IT Sourcing: A Case Study

San Diego County Technology Office
July 29, 2013

Lessons Learned after 15 Years of Sourcing Experience
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In 1999, San Diego County decided to outsource its information and telecommunication services. Since then, the County has:

- Established a centralized IT organization and supporting governance structure
- Signed multi-year agreements with three different vendors
- Transformed its information and telecommunications environment and service delivery approach

The following tells the story of the past 15 years and the lessons learned along the way.
IT Sourcing: A Case Study

Deciding to Outsource
Deciding to Outsource

- **Goal: Improve Public Service through Cultural Change**
  - Greater financial discipline
  - Business-like approach to service delivery
  - Online versus in line service delivery model

- **New County Administrative Officer**
  - Focus on financial accountability and improved employee effectiveness

- **Independent Assessment of the Current Technical Environment**
  - Consultant hired (The Warner Group)
  - Assessed information technology and telecommunications equipment, software, staffing, and governance
  - Determined areas of weakness
  - Determined areas where increased investment would result in an increased ability to reach stated business goals
Deciding to Outsource
1998 Current IT Environment

- Annual spend—about $100 million
- Hybrid IT organizational structure
- 22% vacancy rate for IT positions
- Decentralized and antiquated infrastructure
  - 51 PBXs
  - 38 voice mail systems (31 not Y2K compliant)
  - 8 vendors providing telecommunications equipment and services
  - 38 separate Help Desks
  - 5 disparate E-mail systems
  - 8 Data Centers
  - 20+ year old business applications needing replacement
  - No hardware/software refresh cycles (286, 386, and 486 machines)
- Uncoordinated and insufficient technical training environment
Deciding to Outsource
Consultant’s Key Findings

- **Unsustainable environment, misaligned with County goals and objectives**
  - Need new structure to hire, train, retain qualified staff
  - Need to invest over $150 million for new business applications
  - Need to invest over $100 million to refresh infrastructure (network, desktops, servers, etc.)
  - Must even the playing field across all departments

- **Alternatives considered**
  - Significant structural change in staffing model coupled with infusion of capital or,
  - Outsource to world-class vendor

“The innovative use of telecommunications and information technology is crucial to the reinvention of government within the County of San Diego. Technology can improve the value of services to citizens, dramatically reduce the cost of government and significantly elevate the quality of our programs.”

*The Warner Group Report, October 1998*
Deciding to Outsource
County Rationale

• Pursue Outsourcing of Telecommunications and Technology Services to:
  – Access Qualified Staff
  – Access World-Class Technology and Services
  – Distribute Investment Costs Over Several Years
  – Share Risk Associated with Pursuing Innovation
  – Improve Service Levels
  – Transform the County’s Customer Service Delivery Approaches

“We have some systems that run on hardware that is no longer made. This is not about saving $87 million. This is about giving county employees the tools to do a better job.” Chair of the selection committee

“Supervisors Unanimously Approve IT Outsourcing Deal,” 10/27/99, San Diego Union Tribune
Deciding to Outsource
IT Outsourcing Goals

1. Upgrade County information technology to a level consistent with that of other major organizations, and to take advantage of the power of newer technology

2. Allow the County’s customers to access a far greater number of County services

3. Ensure that every County employee has the automated tools—telephony, desktop applications, business applications, video—to perform their jobs efficiently and effectively
Deciding to Outsource
Expected Business Benefits

• Streamline operations, simplify processes and deliver better service cheaper and faster through e-government
• Reinvent and re-engineer to move assets from overhead to front-line services—move money to do good
• Create a “No Wrong Door” approach to government throughout the County
• Invest in the best systems and operations rather than patch outdated and inefficient ones
Deciding to Outsource
Anticipated Challenges

• Organizational Restructuring
  – Supporting IT Contract and Vendor Management not Service Delivery
• Human Capital Management
  – Transitioning current IT staff to private sector vendors
• Organizational Change Management
  – Ensuring sufficient and sustained support for direction, organizational structure and changing business processes
• IT Governance
  – Supporting the management of IT
• IT Budgeting and Chargeback
  – Implementing a new, centralized system and processes for both budgeting and vendor billing
• Outsourced Contract Agreement
  – Designing an outsourcing contract that included all required services and provided the vehicle for vendor management
• Vendor Management Expertise
  – Ensuring the County acquired and maintained staff experienced in vendor management

“While some are concerned about the risks posed by an IT outsourcing project that is the largest ever undertaken by a local government in the United States, county leaders are sure of one thing: The risks of doing nothing are far greater.”

“The Virtual County Coming to San Diego”, 9/30/99, San Diego Daily Transcript, page 2C
Deciding to Outsource
All Eyes Watched in Anticipation

The Virtual County Coming to San Diego
The goal is to put government services at the fingertips of San Diego County residents, wherever they happen to live. Also, the county wants to expand its “hours of operation” for many services to a 24-hours-per-day, 365-days-per-year schedule. In many cases, the concept of a “closed” sign hanging in the window of a county office won’t exist once the transition to ‘e-government’ is complete.

