables capacity to increase significantly. If you add security services and reliability these are really good solutions. Actions have moved forward for the security toolset. Contract approvals are positioning in the next 30 days. The VoIP upgrade continues for the CCTS. Upgrades are complete for HHSC in the Travis Building and Public Utility Commission as an agency. Both agencies are thrilled. We are pursuing contract vehicles for mobile device management (MDM) and telecom expense management (TEM). Multi-protocol label switching (MPLS) migration continues.

Mr. Moore asked if we have a growing number of non-state agency customers in TEX-AN usage. Can we get a breakdown on this in the future?

Mr. Hoffman confirmed this. There are 2/3 of non-agency customers.

Mr. Moore asked if the VoIP will eventually replace CCTS. Is the PPMO working with us on this office?

Mr. Hoffman explained that we are testing. We have used FY14 to ensure the system is needed. In FY15, we will very aggressively communicate with all agencies and expedite it with the support of the PPMO office.

TOPIC 13. Program and Portfolio Management Office Update

DISCUSSION: Leah Folgate, Director, gave an update on the Program and Portfolio Management Office.

We had 17 projects active and 17 completed. DIR Connect, formerly Power to Purchase, brought 300 purchasing representatives across the state and 150 DIR-contracted vendors.

The purpose of this project was to enhance the relationships between the vendors and the purchasers. This event was extremely successful. The survey ratings came back as 100 % excellent and good. Testimonials were very positive, too. This event was significant and continues to be positive for our customer base and our partners.

The second project is the DIR Website Update. We are listening to the voice of the customers and have completed the design and development of that redesign work. Kudos to the team who has done a fantastic job. We are embarking on the last leg of this endeavor.

Two other key initiatives are the enterprise capabilities solution, in which we seek to improve operational efficiencies for all work efforts within DIR and project performance. We are looking to implement this in January-February, first to IT and PPMO, and then with a much broader impact to the rest of the organization. There is a great deal of potential to optimize and create efficiencies in our workforce and work efforts.

Next-Generation PM Lite is a version of DIR's project management process, which was created in 2012. It demonstrates that DIR is way ahead of the curve in project management. PM Lite is a suite of tools that any practitioner, project management certified or not, can use to leverage to be successful in project delivery.

TOPIC **14. Chief Customer Office Update**

DISCUSSION Priscilla Pipho, Chief Customer Officer, gave an update on the Chief Customer Office.

An executive leadership retreat is planned for September. The purpose is to follow up on agency strategic planning and to craft the vision for the Chief Customer Office.

We are involved in Texans getting recognized and working on a number of different awards, and you'll be hearing about that. NASCIO has announced finalists. Texas has been acknowledged in a number of ways, included the DCS program.

TOPIC **Public Testimony – No Public testimony.**

DISCUSSION Karen Robinson informed the Board that she asked Todd Kimbriel to assume the role of Deputy Executive Director for the agency and as the State Deputy CIO. He has been doing this for quite a while. Mr. Robinson feels like they make a great team, and Mr. Kimbriel has a tremendous technology background. We're moving this ship forward, and she couldn't do this without him.

MOTION A motion was made to adjourn the meeting by *Mr. Rohm* and *Mr. Troilo* seconded the motion.

ACTION The meeting adjourned at 12:10 pm.

Approved by the Board Chair:

Charles Bacarisse, Chair

Date