

**Appendix 2 to  
Second Amendment of  
Master Services Agreement**

**DIR-ESS-TGOV-SVCS-254**

April 13, 2020

**State of Texas**  
**Department of Information Resources**



**Texas.gov Services**

**Exhibit 4.0**

**Business Model**

**VERSION 1.4**

**DIR-ESS-TGOV-SVCS-254**

April 13, 2020

## Contract Change Log

<b>Amendment/CCR #</b>	<b>Date</b>	<b>Description of Changes</b>
Amendment 1	January 15, 2019	<ul style="list-style-type: none"><li>• Addition of Section 8.8 Optional Third Party Identity Proofing Charges to add third-party identity proofing services description.</li></ul>
Amendment 2	April 13, 2020	<ul style="list-style-type: none"><li>• Addition of Section 8.11 Software Service Charge (SSC)</li></ul>

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## INTRODUCTION

The following documents comprise the entire Business Model for the Texas.gov Request for Offer (RFO):

1. Exhibit 4.0 – Business Model
2. Exhibit 4.1 – Pricing Structure
3. Exhibit 4.2 – Financial Responsibility Matrix
4. Exhibit 4.3 – Form of Invoice
5. Exhibit 4.4 – Assets
6. Exhibit 4.5 – Third Party Service Providers
7. Exhibit 4.7 – Skill Set Descriptions

This Exhibit describes the methodology for calculating the Charges for all Services, unless otherwise expressly provided in the Master Services Agreement (“MSA” or “Agreement”).

The Respondent shall follow the instructions contained within these and all other RFO and Agreement documents, including all Exhibits.

All capitalized terms in this **Exhibit 4.0 Business Model** shall have the same meanings given them in **Exhibit 1.1 Definitions**. All **Exhibit 4.0 Business Model** documents hereto are incorporated by reference herein.

The Successful Respondent shall be responsible for the accuracy and completeness of the operational and financial assumptions underlying its pricing, and if such assumptions are incorrect or incomplete, the Successful Respondent shall not be entitled to adjust its pricing or any other terms of the Agreement.

All Charges calculated in accordance with **Exhibit 4.0 Business Model** shall be invoiced to DIR by the Successful Respondent in accordance with the applicable invoice and payment provisions set forth in **MSA Section 12 Invoicing and Payment**. The Successful Respondent shall not impose any fixed or monthly required minimum fees or support level pricing for any Service or at the total contract level; in no event will DIR be required to pay Successful Respondent for Services not consumed or utilized by DIR.

All Charges are expressed and shall be paid in U.S. Dollars.

## 1 CHARGES CATEGORIES

The Annual Charges for Successful Respondent Services for each Contract Year are set forth in **Exhibit 4.1 Pricing Structure** and reflect the resources required to provide Successful Respondent Services. There are four (4) Successful Respondent Services Charge Categories that fully compensate Successful Respondent for providing Services, each designed to bundle Services with similar economic profiles:

1. **Fixed Charges** encompass Services with static cost structures, even during times of growth or recession;

2. **Variable Charges** represent Services whose cost structure to deliver the Services is highly dependent on the underlying volumes of Service;
3. **Pass-Through Expenses** are for Successful Respondent expenses that DIR has agreed to pay directly to a Third Party or reimburse to Successful Respondent, and
4. **Transition Charges** are for defined Milestones paid upon delivery and acceptance of Transition Services.

Charges may be revised from time to time by agreement of the Parties based on the usage, demand, and business requirements of DIR Customers. Charges may only be modified over time in accordance with the Agreement, including this Exhibit. Successful Respondent acknowledges and agrees that the Charges (Fixed, Variable, and Transition), as adjusted pursuant to this Exhibit, fully compensate Successful Respondent for providing the Services.

Notwithstanding situations as contemplated in the previous paragraph, in managing the provision of Services, the Successful Respondent shall maintain the flexibility to respond to changes in DIR Customers' demand for the Services on a day-to-day and month-to-month basis, particularly as to those portions of the Services where DIR Customers experience significant variations in demand. Unless otherwise provided in the Agreement, if the provision of the Services requires increased dedicated support, additional resources, or extended hours of service, the Successful Respondent shall provide such support, resources, or extended hours of service at no additional charge to DIR Customers.