9/30/99, San Diego Daily Transcript, Page 2C.

County Tech Project Lagging—Much at Stake in Plan to Privatize Telecommunications, Computer Systems
If approved and executed successfully, such a deal could make life easier for every county resident and worker. . . If it proceeds and fails, it becomes one of those well-publicized, embarrassing computer boondoggles that make headlines. . .

1/31/99, North County Times, Steve Perez, Page D2

County Urged to Put Off Technology Deal
“This is something that hasn’t been tried before on this scale, just wholesale hand over of services. It’s everything, soup to nuts, and it’s very risky. It’s insane.”—Labor Leader with the San Diego-Imperial County Labor Council

10/14/99, North County Times, Terry Wells
IT Sourcing: A Case Study

Selecting the First Vendor Relationship
Selecting the First Vendor Relationship
A Thorough and Careful Process—17 Months

- Identified industry interest (RFI)
  - June 1998
- Determined prime vendor candidates (RFSQ)
  - November - December 1998
- Solicited proposals (RFP)
  - February 1999
- Analyzed proposals
  - May - June 1999
- Solicited best-and-final-offer (BAFO)
  - July 1999
- Analyzed BAFO responses and identified “Best Value”
  - August 1999
- Negotiated contract
  - September 1999
- Signed contract
  - October 1999
Selecting the First Vendor Relationship
Required Involvement by Numerous Parties

- **County Participants**
  - Board Members
  - Superior Court Judge
  - CAO
  - Assistant CAO
  - CIO

- **Contracts Review Committee**
- **Best Value Committee**
- **Outside Experts**
  - Contracts — Gordon & Glickson
  - HR — Lee Hecht Harrison
  - Finance — PricewaterhouseCoopers
  - Technology — The Warner Group (now Gartner)
Selecting the First Vendor Relationship
RFI and RFSQ Issued to Assess Vendor Capabilities and Interest

<table>
<thead>
<tr>
<th>Information Gathered</th>
<th>Qualified Vendors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• How services could be configured and bundled</td>
<td>• CSC in partnership with SAIC</td>
</tr>
<tr>
<td>• What roles should be maintained by the County versus a contracted vendor</td>
<td>• EDS</td>
</tr>
<tr>
<td>• Which vendors provided the services required by the County</td>
<td>• IBM in partnership with Lockheed Martin</td>
</tr>
</tbody>
</table>
## Selecting the First Vendor Relationship Evaluation Criteria Guided Selection

<table>
<thead>
<tr>
<th>County Expectations Detailed within the RFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor with Proven Track Record and Financial Stability</td>
</tr>
<tr>
<td>Performance-Based Contract with Stated Service Levels</td>
</tr>
<tr>
<td>Minimization of Risk</td>
</tr>
<tr>
<td>Bundled Services</td>
</tr>
<tr>
<td>Vendor Investment</td>
</tr>
<tr>
<td>Plan for a Smooth Transition</td>
</tr>
<tr>
<td>Provisions for Business Process Reengineering</td>
</tr>
<tr>
<td>Pricing Stability and Predictability</td>
</tr>
<tr>
<td>Plan for Transition/Acquisition of IT Employees</td>
</tr>
</tbody>
</table>
## Selecting the First Vendor Relationship
### RFP Established Expectations and Ground Rules

<table>
<thead>
<tr>
<th>County Overview</th>
<th>Vendor Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Outlined County goals and objectives</td>
<td>• Positive treatment of its IT employees</td>
</tr>
<tr>
<td>• Described the current environment</td>
<td>• Vendor investment</td>
</tr>
<tr>
<td>• Described County requirements in specific bundles of service</td>
<td>• Technology refresh</td>
</tr>
<tr>
<td>• Solicited vendor qualifications and track record</td>
<td>• Service levels (incentives and disincentives)</td>
</tr>
<tr>
<td>• Identified contractual requirements</td>
<td>• Pricing methodology</td>
</tr>
<tr>
<td>• Defined evaluation criteria</td>
<td>• Disentanglement</td>
</tr>
<tr>
<td>• Addressed and minimized risk areas</td>
<td>• Transition phasing</td>
</tr>
<tr>
<td>• Ensured controlled transition from the County to the selected Prime vendor</td>
<td>• Contract management</td>
</tr>
<tr>
<td>• Encouraged benefits to the entire community</td>
<td>• Business Process Re-engineering</td>
</tr>
</tbody>
</table>

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[County Technology Office]
Selecting the First Vendor Relationship Evaluation Teams Assessed Best Value

