

**DEPARTMENT OF INFORMATION RESOURCES  
OPEN BOARD MEETING**

**Monday, June 9, 2014, 10:00 a.m.**

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

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**MINUTES**

- PRESENT** Charles Bacarisse  
Richard Moore (Acting Chair)  
Robert Pickering  
Wanda Rohm  
Arthur Troilo III  
Brad Livingston, Ex-officio  
Melody Parrish, Ex-officio  
George Rios, Ex-officio
- ACTION** *Mr. Moore* called the meeting to order at 10:00 a.m., with a quorum present.
- TOPIC** **2. Approve Minutes from the May 22, 2014, Board meeting**
- MOTION** A motion was made to approve the previous meeting minutes by *Ms. Rohm* and seconded by *Mr. Bacarisse*.
- ACTION** The minutes were unanimously approved.
- TOPIC** **3. Executive Director's Report**
- DISCUSSION** Ms. Karen Robinson, Executive Director, thanked everybody for taking time from their busy schedules to attend today's meeting, presently or remotely. She thanked the DIR Telecommunications staff (John Hoffman, Tim Eargle and staff) and vendor support (Cisco) for their support in getting this job well done. These are exciting times and this is the direction that we'd like to take going forward.
- The purpose of today's meeting is to bring before you a contract for your approval that is very significant to the state of Texas. It is an opportunity for cooperative projects, involving IT, for the state of Oklahoma using DIR's cooperative contracts. Karen introduced Matt Singleton, Interim Chief Operations Officer, and Robin Reeves, Deputy General Counsel, from Oklahoma Office of Management and Enterprise Services Information Services Division.
- Ms. Robinson turned the meeting back over to *Mr. Moore*.
- TOPIC** **4. Contract Approval**
- DISCUSSION** *Mr. Moore* asked Todd Kimbriel, Chief Operations Officer, to provide an overview of the contract.
- Mr. Troilo* explained that a special HUB and Cooperative Contracts Subcommittee Meeting was held on Wednesday, June 4, 2014. The subcommittee met to discuss the proposed contract between DIR and Oklahoma Management and Enterprise Services, Information Services Division. Our discussion and review provides that the contract, which will provide a pilot sourcing arrangement, will enable Oklahoma to utilize DIR cooperative contracts and

we are excited that the pilot will allow DIR cooperative contracts to be a preferred source for government affiliates to use and achieve cost savings and improve efficiencies. Based on the information that I and the subcommittee have been provided, I feel comfortable with moving forward with consideration of this contract and believe that they will be good for the State of Texas and the State of Oklahoma.

*Mr. Troilo* introduced Todd Kimbriel, Chief Operations Officer, to share additional information about the agreement.

Mr. Kimbriel said how grateful we are to have our friends from Oklahoma with us today. We started conversations with Oklahoma last fall on this action item. We executed a Memorandum of Understanding (MOU) to lead us to the action item to give DIR permission and to provide Karen with the authority to execute an Interlocal Agreement with the Oklahoma Office of Management and Enterprise Services, Information Services Division.

We entertained this under the prior CIO of Oklahoma, Alex Pettit. They had a need to generate some revenue and to facilitate their own consolidation strategy and were looking at the model in our cooperative contracts program as a viable mechanism to get there. We went to a number of meetings where our operational teams discussed how we could implement an agreement such as this. We felt like there were lots of risks, unknowns, and uncertainties around going forward with this project.