**Exhibit 4.0 Business Model** is not intended to fully describe each Service in detail but rather how the Services are charged, with **Exhibit 2.1.1 Cross-functional Statement of Work**, **Exhibit 2.1.3 Texas.gov Statement of Work**, **Exhibit 2.2 Termination Assistance Services**, and **Exhibit 2.3 IT Service Management Continuity** providing a description of the Services, **Exhibit 3.0 Performance Model** providing a description of the expected performance, and the Successful Respondent solution document providing a description of how Successful Respondent intends to deliver the Services, including the required people, processes, and tools included in the Charges. **Exhibit 4.2 Financial Responsibility Matrix** provides guidance with respect to the financial responsibilities of the Successful Respondent and DIR.

The Successful Respondent shall invoice DIR on a monthly basis in accordance with **MSA Section 12.1 Payment Processing Services** for a pro rata portion of the Annual Fixed Charge, which shall be calculated by dividing the Annual Fixed Charge specified in **Exhibit 4.1 Pricing Structure** for the applicable Contract Year by the twelve (12). Variable Charges may change on a monthly basis based on the methodology for calculating Charges.

The Successful Respondent shall invoice DIR for Transition Charges, MGMW and OTC Work Orders upon completion of Milestones but no sooner than the first month following the Commencement Date.

### 1.1 Pass-Through Expenses

The Successful Respondent shall administer and invoice DIR for Pass-Through Expenses identified in **Exhibit 4.1 Pricing Structure** in accordance with **MSA Section 11.2 Pass-Through Expenses** and pursuant to the applicable procedures in the Service Management Manual (SMM). No new Pass-Through Expenses may be added without DIR's prior written consent, which it may withhold in its sole discretion. The foregoing notwithstanding, the Successful Respondent shall comply with the terms and conditions of **MSA Section 11.2** with respect to the procurement and pricing of any goods or services that are designated for procurement on a Pass-Through Expense basis. The administration/processing of Pass-Through Expenses by Successful Respondent will be charged to DIR Customers as a 2.5% markup of the Pass-Through invoice amount.

### 1.2 Transition Charges

Charges include certain Transition Charges set forth in **Exhibit 4.1 Pricing Structure** that are payable in the amounts set forth and so billed to DIR in accordance with the schedule set forth in **Exhibit 4.1 Pricing Structure** provided that MSI has obtained DIR's Acceptance of the applicable Transition Milestones. DIR will pay Transition Milestones completed and accepted prior to Commencement Date as part of the first Monthly Invoice to DIR after Commencement.

Transition Charges consist of Charges for performance and Acceptance of all Transition Services and must be set forth in **Exhibit 4.1 Pricing Structure**. Such Transition Charges will be itemized on the applicable Monthly Invoices to DIR in sufficient detail to delineate the specific nature of the Charges. The invoice will clearly identify each Transition Charges (i.e., the relevant Transition Milestone with which it is associated).

### 1.3 Changes to Pricing Structure

DIR may from time to time (e.g., based on information provided by Successful Respondent in response to a DIR request for analysis for savings opportunities pursuant to **Section 9.5(c) Change Control, DIR Approval** of the Agreement) propose to add, remove, or modify the methodology for charging Services and may also from time to time, by giving at least thirty (30) days' notice to Successful Respondent (or such shorter period as may be required by applicable Laws), move Charges from one (1) Charge Category to another Charge Category, in each case for purposes of re-allocating the pricing under the Agreement without changes in scope; provided that, in any such event, the aggregate Monthly Charges for all Charge Categories shall not be increased or decreased as a result of such re-allocation. Notwithstanding the foregoing, in connection with changes to Charge Categories, DIR may also propose appropriate adjustments to reduce the existing or new Charges, as applicable, to reflect advancements or changes in technology and related changes in functionality and relative performance, where applicable. If DIR proposes to add or remove a Charge Category or move Charges from one Charge Category to another, the Parties shall agree on the Charges components applicable thereto and on corresponding adjustments to the Charges components for the remaining other Charge Categories. Notwithstanding the foregoing, to the extent any of the foregoing changes are required by federal funding requirements or applicable Laws, MSI will implement such changes in a timely manner upon notice from DIR, and if such changes require the addition or removal of

a Charge Category, then the Charges components applicable thereto and the corresponding adjustments to the Charges components for the remaining other Charge Categories shall be equitably adjusted by the Parties.