<table>
<thead>
<tr>
<th>Review of Vendor Profile</th>
<th>Key Discriminators</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strengths and weaknesses</td>
<td>• Likelihood of price stability</td>
</tr>
<tr>
<td>• Evaluation team reports</td>
<td>• Employee package</td>
</tr>
<tr>
<td>• Scoring on 700 factors</td>
<td>• Relationship management</td>
</tr>
<tr>
<td>• Site Visits</td>
<td>• Added Value offerings</td>
</tr>
<tr>
<td>• Reference Checks</td>
<td>• Immediate results</td>
</tr>
<tr>
<td>• Scripted Demos</td>
<td>• Favorable exit profile</td>
</tr>
<tr>
<td>• Terms and Conditions</td>
<td></td>
</tr>
<tr>
<td>• Pricing</td>
<td></td>
</tr>
</tbody>
</table>
Selecting the First Vendor Relationship
Contract Protected County Interests

Contract Provisions

1. Purpose and Scope
2. Scope of Services
3. Assets and 3rd Party Contracts
4. Human Resources
5. Provision of Resources by Departments
6. County-Retained Authority
7. Financial Terms
8. Relationship Management
9. Initiatives
10. Limitation of Future Contracts
11. Proprietary Rights
12. Security and Protection of Information
13. Term
14. Disentanglement
15. Remedies; Limitations of Liability
16. Insurance
17. Invoices and Reports
18. Recordkeeping and Audit Rights
19. Legal Compliance
20. Representations and Warranties
21. Indemnification
22. Dispute Resolution
23. County Approval of Promotions
24. Use of Affiliates and Subcontractors
25. Definitions
26. Miscellaneous
Selecting the First Vendor Relationship

Key Contract Provisions

- **County Sole Discretionary Items**
  - 3 one-year terms beyond the initial 7 years
  - Termination for convenience

- **Pricing**
  - Stated price points for each service or resource unit
  - Pricing level adjustments tied to volumes

- **Performance Measurement Requirements**
  - 65 Detailed Service Levels (MASL)
  - Fee reductions if not met

- **Prohibition of Work Stoppage**

- **Established Refresh Requirements and Schedules**

- **Assumption of Liability**

- **Transition of County IT Staff to Vendor**
Selecting the First Vendor Relationship
The Pennant Alliance

- **7 Year Contract**
  - 3 potential additional 1 year terms at County’s discretion
- **$644,336,000**
- **The Pennant Alliance**
  - CSC—Prime Contractor
  - SAIC
  - Pacific Bell
  - Lucent

- The partnership between CSC and the County will greatly strengthen our abilities to provide faster, better and more efficient services to the customers, taxpayers and citizens of San Diego County.
- The County’s current IT employees will be provided the opportunity to work for world-class vendors whose sole focus is the provision of top-notch, even cutting-edge, information technology services.
- The County’s departments and non-IT employees will finally be able to communicate consistently and effectively with one another, and will be provided the technology tools to assist them in performing their jobs more effectively.

*Excerpts from Letter to the Board from the Chief Administrative Officer, October 1999*

Note: Contract Excluded Sheriff and District Attorney
Selecting the First Vendor Relationship
Expectations Expressed by Stakeholders

“We are talking about information technology taking us out of the Dark Ages, in effect, and putting us in the Space Age.”
Chief Administrative Officer

“We believe in the team approach. And the jobs and the revenue will stay here in San Diego. That is very important.”
SAIC Vice President, (Pennant Alliance member and subcontractor under the agreement)

“County high-tech contract could reach $1B—Firms to replace antiquated computer and phone operations.”
10/16/99, North County Times, Terry Wells, Page A4

“This is not just about change; it’s about making government not only accessible but accountable. It is now time to get out of horse-drawn wagon services.”

“I think we have no choice but to be the leading edge. We think that the County of San Diego needs to be competitive for our constituents’ sake. You need to be able to access the services that you pay for.”
County Supervisor  “Supervisors approve record contract for tech services,” 10/27/99, Union Tribune (UT), Karen Kucher
IT Sourcing: A Case Study

Transitioning from County Run IT

Lessons Learned After 15 Years of Sourcing Experience
Transitioning from County Run IT
A Centralized IT Organization Was Created

County IT positions removed and transitioned to CSC, new IT management positions added
Transitioning from County Run IT
IT Governance Was Redefined

Elected Officials

Board of Supervisors

County Executive

IT Management Committee (ITMC)
ACAO is Chair

IT Governance Group (ITGG)
CIO is Chair

ITMC Members are:
General Managers, County Counsel, Director of Human Resources, IV&V from SETA (Gartner), Elected Officials Dept Managers (Under Sheriff, etc.), Executive Director of Courts

ITGG Members are:
Chief Information Officer (CIO), Assistant CIO, CISO, CTO Services Managers, CTO Enterprise Architecture Technology Manager, CTO Business Advisory Services Managers, CTO Financial and Contract Services Manager, Group IT Managers (GITMs), Group Finance Director Representative

ITGG Sub-Groups

IT Policy, Risk, Security & Privacy
IT Strategic Planning
IT Portal, Content & Collaboration
IT Architecture & Standards
IT Contract Management
IT Enterprise Apps & Svs
IT Customer Service

Business Process Governance Group (BPGG)
Group IT Managers (GITMs) estimated anticipated volumes for the upcoming year (based on prior actuals and anticipated initiatives).

