



Janice K. Brewer
Governor

Brian C. McNeil
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

August 14, 2014

Mr. John Halikowski, Director
Arizona Department of Transportation
206 South 17th Avenue
Phoenix, AZ 85007

Dear John:

In response to the Project Investment Justification (PIJ) for the “**PC Refresh FY15**” project, my staff has reviewed your proposal to replace the Agency’s aging personal computing (PC) fleet utilizing a combined equipment lease, installation services and software acquisition approach.

The PIJ implies funding is available from the State Highway Fund in the amount of \$5,651.9 thousand for the total three-year life cycle cost of the project.

This is notification of Arizona Strategic Enterprise Technology Office's recommendation to the Information Technology Authorization Committee (ITAC) for **Approval with Conditions** of the technology project as follows:

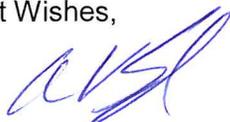
1. ADOT may proceed to issue a Request for Proposal (RFP) for the lease approach, however ADOT may not award a contract or expend funds until an updated PIJ reflecting the results of its evaluation, a detailed itemization of technology to be leased and acquired, and final costs, has been submitted to ADOA-ASET for review and approval.
2. Should the final costs exceed projected costs by 10% or more, review and approval of the amended PIJ by the Information Technology Authorization Committee (ITAC), in Executive Session if applicable, will be required before the project can proceed.

The ITAC is scheduled to meet on August 27, 2014 to review this project.

Should the ITAC approve the project, you may then proceed to secure additional approvals as required from the Joint Legislative Budget Committee, the Office of Strategic Planning and Budgeting, and the State Procurement Office.

Mr. John Halikowski
August 14, 2014
Page 2

Best Wishes,



Aaron V. Sandeen
State CIO and Deputy Director
Arizona Strategic Enterprise Technology (ASET) Office

jr

cc: Doanh Bui, ADOT
Rich Nacinovich, ADOT
Jesse MacDonough, ADOT
Denise Johnson, ADOT
Andrew Smith, JLBC
John Arnold, OSPB
Barbara Corella, SPO
Phil Manfredi, ADOA-ASET
James Dean, ADOA-ASET
Joyce Raschiatore, ADOA-ASET

ASET# DT15001

Analyst: Joyce Raschiatore

PIJ Summary - ASET

Project Number: DT15001

<i>Agency Name & Address</i>	<i>Contact Information</i>
Arizona Department of Transportation 206 S. 17th Avenue Phoenix, Arizona 85007	Jesse McDonough 602-712-4433 jmacdonough@azdot.gov
<i>Project and Investment Justification Name</i>	<i>Date Submitted</i>
PC Refresh FY15	August 5, 2014

Project Overview

Problem Description

The Arizona Department of Transportation (ADOT) Information Technology Group (ITG) currently maintains a personal computer (PC) fleet of 5,500 desktop and laptop computers. While investments have been made in support of a server based computing/thin client approach, ADOT has not executed a PC Refresh program since 2006. Over time, aging computing resources become obsolete, causing performance degradation, excessive support and repair activity, and loss of reliability. Of the PCs still in operation, ADOT has determined that nearly 70% are now more than 3 years old and 50% are 6-13 years old, with 61% still running Windows XP, which is no longer supported by Microsoft (MS). Additionally, there are application and software compatibility issues with PCs running older operating systems and web browsers. According to industry best practices, client-side computing devices have a useful life expectancy of 3-5 years and should be replaced within that timespan to keep pace with the ever-increasing hardware requirements of operating system and business productivity software. The current out of warranty and older equipment does not provide the flexibility, performance and reliability needed for the more complex applications and operating systems in use.

Solution

In order to consistently provide for its PC technology needs, ADOT is proposing to adopt a 3-year hardware refresh cycle program, utilizing a lease/rental agreement. This approach will enable the ITG group to continue to provide reliable and up-to-date technology services to the Agency, while keeping costs predictable and manageable. With this project, ADOT is proposing to replace 3,800 PCs that have been determined to be more than 3 years old as of the start of FY15. Peripheral hardware such as monitors, printers and scanners will be included in scope to replace older equipment as specified by ADOT's business area managers. Desktop software needs will also be reviewed, in order to complete a full inventory of the Agency's software portfolio and eliminate old, unneeded and/or unsupported titles. Required titles that are found to be incompatible with MS Windows 7 and MS Windows 8.1 will be replaced with the most current versions. Turn-key professional services will be used to accelerate project delivery and success. Development costs in the PIJ reflect estimated services and software to implement the project, while operational costs reflect a 3-year lease term. While the lease agreement is expected to include an option to purchase, it is ADOT's intention to continue with the proposed 3-year hardware refresh program on an ongoing basis.

Major Deliverables and Outcomes

With this project, ADOT is proposing to lease an estimated 2,450 desktop computers, 1,150 laptop computers and 200 tablets, as well as 500 laser printers, 2,000 monitors and 300 scanners, to replace existing equipment with greater than 3 years of use. ADOT has also projected the cost of installation services and software that may be required, with desktop and laptop computers to be deployed with MS Windows 7, tablets with MS Windows 8.1, and all devices to include MS Office 2010 Professional and required up-to-date, compatible software.

While counts have been estimated, a business area needs assessment is currently being conducted to produce the detailed device types and counts for the project. ADOT will issue a Request for Proposal (RFP) based on this analysis and pre-defined evaluation criteria, including method of approach, overall cost, vendor experience in providing similar hardware and services, and the overall organization and completeness of the vendor proposal. Once selected, ADOT will work with the vendor to finalize a schedule and approach for implementing the project.

Benefits

The primary intent of the project is to address ADOT’s ongoing personal computing equipment replacement needs in a cost effective and efficient manner. New hardware will allow ADOT to move to the latest, fully supported MS operating systems and resume critical security patching. The new PC equipment will run software and applications faster and avoid many of the performance and compatibility issues associated with older hardware and unsupported operating systems. Leased computers that are replaced every 3 years will help to mitigate the risk of equipment failure and will not require the level of maintenance and support costs that ADOT has typically incurred for aging equipment. In addition, research that ADOT has conducted to date indicates that hardware obtained through a leasing arrangement costs less than a straight purchase, and can help balance the trade-offs between the total cost of ownership and operating efficiency. Estimated operating costs in the PIJ reflect an annual lease rate factor of 0.29, resulting in a total hardware cost of \$4.51 million over 3 years, whereas purchasing the same hardware would have incurred a one-time cost of \$5.26 million.

Project Management

ADOT ITG staff will manage the project, working with the selected vendor to ensure conformance to contract specifications. Vendor services will be used to manage all aspects of equipment handling, including receiving, storage, configuration, deployment and disposal of all retired hardware through the Surplus Property Management Office. The ITG PCLAN team will act as the technical point for project deployment.

Enterprise Architecture

Compliant.

Summary of Proposed Costs

<i>All Figures in Thousands (\$000)</i>						
<i>Cost Description</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>Total</i>
Development Costs	1,140.0	0.0	0.0	0.0	0.0	1,140.0
Operational Costs	1,504.0	1,504.0	1,504.0	0.0	0.0	4,511.9
Total Project Costs	2,644.0	1,504.0	1,504.0	0.0	0.0	5,651.9

Recommendation: Approval with Conditions

1. ADOT may proceed to issue a Request for Proposal (RFP) for the lease approach, however ADOT may not award a contract or expend funds until an updated PIJ reflecting the results of its evaluation, a detailed itemization of technology to be leased and acquired, and final costs, has been submitted to ADOA-ASET for review and approval.
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