#### 1.4 Adjustments to Charges

Adjustments to the Charges pursuant to this Section shall not (a) be made because of any temporary or seasonal fluctuations in the volume of the Services and (b) result in Charges being higher than such Charges would have been if the then-current Charges methodology had been applied. DIR may, in its sole discretion and upon notice to Successful Respondent, direct Successful Respondent to move Charges from one Charges Category to another to maintain alignment of delivery costs with Services. Successful Respondent shall implement such changes as soon as practicable, but in no event more than ninety (90) days from receipt of DIR's notice, and implementation of such changes shall be at no cost to DIR.

#### 1.5 Billing Measurement Validation

Prior to invoicing Services, DIR and the Successful Respondent shall review the tools and processes used for invoicing and Chargeback, as well as resulting data, to ensure such tools and processes are appropriate, accurate, and producing consistent data. Successful Respondent shall obtain DIR Acceptance for all measurement and tracking tools, methodologies, processes, and reports used to produce the Charges, and, in coordination with the MSI, Successful Respondent shall document tools, methodologies, and processes in the SMM.

DIR will have the right to access, audit, and validate the measurement and tracking tools and output results as a means to validate the Charges on a quarterly basis or as described in the SMM.

DIR may also require the Successful Respondent to utilize a designated measurement tool, approved by DIR, in the invoicing or Chargeback process, at no additional cost to DIR, if IV&V results determine the existing measurement or tracking tools do not consistently perform accurately or otherwise in accordance with the requirements of this **Exhibit 4 Business Model**. Any tool changes and/or processes proposed by Successful Respondent require prior DIR Acceptance, which DIR may withhold in its sole discretion.

#### 1.6 New Services Charges

If and to the extent that DIR requests Successful Respondent to perform any New Services in accordance with the terms of the Agreement, the Charges shall be adjusted in accordance with the corresponding proposal submitted by Successful Respondent and approved by DIR in accordance with **Section 11.5 New Services** of the Agreement; provided, however, that to the extent that any New Services are FTE-based, the Charges for such New Services shall be subject to the terms of **Section 10**, unless the Parties otherwise agree in writing.

## 2 BILLING TRIGGERS

A mutually agreed upon policy and process will be established to determine the criteria that must be met to initiate or stop billing for a Service. These billing triggers will be documented in the SMM. At a minimum, the billing triggers should address the following scenarios to determine the appropriate criteria that must be met to generate a Charge increase or decrease:

1. Criteria for a Variable Charge to begin billing
2. Acceptance criteria of an Application Development Services Milestone (ADS)
3. Acceptance criteria of an Application Development Services Final Payment
4. The addition or removal of an application in Application Maintenance Services (AMS)

The trigger documentation should address all Services impacted by the event with reference to CMDB status where appropriate.

## 3 CHARGEBACK

The Multi-sourcing Services Integrator (MSI) is responsible for developing, managing, and maintaining the Chargeback System as well as developing and coordinating the associated processes for all SCPs, as described in **Exhibit 2.1.1 Cross-Functional Statement of Work**. SCPs are responsible for data collection, data integrity, and providing data feeds to the MSI for charging back those fees to DIR Customers. Where applicable, the MSI manages the Chargeback unit rate development process in coordination with DIR. DIR provides the methodology and the MSI develops the calculations and maintains the process, which may include the allocation of some or all of the MSI's or SCP's Charges into another SCP's Charges for Chargeback purposes.

The MSI is the financial intermediary between the SCPs and DIR. In this role, the MSI provides the Services to provision and manage the Chargeback and Utilization Tracking System, Chargeback and utilization reporting, Chargeback invoice consolidation, and management of the invoice dispute process. A component of the Chargeback invoice consolidation responsibility is the reconciliation of the cumulative total of the MSI and all SCPs' Monthly Invoices with the cumulative total of the Customers' Chargeback invoices. The MSI provides DIR with the supporting detail necessary to facilitate DIR's payment of the Monthly Invoice to each SCP. A description of the current Chargeback system, capabilities and process is described in **Appendix B Chargeback and Reporting Services**.