Volumes were multiplied times the applicable rates for the given contract year.

CTO’s staff aggregated the estimates and used as basis for anticipated budget amount for the year.

IT budgets were augmented as appropriate to accommodate any other IT-related spending with third-parties (e.g., cell phones).
## Transitioning from County Run IT

### Transition Results

<table>
<thead>
<tr>
<th>Before</th>
<th>Transition to the Alliance Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>38 Separate Help Desks</td>
<td>• 1 Integrated Help Desk</td>
</tr>
<tr>
<td>5 disparate e-mail systems (GroupWise Standard)</td>
<td>• 1 Integrated e-mail system (Outlook Standard)</td>
</tr>
<tr>
<td>Outdated telephony systems supported by multiple vendors</td>
<td>• 17,000 telephone handsets replaced (out of 21,000 to be replaced)</td>
</tr>
<tr>
<td>8 unprotected data centers and distributed servers</td>
<td>• Mainframe servers moved to hardened and protected data center</td>
</tr>
<tr>
<td>Multiple non-integrated networks</td>
<td>• County Administration Center transitioned to the fiber-optic network that will be the standard Integrated Network for the County</td>
</tr>
<tr>
<td>No integrated security systems</td>
<td>• Security assessment completed</td>
</tr>
<tr>
<td>Every imaginable desktop configuration and operating system</td>
<td>• 4,000 new desktop computers with a single operating system installed (out of 12,000 total to be replaced)</td>
</tr>
<tr>
<td>Distributed responsibility for IT</td>
<td>• Centralized responsibility for IT</td>
</tr>
</tbody>
</table>
Transitioning from County Run IT
Transition Lessons Learned

• **Measure Performance**
  – Defining minimum service levels for every service and establishing milestones with incentives to track and guide performance

• **Engage Key Political Stakeholders**
  – Creation of the San Diego Futures Foundation

• **Move Quickly**
  – Employee retention program
  – Outsourcing selection process
  – Rapidly phasing in service level expectations and milestone incentives

• **Revisit and Reconfirm Expectations**
  – Establish clear objectives
  – Agree to performance level agreements
IT Sourcing: A Case Study

Managing an Outsourced Environment—From Chaos to Stabilization

Lessons Learned After 15 Years of Sourcing Experience
Managing an Outsourced Environment
Critical Tools and Approaches

• **Centralized Organization Structure**
  – Measure adherence to SLAs and milestones
  – Manage relationship between vendor and the County
  – Establish strategic direction and architectural guidelines

• **Effective Governance**
  – Facilitate prioritization of investments
  – Resolve issues and mitigate risks

• **Performance Management Tools**
  – Track and report on SLAs, milestones and project status

• **Executive Level Commitment**
  – Focus on the long-term vision
  – Prioritize allocation of resources
Managing an Outsourced Environment
Outsourcing Results 1999–2005 from Chaos to Stabilization

- 1 Data Center
- 1 Integrated Network
- 1 Integrated Help Desk
- 1 Standard E-mail System
- New Telephony
- New Desktop Computers and Standard 36 Month Refresh
- Standard approach for prioritizing investments
- Foundation re-purposing County equipment and providing training to individuals in need
- 1 Standard ERP System

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
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<td>38 Separate Help Desks</td>
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<td>1 Integrated e-mail system (Outlook Standard)</td>
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<tr>
<td>Outdated telephony systems supported by multiple vendors</td>
<td>21,000 standard and integrated phones</td>
</tr>
<tr>
<td>8 unprotected data centers and distributed servers</td>
<td>1 Hardened and protected data center</td>
</tr>
<tr>
<td>Multiple non-integrated networks</td>
<td>1 Integrated Network</td>
</tr>
<tr>
<td>No integrated security systems</td>
<td>Integrated security monitoring and protection</td>
</tr>
<tr>
<td>Every imaginable desktop configuration and operating system</td>
<td>12,000 standard state-of-the-art desktop computers with a single operating system</td>
</tr>
<tr>
<td>No viable accounting for software licensing</td>
<td>100% software licensing accuracy and accountability</td>
</tr>
<tr>
<td>Limited sharing of hardware and software systems between business units</td>
<td>Enterprise (shared) servers and applications</td>
</tr>
<tr>
<td>No desktop computer and server refresh cycle (purchased as $ available)</td>
<td>36 month refresh on all desktop computers and 60 month refresh on all servers</td>
</tr>
<tr>
<td>Distributed responsibility for IT</td>
<td>Centralized responsibility for IT</td>
</tr>
<tr>
<td>Operational issues dominated IT managers time</td>
<td>Strategic IT planning consumes most of the IT managers time</td>
</tr>
<tr>
<td>Fragmented approach to IT Investments</td>
<td>61% reduction in the # of trouble tickets</td>
</tr>
<tr>
<td>No community programs in place to re-purpose County IT assets</td>
<td>Collaborative governance system that prioritizes IT investments</td>
</tr>
<tr>
<td>Thousands of computers and help desk support donated to local non-profits via the Futures Foundation established in 1999 by the Pennant Alliance</td>
<td></td>
</tr>
</tbody>
</table>
## Managing an Outsourced Environment
### Awards and Recognition