We ultimately decided that doing a pilot for one year was an appropriate way to protect everybody's interests and allow us to move forward with this idea. The program structure is a one-year pilot. The State of Oklahoma may put as much as \$600m of procurement activity during the pilot year into the program. Based on a blended administration fee of 0.50%, that would equate to a new revenue stream for the state of Texas of about \$1.5m. We have some financial benefits of equal interest to us from a benefits perspective; this will allow us to put increased overall demand into this cooperative contracts program. This will give us improved negotiating ability for the contracts that we do negotiate with the vendor community by having higher volumes, better discounts, lower prices and additional revenue will result in lower administrative fees for our customers, more revenue for Texas, and better negotiating capabilities. We think the benefits are material both for Texas and Oklahoma by creating a new revenue stream for Oklahoma so that they can move forward with their own consolidation strategies. As with anything, there are always risks and issues. We expect that we will handle the implementation of this pilot program with our internal resources; however, we do expect we may have to add 1 or 2 additional headcount to support the implementation and management of this program. To that extent, within this agreement, we (Texas and Oklahoma) have worked out a strategy where any direct costs that either party incurs will be recovered through the administration fee and reimbursed as a priority. Thereafter, all the fees will be split equally. If Texas incurs \$10 in direct costs and Oklahoma incurs \$5 in direct costs, then the first \$15 in administrative fees will go to recover the \$10 for DIR and \$5 for Oklahoma. To the extent that we generate any revenue beyond direct cost recovery, the two states will split that revenue fee 50-50 for the period of the pilot. We think that the strategy will eliminate any specific risks of not recovering any direct costs, although we do think that they will be quite minimal on both sides. We don't know what the aggregate demand will be. Oklahoma has indicated that they can put as much as \$600 million into this program, but we do not know if we will see that amount. We will monitor this as it goes forward and will be providing our overall progress to the Board at each quarterly meeting. We will keep the Board engaged and aware of how this is progressing.

From a statutory perspective, Texas Government Code Sec. 2157.068(d) allows DIR to charge a reasonable administrative fee to a state agency, political subdivision of the state, or governmental entity of another state that purchases commodity items through the department in an amount that is sufficient to recover costs associated with the administration of this section. Texas Government Code Sec. 791.003(4) defines “local government” as a county, municipality, special district, junior college district, or other political subdivision of this state or another state. Texas Government Code Sec. 791.011(b) indicates a party to an interlocal contract may contract with a (1) state agency, as that term is defined by section 771.002; or (2) similar agency of another state. We definitely feel like we have sufficient support in Texas Government Codes to move forward with this Interlocal Agreement between DIR and the State of Oklahoma. This is a rough outline of the program and how we got to where we are. This agreement expires in June 2015, at which point we will work with our new partner at moving this into a long-term strategy or a long-term relationship based on the relative merits of our performance.

At that time, Todd introduced Matt Singleton, Interim Chief Operations Officer, with the State of Oklahoma.

Mr. Singleton is enthusiastic about the tremendous collaborative experiences he has had in working with Karen, Todd, Nick Villalpando, and Martin Zelinsky over the past few months. He said that he is excited about the collaborative opportunity that this brings. The State of Oklahoma is excited about potential partnerships between our two states, tremendous opportunity in providing quality, cost-effective, and secure IT solutions for our citizens. He thanked everyone for working with the State of Oklahoma so closely and being open to new and innovative ideas and how we move our states closer together.

Mr. Kimbriel said that we would be happy to answer any questions that anyone may have about the Interlocal Agreement.

*Mr. Moore* asked if anyone wished to submit a motion on this.

*Ms. Rohm* had a question. She asked if the fees would be collected by Oklahoma or if Texas would collect and be shared with Oklahoma.

Mr. Kimbriel explained that the revenue stream would be collected by Texas.

*Ms. Rohm* asked if that amount would be \$3m overall.

Mr. Kimbriel confirmed that amount.

*Ms. Rohm* said that she is delighted to save money and bring revenue to Texas. Is there anything written in there for small businesses because the larger these contracts get, the more difficult it is for small business to get a piece of the pie.

Mr. Kimbriel explained that this would continue all the existing HUB strategies that we have in effect for the cooperative contracts program. And all of the events that we do for best efforts and all of the targets for HUB contracting that we have will stay in effect just as they are today.

*Mr. Moore* explained to *Ms. Rohm* that this a pilot and some of the outcomes of this would be some suggestions for improvement as they find ways to ensure there are adequate, additional opportunities for small businesses.