For all Charges, Successful Respondent will provide data to the MSI to support the Charges by DIR Customer and DIR Customer account identifier that conforms with the requirements of **Section 12.1 Payment Processing Services** of the Agreement. The MSI shall make available to DIR and DIR Customers through the Portal the monthly chargeback volumes, rates, and extended charge per Service per DIR Customer and DIR Customer account identifiers. The MSI shall use the DIR approved methodology to allocate SCP and MSI service level credits to DIR Customers based on the nature of the credit and the impacted DIR Customers in accordance with the SMM. Service level credits are only allocated to DIR Customers once the right of Earnback has been lost or has expired. Chargeback detail for each Customer should be made available in

the chargeback system and on the Portal in a format that aligns with the form(s) of invoice described in **Exhibit 4.3 Form of Invoice**.

At a minimum, DIR requires the Successful Respondent and MSI to provide detailed billing data by DIR Customer, DIR Customer account identifier, by service type and by such factors as requested by DIR, including the ability to track usage by major Application and Authorized User. DIR is responsible for providing Successful Respondent and MSI with the factors to track, as well as the methodology to be used to indicate usage among such factors. The MSI provides detailed billing information available online in a database that lends itself to searching, ad hoc reporting, and the ability to export data. This detailed billing information, provided by the MSI, must include the current Contract Year and the previous two (2) Contract Years' data. Billing detail beyond this time period is archived and available upon request.

Successful Respondent shall develop and implement changes to comply with OMB Guidance for Grants and Agreements (Title 2, Subtitle A, CFR 200) based upon chargeback requirements provided by DIR. The chargeback unit rate methodologies may be adjusted as necessary to meet federal approval or to better facilitate effective and efficient charging of the Services to DIR and DIR Customers.

For most billable Services, the chargeback methodology will distribute charges to the benefiting programs based upon proportionate usage. This approach requires appropriate utilization data be captured for each Service and used to distribute charges to the benefiting programs identified by each DIR Customer.

For certain billable Charges, such as Transition Charges, it may not be possible to determine utilization attributable to specific DIR Customers. In this case, the charges associated with each milestone are distributed to the DIR Customers in the following manner, as directed by DIR.

1. Charges directly attributable to a DIR Customer should be allocated to that DIR Customer.
2. Charges which cannot be attributable solely to a DIR Customer should be allocated based on each DIR Customer's total costs as a proportion of the total costs for all Customers.

#### **4 FINANCIAL PLANNING AND FORECASTING**

The Successful Respondent shall provide the MSI with a semi-annual forecast of Charges and usage trends by Service (aligned with the State's fiscal year). The forecast must be inclusive of all volumes and Charges, including Projects, New Services, and forecasted DIR Customer volume and Charge changes required to support their budgeting process. The forecast must include all known and expected changes captured as part of the Technology Plan and Capacity Management processes. As described in the SMM, such forecasts shall be delivered by Successful Respondent to DIR on the following schedule:

- In even-numbered years, the Financial Forecast will be delivered on **February 1** and **October 1**. The February 1 Financial Forecast will include updated forecasts for the current biennium and projections for the next biennium.

- In odd-numbered years, the Financial Forecast will be delivered on **April 1** and **October 1**.

The Successful Respondent shall provide DIR with a historical view of actual billed Services per month as set forth in a standard report delivered through the Portal – the form and substance of which shall be approved by DIR within sixty (60) days after the Effective Date. This report shall provide an eighteen (18) month rolling view of billed Services for the eighteen (18) months immediately prior to the month in which such report is provided.

## 5 VOLUME DISCOUNT

The volume discount excludes all consideration of transition services and the My Government My Way work order.

Successful Respondent shall apply the following volume-based discounts for the total work delivered to Customers as per the following incremental volume discount tiers:

<i>Monthly Charges</i>	<i>Incremental Volume Discount %</i>
Less than \$2.25 Million	0%
Between \$2.25 Million & \$2.75 Million	4%
Between \$2.75 Million & \$3.25 Million	7%
Above \$3.25 Million	10%

The foregoing discounts apply on an aggregate incremental tiers basis and not applied unilaterally to the entire sum of Charges. For example, if the Monthly Charges for service types (ADS, AMS & Rate Card Resources) equals \$2.2M, the first \$1M will be discounted by the first tier percent and the second \$1.2M will be discounted by the second tier percent and so on.