<table>
<thead>
<tr>
<th>Year</th>
<th>Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>• Digital Counties Survey—Fifth Place—Population Category 500,000 or Greater</td>
</tr>
</tbody>
</table>
| 2005 | • Digital Counties Survey—Second Place—Population Category 500,000 or Greater  
      • Best of California Award—to the CAO for Demonstrated Excellence in Project Executive Sponsorship  
      • Best of California Award—to the CIO for Demonstrated Leadership in Management of Information Technology |
| 2004 | • Digital Counties Survey—First Place—Population Category 500,000 or Greater  
      • Best of the Web—County Portal—Fifth Place |
| 2003 | • Digital Counties Survey—Fourth Place—Population Category 500,000 or Greater |
Managing an Outsourced Environment

Key Lessons Learned

• Elevate IT authority for enterprise results
• Remember what your business is
• Align IT governance to the organization’s needs
• Link performance metrics with the organizational structure
• Understand the vendor’s internal management and incentive structures
• Understand the tension between private and public sector incentives
• Match management style with the type of deal
• Remain focused on your long-term vision; perseverance is critical
Managing an Outsourced Environment

Decision to Re-Compete

- Current “Utility” type contract provided for needed stabilization
  - Moved the workforce ahead
- County was now focused on innovation and transformation
  - Provide for enhanced public service
- County decided to re-compete with more emphasis on moving to a “Transformational” model

Source: Gartner Consulting
IT Sourcing: A Case Study

Selecting the Second Vendor Relationship
Selecting the Second Vendor Relationship Experience Shortened the Timeline – 11 Month Process

- Identified industry interest (RFI)  
  - March 2005
- Determined prime vendor candidates (RFSQ)  
  - April 2005
- Solicited proposals (RFP)  
  - May 2005
- Analyzed proposals  
  - September – October 2005
- Solicited best-and-final-offer (BAFO)  
  - October 2005
- Analyzed BAFO responses  
  - November 2005
- Conducted contract negotiations with qualified vendors  
  - November – December 2005
- Determined “Best Value”  
  - December 2005
- Signed contract  
  - January 2006
Selecting the Second Vendor Relationship
Evaluation Criteria Guided Selection

Weighted Evaluation Criteria Addressed the Following Categories:

<table>
<thead>
<tr>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition Plan</td>
</tr>
<tr>
<td>Structure of the Prime Contractor (Corporate Structure)</td>
</tr>
<tr>
<td>Team Composition</td>
</tr>
<tr>
<td>Price Relative to the Current Price of the CSC Contract</td>
</tr>
<tr>
<td>Reference Checks</td>
</tr>
<tr>
<td>Sub-Contractor References</td>
</tr>
<tr>
<td>State and Local Government Experience</td>
</tr>
<tr>
<td>Ability to Accept County Terms and Conditions</td>
</tr>
</tbody>
</table>
Selecting the Second Vendor Relationship
New Contract Incorporated Lessons Learned

• Reduced service towers from six to five
• Revised service level agreements (MASLs) and performance milestone definitions to address issues that arose during the first contract
  – Reduced number
  – Clarified priority response times
• Placed more emphasis on disaster recovery and business continuity
Selecting the Second Vendor Relationship
Selected Vendor Based on Best Value

• Northrop Grumman Information Technology (NGIT)—Prime
  – Electronic Data Systems (Now HP)
  – BearingPoint (Now Attain)
  – Southwestern Bell Communications (Now AT&T)

• 7 Year Contract
  – with one 5 year option

• $667,000,000
  – Included one-time payment of $10,375,637 for transition costs
IT Sourcing: A Case Study

Transitioning Outsourcing Vendors
Transitioning Outsourcing Vendors
NGIT’s Transition Plan

*Transition took significantly longer than expected due to unanticipated complexities related to moving applications to the new data centers.*
Transitioning Outsourcing Vendors
Transition Team and Approach

- NGIT Lead
- CSC Lead
- CTO Lead

+ NGIT Contract Lead
+ County Contract Lead

- Management Plans for each cross-functional area
- Rules of Engagement for each service tower
Transitioning Outsourcing Vendors
Transitioning People, Process & Technology

**People**
- NGIT hired key personnel from The Pennant Alliance
- The Pennant Alliance offered continuation bonuses to employees
- CTO organizational structure was modified to include NGIT Customer Service Advocates as direct reports

**Process**
- Governance model refinement

**Technology**
- Infrastructure price point and refresh adjustments
- Application licensing transition and handling of new projects
Transitioning Outsourcing Vendors
Transition Results

