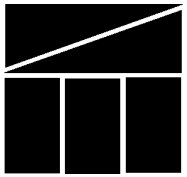
Performance Budgeting System

House Appropriations Committee

January 23, 2012



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Performance Budgeting – the business case for a new system . . .

- PROBud, the previous legacy system that was the core budget system for Virginia, was developed and released by Price-Waterhouse in the late 1970s.

- Weaknesses of PRObud:
  - Based on out-dated programs
  - Flat file system – no relational data capabilities
  - Fixed number of fields with fixed field lengths
  - Could not be updated – limited ability to upgrade legacy software to meet changing business needs
  - Could not be easily integrated – lack of uniformity and flexibility to add new products and services that contemporary platforms offer
  - Documentation of system deteriorated with the passage of time

Performance Budgeting – the business case for a new system *(continued)* . . .

- Over the years, a number of ad-hoc internal systems had been developed as work around solutions to keep up with technology and work demands. These systems lacked formal support and documentation.

- Benefits of a new system:
  - Elimination of dependence on legacy mainframe systems
  - Fresh start to document new systems and processes
  - Integration with new business applications
  - Ability to leverage Web and service-oriented architecture
  - Flexible information technology architecture
  - Reduction of risks associated with running potentially unsupported hardware and software

Performance Budgeting – the following systems are being replaced . . .

- PROBud
- WebBEARS
- ExpendWise
- BudgetWise
- FATS (Budget Execution)
- Capital Planning Access Databases
- Six-Year Nongeneral Fund Access Databases
- Six-Year Financial Plan Spreadsheets and Word Documents
- Virginia Performs
  - Strategic Planning
  - Management Scorecard
  - Performance Measurement

Performance Budgeting – business goals for a new system . . .

- Improved budget decision-making by providing the ability to systematically link strategic and service area plans, performance measures, and budgets
  - Allow the Commonwealth to determine and deploy best business processes
  - Provide better information for decision makers and agencies
  - Improve budget transparency
  - Enhanced reporting capability

- Efficiency and productivity improvements
  - Eliminate redundant data entry, reconciliation, and verification of data integrity
  - Automate workflow capabilities
  - Permit a flexible and extensive account classification structure
  - Provide a Web-based, intuitive user interface
  - Integrate data and analysis tools with powerful reporting capabilities
  - Establish comprehensive security and internal controls
  - Integrate spreadsheets, word processing, and publishing software

Performance Budgeting – business goals for a new system . . .

- Major process re-engineering and software implementation effort designed to:
  - Minimize risk of dependence on older technologies
  - Increase effectiveness and efficiency by replacing numerous disparate systems with a fully integrated enterprise performance budgeting system
  - Position the Commonwealth to exploit emerging technologies
  - Deliver custom interfaces to Commonwealth legacy systems
- Integration of strategic planning and budgeting with functionality to input, modify, and store performance budgeting data
- Enhanced budget development and monitoring functionality for agencies
- Facilitate personnel training through use of online training modules

Performance Budgeting Background – the path from development to implementation . . .

- A Request for Proposal (RFP) for performance budgeting software and implementation services was released in December 2008
- In July 2009, the Commonwealth of Virginia entered into a contract with Project Performance Corporation to implement a new Performance Budgeting system for the Commonwealth
- The project started in August 2009
- The new, fully integrated, Web-based system was completed and began operation of Phase I budgeting modules in September 2010
- Phase II, Strategic Planning and Agency Spend Plan modules, was scheduled for implementation in April 2011

Performance Budgeting Background – the path from development to implementation *(continued)* . . .

- Contract was modified to change Phase II implementation date to June 2011 and add a Phase III (additional budgeting functionality and the correction of some functionality from Phase I) changing the project completion date to March 2012

- Vendor did not deliver Phase II on time, so Phase II work was deferred until after budget development season

- Phase III work continued and is near completion

- Remaining contract work is scheduled for completion by March 2012 and the project is scheduled to close by the end of the fiscal year

- Project is a fixed-price contract so delays present no additional cost to the Commonwealth

Performance Budgeting – summary of project development costs . . .

- Funded through working capital advance
  - $15.0 million projected total project cost
  - $10.9 million expended through November 2011

- Project costs include things such as:
  - Consultant software implementation and integration services
  - Hardware costs and other VITA costs for various development server environments
  - Budget software licensing and maintenance costs
  - Other software licensing for business intelligence tools and publishing tools
  - Other consulting services

Performance Budgeting - project budget status . . .

Performance Budgeting Project Costs Data as of 11/30/11		
	Actual Cost	**Total Project Budget**
Internal Staff Labor	1,188,642.00	1,238,926.51
Services	6,440,142.20	9,566,962.06
Software Tools	1,762,802.58	1,947,008.46
Hardware	388,111.25	426,575.00
Maintenance	11,000.00	74,600.00
Facilities	54,984.72	60,000.00
Training	513,625.29	575,400.00
Independent Verification & Validation	53,000.00	124,000.00
Contingency Risk	464,759.15	939,848.00
Other	9,892.96	46,992.48
Total	**10,886,960.15**	**15,000,312.51**

Performance Budgeting - ongoing costs . . .

- A contract for annual systems maintenance and support is under development - anticipated start of July 2012

- Funded through internal service fund
  - Amounts will be charged to agencies based on their pro-rata share of Legislative appropriation
  - Total annual maintenance and support cost estimated at $3.9 million
  - General fund share of the ongoing cost is $1.7 million

- Other ongoing costs include things such as:
  - Hardware costs and other VITA costs for server environments
  - Software licensing and maintenance costs
  - Consultant help desk support
  - Capitalization of certain project development costs

Performance Budgeting - ongoing costs . . .

Item	Annual Cost
BIDS Application Software Maintenance	$265,455
LogiXML Report Software Maintenance and Support	$17,000
Pattern Stream Publishing Tool Software Maintenance	$5,600
Team Foundation Server Hosted Environment	$20,076
Hosted Disaster Recovery Site	$4,000
Other System Software (Webinar, other MS Products, Key fobs, etc.)	$6,619
DPB Application Support (2 FTEs)	$214,000
Consultant Application Support - Help Desk (1 FTE)	$312,000
Consultant Application Administration Support (3.5 FTEs)	$1,040,000
Supplemental Northrup Grumman Consulting Support	$75,000
Consulting Support for Pattern Stream Publishing Tool	$75,000
Consultant 24x7 Budget Development Support for 3 months per year	$25,000
VITA Hardware Charges	$446,000
Total Operating and Maintenance	$2,505,750
Capitalization Costs ($14,041,311, amortized over 10 years)	$1,345,626
Other Costs (non-capitalization costs, $959,000 amortized over 10 years)	$96,000
Federal recovery of non-capitalization costs (15 percent of non-capitalization costs)	$14,400
Total (Annual GF Share = $1,656,925)	**$3,961,775**