## 6 CONTRACT PERFORMANCE INCENTIVES

The Successful Respondent shall have the option throughout the term of this Agreement to propose initiatives to DIR that create value in areas that are not already identified and required in the Agreement. These Contract Performance Incentives (CPIs) are intended to incent Successful Respondent performance beyond the requirements of the Agreement, including but not limited to significant improvement in Key Performance Indicators (KPIs) described in **Exhibit 3.4 Performance Analytics**. CPIs are outcomes-based performance incentives that are designed to reward innovation investments that create value that is shared between the Successful Respondent and the state. As an example, the Successful Respondent may consider investing in a consumption management program designed to optimize Customer Shared Service spend that creates value beyond the cost of the initiative.

DIR may identify a business objective and solicit the Successful Respondent for a CPI initiative proposal or the Successful Respondent may independently approach DIR with a proposed CPI initiative. In either scenario, the Successful Respondent will develop a CPI proposal that includes the following:

1. Objective and quantified outcome;
2. Acceptance criteria defining measure of success;
3. Detailed description of initiative and solution;
4. Business model, including:
  - a. Successful Respondent investment amount and description;
  - b. Total value created and proposed sharing of value between MSI and DIR; and
5. Assumption and dependencies.

DIR has the option to accept, propose changes to, or reject the proposed CPI initiative. DIR does not anticipate funding the CPI initiative but rather sharing the value that is created with the Successful Respondent. This value sharing may take the form of monetary compensation or contract term extension, depending on the nature and size of the value created. All approved CPI initiatives will be documented with a Work Order that describes the business model terms and acceptance criteria in detail.

## 7 APPLICATION DEVELOPMENT SERVICES (ADS)

### 7.1 Application Development Services Fixed Fee

Application Development Services shall be completed by Successful Respondent for Fixed Fee Payment Based Milestones. At no additional cost, the Successful Respondent shall provide DIR with an ADS cost estimate in accordance with **Attachment D Form of Work Order** and in alignment with the Services described in **Exhibit 2.1.3 Texas.gov Services Statement of Work**. Upon DIR approval, Work Orders will be added to **Exhibit 4.1 Pricing Structure**.

Service proposals shall be approved by Customers prior to work commencing. Any work performed prior to Customer approval shall be the Successful Respondent's financial responsibility. Successful Respondent shall not charge Customers more than the Customer-approved Service Proposal without first obtaining Customer's approval according to the process defined in the SMM.

### 7.2 Application Development Services Payment Based Milestone Payments

Successful Respondent and Customers shall agree to the ADS Payment Based Milestones as part of the **Attachment D Form of Work Order**. The Payment Based Milestones shall be associated with defined Deliverables that align with completion of specified ADS phases or interim Deliverables that are measurable and acceptable to the Customer.

If Successful Respondent fails to successfully complete any Payment Based Milestone by the date specified in the Service Proposal, the Customer shall not be required to pay any portion of

the Charges associated with the Payment Based Milestone unless, and until, the successful completion of that Payment Based Milestone is approved by the Customer. The Successful Respondent and Customers agree the Milestone Amount shall reflect the accrued, but not yet invoiced Successful Respondent Charges incurred in performing the ADS related to the Payment Based Milestone.

After any given Payment Based Milestone has been successfully completed by Successful Respondent, and approved by the Customer, Successful Respondent may invoice the Customer for the Payment Based Milestone amount specifically as adjusted by the ADS Final Payment Percentage described in **Section 7.3** below. Successful Respondent shall not invoice the Customer for any amounts other than the Payment Based Milestone amount.

### 7.3 Application Development Services Final Payment

Customers shall retain the sum calculated by applying the ADS Final Payment Percentage of 10% to each accepted Payment Based Milestone amount (“**ADS Final Payment**”).

- a) **Provided the Successful Respondent has rectified all Severity 1 and 2 defects, the ADS Final Payment shall become payable upon on the sooner of i) final Payment Based Milestone acceptance and the Application’s Warranty Period expiration; or ii) forty-five (45) days from last Payment Based Milestone acceptance.**
- b) **If any Severity 1 or 2 defects are outstanding, Customers may retain the ADS Final Payment until such time the defect is resolved, at which time Customers must pay the ADS Final Payment, less any costs or expenses incurred for any third party to perform the Successful Respondent obligations in relation to the defect, including any legal costs incurred in resolving the defect, whether such costs are incurred in to ensure the Successful Respondent performs its obligations or to engage a third party to do so, in accordance with the Agreement.**

### 7.4 Application Development Services Termination Charges

In the event a Service Proposal is terminated a Customer shall pay all amounts due for Services performed by the Successful Respondent and ultimately accepted by the Customer.