- New Help Desk facility in Kentucky
- Majority of County applications transitioned to one of two Tier IV Data Centers in Oklahoma and Texas
- Strengthened disaster recovery approach with state of the art redundant data centers located outside California

CSC ➔ NGIT
## Transitioning Outsourcing Vendors

### Transition Lessons Learned

<table>
<thead>
<tr>
<th>5 Key Transition Lessons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Data Center Infrastructure is Relatively Straightforward; Applications Present the Challenges</td>
</tr>
<tr>
<td>2. Application Portfolio and Performance Documentation is Critical</td>
</tr>
<tr>
<td>3. Every Delay Has a Three Party Impact</td>
</tr>
<tr>
<td>4. Transition Team Configuration and Approach Make a Difference</td>
</tr>
<tr>
<td>5. Pay Attention to the Agreements Behind the Agreements</td>
</tr>
</tbody>
</table>
IT Sourcing: A Case Study
Managing an Outsourced Environment—from Stabilization to Transformation
Managing an Outsourced Environment
CTO Organization Re-Structuring

- Re-Organization Goals:
  - Improve management of the NGIT relationship
  - Improve customer service to County Groups and Departments
Managing an Outsourced Environment

Vendor Relationship Management

• Managing a “Utility” vs. a “Transformational” Deal
• Handling Vendor Mergers/Acquisitions/Bankruptcy
• Applying Customer Satisfaction Data to Improve Services

2008, 2009 and 2010 Survey Overall Customer Satisfaction Score Results

Source: Gartner 2010
Clarifying the roles and responsibilities of vendor staff in relationship to County counterparts is critical.
## Managing an Outsourced Environment
### “Utility” Accomplishments 2006–2010

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 San Diego County specific Help Desk</td>
<td>1 Leveraged Help Desk providing expanded expertise and additional resources</td>
</tr>
<tr>
<td>1 Hardened and protected data center located within San Diego County</td>
<td>2 Tier IV data centers, located outside California, providing redundancy and improved disaster recovery capabilities</td>
</tr>
<tr>
<td>Individual physical servers</td>
<td>Mix of individual and virtualized servers saving space, energy, and lowering costs</td>
</tr>
<tr>
<td>12,000 standard state-of-the-art desktop computers with a single operating system</td>
<td>Refreshed desktop computers with a single operating system</td>
</tr>
<tr>
<td>No independent evaluation of customer satisfaction</td>
<td>Third party customer satisfaction survey launched in 2008. Issues are prioritized and addressed by joint NGIT/CTO team. The average satisfaction ratings are above industry averages.</td>
</tr>
</tbody>
</table>
Managing an Outsourced Environment
“Transformation” Accomplishments 2006–2010

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaborative governance system that prioritizes IT investments</td>
<td>➢ Addition of the Innovation Council to support business transformation efforts (County-driven initiative)</td>
</tr>
<tr>
<td>Primary focus on infrastructure replacement and ERP implementation</td>
<td>➢ More focus on moving services online resulting in the following:</td>
</tr>
<tr>
<td></td>
<td>– Parks and Recreation activity reservation system</td>
</tr>
<tr>
<td></td>
<td>– Department of Planning and Land Use online permitting services</td>
</tr>
<tr>
<td></td>
<td>– Library online services including downloadable Audio Books, book club podcasts, and online homework assistance service</td>
</tr>
<tr>
<td></td>
<td>– Health and Human Services Agency services eligibility screening tool, searchable Network of Care Service Directory, and access to Immunization Records</td>
</tr>
<tr>
<td></td>
<td>– Office of Emergency Services cell phone alert registration system</td>
</tr>
<tr>
<td>Year</td>
<td>Awards</td>
</tr>
<tr>
<td>------</td>
<td>--------</td>
</tr>
</tbody>
</table>
| 2010 | • Digital Counties Survey—Third Place—Population Category 500,000 or Greater  
• Best of California—Best Local Government Web Site |
| 2009 | • Digital Counties Survey—Eighth Place—Population Category 500,000 or Greater  
• Best of the Web—County Portal—Finalist  
• Best of California – Best Local Government Web Site |
| 2008 | • Digital Counties Survey—First Place—Population Category 500,000 or Greater  
• Best of the Web—County Portal—Second Place |
| 2007 | • Digital Counties Survey—Ninth Place—Population Category 500,000 or Greater |
IT Sourcing: A Case Study

The Third Vendor Transition
The Third Vendor Transition

NGIT Transfers Contract to HP

- NGIT Contract Due to Expire in January 2013
- County Initiated Considering Options in October 2010
  - Option to extend current contract “as is”
    (Solely a County option)
  - Option to extend current contract with “modifications”
    (May require vendor re-negotiation depending upon type of modification)
  - Option to re-compete
- NGIT Transfers Contract to HP
  - NGIT decided to end its contract with the County in 2011 and offered to transition its role of Prime to its sub-contractor HP
  - HP agreed to take over the contract and County agreed to execute the 5 year contract extension, giving HP a seven year contract effective May 1, 2011

“We’ve been outsourced since 1999. This is the way we do business.”

