Janice K. Brewer
Governor

Brian C. McNeil
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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October 20, 2014

Mr. Brian C. McNeil, Director
Arizona Department of Administration
100 N. 15th Ave.
Phoenix, AZ 85007

Dear Brian:

In response to the ***Amended*** Project Investment Justification (PIJ) for the **"Shared Services Platform"** project, my staff has reviewed your proposal to migrate all State agency customers using ADOA Exchange services to the cloud.

The original PIJ implied funding is available from the Automation Projects Fund in the amount of $800.0 thousand, and from the Automation Operations Fund in the amount of $2,720.7 thousand, for a total five-year life cycle cost for the project of $3,520.7 thousand. The amended PIJ implies additional funding is available from the Automation Projects Fund in the amount of $150.0 thousand, and from the Automation Operations Fund in the amount of $185.5 thousand, for a total five-year life cycle cost for the project of $3,856.2 thousand.

This is the Arizona Strategic Enterprise Technology Office's **Approval with Conditions** of the ***Amended*** technology project as follows.

1. As a result of further planning and implementation efforts, should there be significant changes in the proposed costs, technology approach, scope of work, or schedule, ADOA-ASET must amend the PIJ to reflect the changes and submit the updated PIJ to the ADOA-ASET Strategic Oversight team for review, and approval as necessary.
2. ADOA-ASET must ensure that appropriate levels of security controls are in place prior to the migration of any service offerings that may involve sensitive, confidential or Personally Identifiable Information (PII) data to the cloud.

You may 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.

Best Wishes,

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

jc

cc: Kiran Chinnagangannagari, ADOA-ASET
David Nale, ADOA-ASET
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ASET# AD14008_A2

Analyst: Jeffrey Crane **PIJ Summary - ASET** Project Number: AD14008_A2

Agency Name & Address	*Contact Name & Phone*
Arizona Department of Administration 100 N. 15th Ave. Phoenix, AZ 85007	David Nale 602-542-2411 David.Nale@azdoa.gov
Project and Investment Justification Name	*Date Submitted*
Shared Services Platform	November 22, 2013 (original date) *October 1, 2014* (prior amendment) ***October 20, 2014*** (current amendment)

Project Overview

Problem Description

In Fiscal Year 2014 (FY14), a number of transformation initiatives were prioritized by Governor Janice K. Brewer, proposed in her budget, and subsequently codified into law. Included in the initiatives are projects designed to ensure the continuity of mission-critical systems that the Arizona Department of Administration (ADOA) operates on behalf of its customers and its own business operations. The State Data Center (SDC) currently hosts more than one hundred customers and processes billions of dollars' worth of transactions each year on behalf of the State. While the Arizona Strategic Enterprise Technology Office within ADOA (ADOA-ASET) completed a number of FY13 projects intended to improve the resiliency of the SDC, that level of investment cannot be sustained. Demands on current in-house computing resources as well as ADOA-ASET staff continue to increase as customer needs grow and change. Over time, the need to maintain every service offering ever provided to its customers, regardless of how many are currently utilizing an offering, has resulted in an unsupportable demand on ADOA-ASET resources, which can lead to poor customer experience, diminished service capabilities, overburdened resources, and an increased risk of failures.

Solution

In the pursuit of alternate solutions that can provide the shared services, scalability and business continuity needed to meet the expected level of growth across the enterprise, ADOA-ASET has adopted a 'Cloud First' strategy. In support of that strategy, ADOA-ASET is proposing to migrate 12 key service functions into a vendor-hosted 'cloud' computer network. Cloud computing has already proven itself to be a safe, secure, reliable, and effective resource for providing ADOA services such as MS Lync, Project Pro for MS Office 365, and Clarity v13. The 'Cloud First' approach is expected to allow ADOA-ASET to replace currently overburdened and/or outdated infrastructure with expandable hardware and software resources that are professionally managed and maintained. By utilizing cloud services to provide these functions, ADOA-ASET will be able to better support customer needs, while also reducing risk and establishing a more sustainable cost model.

The MS SQL license renewal sub-project, originally in scope, has been addressed as a separate project (AD14015). The original scope of work, as part of this PIJ, was to renew the licenses in a like-for-like renewal. It was determined a standard renewal would be insufficient to meet the needs of ADOA and the implemented Amazon Web Services (AWS) cloud-based environment. With the change in license type to support the expansion of the ADOA environment, it was decided to represent that scope of work as its own PIJ (AD14015), and the MS SQL scope from this PIJ be removed.

Additional time is being requested to complete the remaining scope of work of the project due to resource availability.

In addition to moving all ADOA Exchange users to the cloud environment, as proposed in the original PIJ, ADOA-ASET is planning to migrate all State agency customers currently utilizing ADOA Exchange services to the cloud as well.