## 8 APPLICATION MAINTENANCE SERVICES (AMS)

### 8.1 Application Maintenance Services Fixed Fee

Respondent shall charge an annual fixed fee for the provision of all Application Maintenance Services. The AMS Fixed Fee for each Contract Year will be set forth in **Exhibit 4.1 Pricing Structure**, and the labor component of the AMS Fixed Fee will be based on **Exhibit 4.1 Pricing Structure** AMS Resource Rates. Upon DIR approval, Work Orders will be added to **Exhibit 4.1**.

The AMS Fixed Fee, as adjusted pursuant to this Exhibit, shall fully compensate Successful Respondent for providing AMS, including the Third Party Software Acceptance activities, for

the Applications as set forth on **Exhibit 4.4 Assets**. Unless otherwise provided in the Agreement, if the Services requires increased dedicated support, additional resources, or extended hours of service, Successful Respondent shall provide such support, resources, or extended hours of service at no additional Charge.

Successful Respondent shall invoice on a monthly basis in accordance with Section 12.1 of the Master Services Agreement for a pro rata portion of the AMS Fixed Fee, which shall be calculated by dividing the AMS Fixed Fee specified in **Exhibit 4.1 Pricing Structure** for the applicable Contract Year by the number of months in that Contract Year the Successful Respondent is providing Services.

Specifically excluded from AMS are Major Enhancements which shall be charged as Application Development Services. Minor Enhancements are included in the AMS Fixed Fee.

## 8.2 Initial AMS Baseline

During the three (3) months following the Commencement Date, Successful Respondent shall complete an AMS hourly support baseline per Application (“AMS Baseline”). The AMS Baseline and skill level labor category of resources will be used to allocate the AMS Fixed Fee proportionately to each Application (“Proportional AMS Application Fee”). For example, if 10% of all AMS effort is spent supporting Application A, then 10% of the AMS Fixed Fee would be associated with Application A.

## 8.3 Productivity Improvements

Successful Respondent has committed to improve the AMS productivity during the Term. The AMS Fixed Fee must include year-on-year reductions related to the AMS productivity improvements.

## 8.4 Application Removal

If an Application is removed from the Supported Applications List, the AMS Fixed Fee will be reduced by the Proportional AMS Application Fee applicable to that Application and shall be reflected in the first monthly invoice following retirement.

## 8.5 Application Addition

If an Application is added to the Supported Applications List (“**New Application**”), the Successful Respondent shall provide DIR with an AMS cost estimate in accordance with **Attachment D** of the Master Services Agreement and in alignment with the Services described in **Exhibit 2.1.3 Texas.gov Services Statement of Work**. During the three (3) months following the date the New Application enters the Production environment, Successful Respondent shall complete an AMS hourly support baseline (“**New Application Baseline**”).

After the completion of the New Application Baseline, Successful Respondent shall provide DIR with the baseline details (including the number of Personnel hours, resource mix, labor category and skill set of resources used to support the New Application) and recommended number of ongoing support hours. Thereafter, the Successful Respondent and Customer shall review the

New Application Baseline and agree to the AMS Fixed Fee adjustments according to the project change processes defined in the SMM. The AMS Fixed Fee adjustment shall be determined in accordance with the following subsections:

- a) Such AMS Fixed Fee adjustment shall be based on a blended rate that is consistent with the rate applied to other similar, if applicable, Applications under AMS support.
- b) With respect to a New Application developed by the Respondent as part of ADS, the New Application AMS Fixed Fee adjustment shall not exceed 15% of the New Application ADS effort, inclusive of the original ADS Monthly Productive Hours Worked plus any approved ADS project change request, multiplied by the appropriate AMS Rate Card rates in effect at that time.
- c) Maintenance for the support of COTS packages, exclusive of supporting manpower, will be passed through to DIR at the COTS vendor's maintenance rate for the application itself plus the standard Pass-Through Charge.
- d) For the development of new, custom application software, the post-production maintenance costs will be agreed upon prior to beginning new application development so that DIR understands the total cost of ownership for that application before approving its development.
- e) The New Application AMS price must include year-on-year productivity improvement reductions equal to the productivity improvements of the current Application Portfolio.