County CIO
The Third Vendor Transition
HP 90 Day Transition Plan

- Signed existing contract without modifications
- Maintained key players in leadership positions
- Conducted hiring process quickly and efficiently
  - Coordinated team approach
  - Salary packages and roles remained the same

<table>
<thead>
<tr>
<th>Transition Category</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning Milestones</td>
<td>5/1/11</td>
</tr>
<tr>
<td>Program Startup</td>
<td>5/28/11</td>
</tr>
<tr>
<td>Human Resources Transition</td>
<td>7/15/11</td>
</tr>
<tr>
<td>Facilities Transition</td>
<td>4/28/11</td>
</tr>
<tr>
<td>Third Party Agreements</td>
<td>6/30/11</td>
</tr>
<tr>
<td>Desktop Transition</td>
<td>6/24/11</td>
</tr>
<tr>
<td>Architecture</td>
<td>7/8/11</td>
</tr>
<tr>
<td>Account PMO</td>
<td>7/12/11</td>
</tr>
<tr>
<td>Security</td>
<td>7/11/11</td>
</tr>
<tr>
<td>Cross Functional Transition Plan</td>
<td>7/28/11</td>
</tr>
</tbody>
</table>

Transition Completed within Planned 90 Day Timeline
May 1, 2011 – July 29, 2011
The Third Vendor Transition
HP Adjustments

**People**
- Alignment of HP organization structure with County’s organization structure
- Implementation of the Executive Leadership Program (ELP) to align HP and County leadership
- Embedding of application team members within departments

**Process**
- Framework / tower coordination improvements

**Technology**
- Implementation of tools to measure performance and proactively identify issues (e.g., application and project management tools)
The Third Vendor Transition
HP Customer Relationship Framework

• HP intends on building a long-term 30 year relationship with the County. Leadership reminds its team to do the following each day:

Ask Yourself
1. What problem are we solving?
2. How does this move the County forward?

Three Simple Rules
1. Deal with the Facts
2. Have the Conversation
3. Demonstrate you Care

We Have To Earn The Right To Do More Business

Goal: 30 Year Relationship with the County
IT Sourcing: A Case Study

Maturing Environment 2011 - 2013
Maturing Environment 2011 – 2013
Operating in a Stabilized, Sustaining, Steady State

- GITMs, CTO and HP agree environment is stable
- Unplanned outage frequency reduced
- Number of unresolved tickets reduced
- Applications reliability increased

[Diagram showing the relationship between Issue Root Cause Analysis, Customer Satisfaction, and Operational Performance Improvements]
Maturing Environment 2011 – 2013
Repeatable, Predictable and Engaging Processes

- Enterprise Architecture Refresh
- Monthly Portfolio Reviews
- Project Gate Reviews
- IT Threading Meetings
- Application Architecture Evergreening
- Annual Contract Restatement Process
Maturing Environment 2011 - 2013
End User Customer Satisfaction Improvement

- Ratings have steadily increased since 2010.
- 2012 Customer Satisfaction ratings are almost Best in Class!

Source: Gartner 2012
Maturing Environment 2011 - 2013
Leadership Consistency

County CAO

ITO Executive

CTO Leadership

= +

- Clear understanding of how parties work together
- Trusted relationships
- Open dialogue
- Effective issue resolution

• Participation in every contract agreement
• Participation in every relationship
• Experience with issue resolution across each contract
Maturing Environment 2011 - 2013
CTO Changes Introduced by New CIO

- New CIO joins the team July 2012 and announces changes in November; shifting roles for some and adding staff to address the following needs:
  - Enterprise Platform Ownership
  - IT PMO Maturity
  - Enterprise IT Project Support
  - Enterprise Information Architecture
  - Security Reinforcement
## Technology Advancements
- Browser based solutions and mobile device applications to increase accessibility and mobility
- Security authentication services to improve integration
- Single sign-on to improve efficiency

## Enterprise Platform Management
- Enterprise focus and prioritization
- Technical architecture integration, stability, security
- Vendor and contract management leverage

## HP Innovation Council
- Exceeding County milestone requirements
- Generating new ideas on a weekly basis
- Expanding opportunities for HP and CTO interaction and discussion

## Elevating Visibility and Touch-ability of IT
- Analyst briefings, technology fairs and Enterprise Platform user group meetings to engage stakeholders
- Expanding ideas, increasing collaboration, and supporting end user uptake of technologies
## Maturing Environment 2011 - 2013
### Key Accomplishments