Measurements and Deliverables

The proposed project will utilize vendor-hosted services to replace 12 current ADOA-ASET application functions with comparable or enhanced services in a cloud computing environment. Services to be migrated have been organized into the following three (3) major phases:

Phase 1 - expected to be complete by the end of quarter three FY14 (Q3FY14)

1. Content Management System (Drupal)
2. Email Newsletter (SES – eNewsletter Pro subscription email service)
3. MySQL Databases

Phase 2 - expected to be complete by the end of quarter one FY15 (Q1FY15)

4. Windows SharePoint Services
5. Microsoft (MS) Dynamics Customer Relationship Management (CRM) System
6. Exchange On-Premise to MS Office 365 Exchange 2013
7. Clarity v12 to v13 (Project Portfolio Management System)
8. Document Management System (Shared DMS - ICM ViewCenter enterprise version)

Phase 3 - expected to be complete by the end of quarter two FY15 (Q2FY15)

9. CA Service Management (including Service Desk Manager, IT Asset Management, and Client Automation components)
10. Windows Web Hosting (WWH internet hosting service for State agency websites)
11. MS SQL Server Databases
12. Document Management System (Dedicated DMS - ICM ViewCenter ADOA Risk Management version)

Pending additional detailed planning, the anticipated order in which these services will be migrated has been determined based on priority and complexity, and also to ensure that all implementation costs will be incurred by the end of FY14. While the project is expected to finish by the end of calendar year 2014, work required in FY15 will be completed by resources on staff, and therefore those costs are not reflected in the PIJ financials.

Development costs for each sub-project have been estimated based on capacity requirements and research done to date into up-front vendor charges to implement and migrate each service offering. Given that efforts to fully scope supporting requirements and costs are still in process, contingency has been incorporated. In addition to hosting services to be acquired from Microsoft, CA, and Amazon, professional services will also be acquired from Microsoft, CA, and Statêra, to assist internal resources with the CMS, CRM, and DMS, CA Clarity, and MS Exchange migrations respectively. Operational costs reflect ongoing vendor-hosting and licensing fees for five (5) fiscal years, however ADOA-ASET is expecting those to be offset by revenues generated through customer use of these services.

The costs associated with the MS SQL scope of work will no longer be expended, however the remaining scope of work project costs have come in higher than originally proposed resulting in no change to existing PIJ costs.

While this expansion will require the acquisition of additional user licensing, there are sufficient Licensing & Maintenance costs in the original PIJ to cover this expense. Additional professional services, to be provided by the current vendor (Statêra), will be needed to support the migration, with an additional $150,000 reflected in PIJ development costs. Total costs reflect the need for additional staff augmentation resources to provide ongoing operational support for the cloud environment.

Benefits

By moving 12 key services into the cloud environment, ADOA-ASET will be able to reduce the current demand for SDC computing resources, while also allowing in-house staff resources to focus on core competencies needed to support business operations on behalf of the State. Most of these application functions will benefit from the greater availability of services, reduced on-premise hosting costs, and reduced demand on internal resources as a result of the move into a cloud environment. Additional benefits include:

- **No upfront infrastructure investment:** In contrast to the State's current acquisition investment model, resources in the cloud environment are paid for as they are consumed.
- **Ongoing cost:** Economies of scale enable cloud computing vendors to offer lower prices and multiple pricing models that allow customers to optimize costs for both variable and stable workloads, thereby driving down ongoing costs.
- **Flexible capacity and agility:** ADOA-ASET will be able to self-provision resources that may be needed at any point, in much smaller increments, without the lag time typically associated with procuring traditional IT infrastructure.
- **Focus on applications, not operations:** By supporting the re-allocation of IT resources toward new, more innovative efforts, cloud computing allows limited staff resources to focus on tasks that increase productivity, improve the customer experience and promote momentum for the enterprise.

The benefits of the MS SQL licensing scope will not be realized as part of this project. The remaining benefits of this project will still be met.

With the migration of all ADOA and State Agency Exchange users to the cloud environment, ADOA-ASET will be able to eliminate the need to maintain the on-site Exchange environment.

Project Management

The ADOA-ASET Project Manager will work with ADOA-ASET subject matter experts and vendor resources to complete the project deliverables.

Enterprise Architecture

Compliant.

Original Summary of Proposed Costs

All Figures in Thousands ($000)						
Cost Description	2014	2015	2016	2017	2018	Total
Development Costs	800.0	0.0	0.0	0.0	0.0	800.0
Operational Costs	92.9	657.0	657.0	657.0	657.0	2,720.7
Total Project Costs	892.9	657.0	657.0	657.0	657.0	3,520.7

Amendment #1 Summary of Proposed Costs as of October 1, 2014 (No Change)

All Figures in Thousands ($000)						
Cost Description	2014	2015	2016	2017	2018	Total
Development Costs	800.0	0.0	0.0	0.0	0.0	800.0
Operational Costs	92.9	657.0	657.0	657.0	657.0	2,720.7
Total Project Costs	892.9	657.0	657.0	657.0	657.0	3,520.7

Amendment #2 Summary of Proposed Costs as of October 20, 2014

All Figures in Thousands ($000)						
Cost Description	2014	2015	2016	2017	2018	Total
Development Costs	800.0	150.0	0.0	0.0	0.0	950.0
Operational Costs	92.9	842.5	657.0	657.0	657.0	2,906.2
Total Project Costs	892.9	992.5	657.0	657.0	657.0	3,856.2

Recommendation: **Approval with Conditions**

1. As a result of further planning and implementation efforts, should there be significant changes in the proposed costs, technology approach, scope of work, or schedule, ADOA-ASET must amend the PIJ to reflect the changes and submit the updated PIJ to the ADOA-ASET Strategic Oversight team for review, and approval as necessary.
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