## 8.6 Application Changes

If an Application on the Supported Application List is changed because of ADS, or if the AMS requirements associated with an Application change, the Proportional AMS Application Fee may be adjusted as agreed by the Parties based on the scope of the change, as long as the anticipated AMS change is identified at the time the ADS or other development work is initially authorized. A Proportional AMS Application Fee change shall not negatively impact the year-on-year productivity commitments in Section 9.3 above.

## 8.7 DPS Device Management Changes

Charges associated with managing DPS field devices, including all hardware, shall be a separate variable charge based on number of devices supported. One DPS field device is equal to one thin client. Peripheral equipment is not counted as a DPS field device. Successful Respondent will measure and determine as of the last day of each calendar month the volume of devices for purposes of determining the Charges for such month. Devices held in inventory and not in active production are not included as billable volumes.

## 8.8 Optional Third Party Identity Proofing Charges

Charges associated with delivering third-party identity proofing services. One unit is equal to one successful, or failed, third-party identity proofing transaction. Successful Respondent will

measure and determine as of the last day of each calendar month, the volume of transactions for purposes of determining the Charges for such month.

### 8.9 Cross-functional Charges

Charges associated with delivering the cross-functional support requirements shall be reflected in the Cross-Functional Fixed Fee section of **Exhibit 4.1 Pricing Structure**.

### 8.10 Application Maintenance Services Termination Charges

In the event a Service Proposal is terminated a Customer shall pay all amounts due for Services performed by the Successful Respondent and ultimately accepted by the Customer.

### 8.11 Software Service Charge (SSC)

If requested by the Customer, the Charges shall include application software, application software maintenance or application software as a service procured by the Service Provider pursuant to the Software Charge methodology below and utilized by Service Provider in the provision of the Services. SSC/SaaS shall be based on the application software expenditures paid or incurred by Service Provider. Service Provider will use commercially reasonable efforts to obtain the lowest possible discounted prices for such application software for the benefit of Customer, including utilization of DIR purchase arrangements in accordance with the Agreement. Notwithstanding anything to the contrary herein, (a) Customer shall have the option of procuring such application software directly from Third Parties; (b) Customer shall pay upon delivery of such application software, maintenance or software as a service and on the payment schedule agreed to in a Demand or Solution Request at cost; and (c) Customer shall have the option of procuring such application software directly from Service Provider under this Agreement only to the extent Customer obtains Service Provider's support of such application software pursuant to the terms of this Agreement (except to the extent otherwise mutually agreed).

## 9 RESOURCE ROLES AND RATES

**Exhibit 4.7 Skill Set Definitions** provides a description of the Labor Categories and Resource Roles therein. Successful Respondent shall use these Labor Categories and Resources Roles along with the related Rates in developing all Solution Proposals and cost estimates. Cost estimates should be developed using Full Time Equivalent productivity, which equates to a level of effort, excluding vacation, holidays, training, administrative and other non-productive time (but including a reasonable amount of additional work outside normal business hours), equivalent to that which would be provided by one person working full time for one year. Unless otherwise agreed, one FTE is assumed to be 1,920 productive hours per year. Pricing for services provided under this Contract are inclusive of any travel expenses that may be incurred in the performance of those services.

Customers shall not incur any Resource Charges for project scoping, solutioning and proposal activities.

## 10 OTHER SERVICES

### 10.1 Texas.gov Services Outreach and Growth

For Outreach and Growth Services, Respondent shall be compensated on a fixed fee basis with the opportunity to earn incentive compensation based upon growth in the Services.

#### 10.1.1 Fixed Charge

The Successful Respondent shall charge an annual fixed fee for Outreach and Growth Services. The Outreach and Growth Fixed Fee for each Contract Year will be set forth in **Exhibit 4.1 Pricing Structure**. The Fixed Fee shall fully compensate Successful Respondent for providing Outreach and Growth Services. Unless otherwise provided in the Agreement, if the Services requires increased dedicated support, additional resources, or extended hours of service, Successful Respondent shall provide such support, resources, or extended hours of service at no additional Charge.

Successful Respondent shall invoice on a monthly basis in accordance with **Section 12.1 Payment Processing Services** of the Master Services Agreement for a pro rata portion of the Outreach and Growth Fixed Fee, which shall be calculated by dividing the Fixed Fee specified in **Exhibit 4.1 Pricing Structure** for the applicable Contract Year by the number of months in that Contract Year the Successful Respondent is providing Services.