IT Procurement Forum

February 28, 2008

DGS

Agenda

- Welcome
- Background
- Flexibility
- Solution Based Procurements
- Pre-Qualified Vendors
- Risk Assessment

DGS

Background

- 1st Forum
  - Listen to Industry issues
  - Summarized common points
- 2nd Forum
  - Industry Recommendations
  - Workgroup presentations

DGS

Terms & Conditions

- State Terms & Conditions
  - Potential Cost Driver.
- Commercial Terms & Conditions
  - Lower Cost.
- **<u>Moving Forward</u>**
  - Suppliers submit bids to both:
    - Standard Terms and Conditions; and
    - Commercial Terms & Conditions along terms and conditions required by statute (priced).
  - The State may accept either bid or use its authority under Public Contract 6611 to negotiate a contract.

DGS

Solution Based Procurements

- SB 954
  - Focuses on a functional vs. technical approach.
  - Flexible approach and process to deliver the best business solution.
- **Moving Forward**:
  - 954 used on all integration projects ≥$5 M.
  - COTS solutions.

DGS

Flexibility

- State of CA Terms and Conditions
  - Carve Outs
- "Unless otherwise stated in the SOW"
  - Definitions
  - Acceptance
  - Warranty
  - Termination for Convenience
  - Rights in Work Product

DGS

Flexibility--continued

- "Unless otherwise stated in the SOW"
  - Order of Precedence
  - Termination for Default
  - Limitation of Liability
  - Termination for Convenience
  - Rights in Work Product

DGS

Qualified Supplier Pool

- Strategies for a Qualified Supplier Pool
  - Streamline procurement process
    - Allows suppliers to submit financial and reference information on an annual vs. per procurement basis.
    - Updates required if information changes are material (e.g. SEC filing, judgments, etc.).
  - Capabilities Index – opportunity for suppliers to demonstrate capabilities.
  - Final criteria under development.

DGS

Risk Assessment

- PCC 12112(a) (AB 617)
  - Requires at least 10% withhold for contracts with progress payments.
  - Each project will be evaluated individually.
  - Development of a risk framework, contract award expected in three weeks.
  - Framework due June 1, 2008.

DGS

Risk Assessment-cont'd

- PCC 12112(a) (AB 617)
  - Until rollout DGS will be using interim risk criteria guidelines that determine project risk based on:
    - Criticality;
    - Value (TCO);
    - Capital Risk (Financial/Human);
    - Impact (Internal/External);
    - Complexity (Knowledge Transfer/Customization).

DGS

Risk Assessment-cont'd

- Risk Protections:
  - High Risk Projects
    - 10% withhold and:
      - » Performance Bond (30-50% of project value); or
      - » Letter of Credit (1.5 – 2 times the value of the project).
  - Medium Risk Projects
    - 10% withhold and:
      - » Performance Bond (20-30% of project value); or
      - » Letter of Credit (1-1.5 times the value of the project).
  - Low Risk Projects
    - 10% withholds.

DGS

COTS Software Language

- Supplier Input
  - State proposed language and four suppliers provided input.
  - Revised language is being finalized and will be released by April 2008.

DGS

E-Procurement

- Reduction of paper processes.
- Electronic process for requisitions, solicitations and purchase orders.
- Electronic communication with vendors.
- Return to vendor registration process.
- Statewide spend analysis.
- Rollout July 2008.

DGS

Q & A

DGS

Closing Comments

- All this information is available only at:
  - http://www.pd.dgs.ca.gov/tas

DGS

Thank You!

DGS