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preference for client server based applications to protect security of data and information.</td>
<td>➢ Focus on browser based solutions to increase accessibility and flexibility for mobile employees, while continuing to protect security of data and information.</td>
</tr>
<tr>
<td>Standardized computer technologies issued only through County procurement processes.</td>
<td>➢ Bring Your Own Device (BYOD) policies have been developed to provide employees with flexibility in mobile devices, and standardized technologies issued by the County have been expanded to include more options.</td>
</tr>
<tr>
<td>Ownership of critical multi-department platforms and applications by several departments (e.g., CRM and Documentum), creating a challenge to effectively manage costs, maintain consistency across technologies, and support unique department needs while also providing access to others.</td>
<td>➢ Centralized management of enterprise platforms that provides an effective balance between standardization and customization of applications at the local department and agency levels.</td>
</tr>
</tbody>
</table>
# Maturing Environment 2011 - 2013

## Awards and Recognition

<table>
<thead>
<tr>
<th>Year</th>
<th>Awards</th>
</tr>
</thead>
</table>
| 2013 | • Digital Counties Survey – Third Place – Population Category 500,000 or Greater  
• CIO Magazine “CIO 100” award for the Justice Electronic Library System |
| 2012 | • Digital Counties Survey – Fourth Place – Population Category 500,000 or Greater  
• National Association of Counties (NACO) – Achievement Award for Justice Electronic Library System (JELS)  
• Digital Government Achievement Awards – Justice Electronic Library System |
| 2011 | • Best of California – Best IT Collaboration Among Organization – Justice Electronic Library System (JELS)  
• Digital Counties Survey - Second Place – Population Category 500,000 or Greater  
• Digital Government Achievement Awards - Government to Citizen Category – North Coastal and North Inland Region Video Interviewing  
• Government Technology Magazine Recognition of Harold Tuck as one of the 2011 Top 25 Doers, Dreamers and Drivers  
• California County Information Services Directors Association (CCISDA) Innovation Award for Justice Electronic Library System (JELS) |
Maturing Environment 2011 - 2013
Today’s Challenges

Application Development

• Fulfillment of County bid expectations
• Vendor role as service broker
• Length and complexity of County approval process

Effective Project Management Skills

• Critical to project success
• Vendor versus County PM roles and responsibilities
• Continuous training investment
Maturing Environment 2011 - 2013
Moving Forward – Responding to the Four IT Forces

• **Data Services**
  
  – Provide more efficient, effective, and secure ways to manage and integrate content
  
  – Standardize key data (e.g., addresses)
  
  – Provide a better foundation for trend and predictive analytics
  
  – Develop a Countywide enterprise information management strategy (EIM)

• **Mobility**
  
  – Provide centralized infrastructure support for:
    
    – Multiple personal devices;
    
    – Data security and synchronization;
    
    – Ability to connect with applications; and
    
    – Mobile-enablement of applications, services, and forms
Maturing Environment 2011 - 2013
Moving Forward – Responding to the Four IT Forces (continued)

- **Cloud**
  - Provide clear guidance and governance around appropriate use of Cloud alternatives
  - Focus on leveraging opportunities that:
    - Represent a unique application provider’s sole delivery option (e.g., ASP)
    - Offer scalability, performance, and attractive pricing for value-added (but not mission-critical) solutions

- **Social Technologies**
  - Provide improved communications between employees and with constituents by:
    - Managing customer information and contacts across the enterprise
    - Providing infrastructure support for B2E and B2C services
    - Integrating multiple communications tools in efficient and effective ways
IT Sourcing: A Case Study

Key Lessons Learned After 15 Years
Key Lessons Learned After 15 Years

- Leadership must remain actively engaged throughout all outsourcing stages.
- Improvements are incremental, not revolutionary.
- The customer must drive innovation.
- Effective governance shortens decision-making and issue resolution timeframes.
- County and vendor organizational alignment is critical to effective vendor and customer relationship mgt.
- The contract needs to be flexible and nimble to keep up with changing technology.
- Due diligence is an important risk management strategy (see next slide for detailed recommendations).
- Customers and vendors must build an understanding of and work with their different cultures to be effective.
- Keep an independent advisor at the table to provide perspective and expertise throughout the outsourcing process.
- Effective client/vendor relationships must be built on trust and a view for the long-term.
### Key Lessons Learned After 15 Years
**Internal and External Due Diligence**

<table>
<thead>
<tr>
<th>Area for Review</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consider the location of vendor headquarters and SMEs required to make outsourcing successful.</td>
<td>Vendors should demonstrate they consistently invest in the relationship and overall results, regardless of location.</td>
</tr>
<tr>
<td>Pay attention to your instincts regarding potential issue areas and follow-up or plan accordingly.</td>
<td>Acknowledging and planning for negative issues identified during procurement can mitigate risks in the long-term.</td>
</tr>
<tr>
<td>Carefully review all aspects of the potential deal.</td>
<td>Factors include: the Prime’s experience, team’s experience and past working relationships, agreements between vendors, and established processes and methodologies.</td>
</tr>
<tr>
<td>Document all aspects of the current environment.</td>
<td>Documentation should be leveraged not only during procurement, but also maintained during the life of the contract.</td>
</tr>
</tbody>
</table>
For Additional Information, Please Contact:

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Eric.Shiotsugu@sdcounty.ca.gov