

**DEPARTMENT OF INFORMATION RESOURCES  
OPEN BOARD MEETING**

**Thursday, May 19, 2016, 10:00 a.m.**

300 West 15th Street, Clements Building, Room 103 Austin, Texas 78701

**MINUTES**

- PRESENT** John B. Scott (Board Chair)  
Charles Bacarisse  
Linda Shaunessy  
Stuart Bernstein  
Wanda Rohm  
Bowden Hight, *ex-officio*  
Darren Anderson, *ex-officio*
- ACTION** *Mr. Scott* called the meeting to order at 10:11 a.m., with a quorum present.
- TOPIC** **2. Board Administration**
- Consider approval of meeting minutes from the February 25, 2016, and March 23, 2016, Board Meetings.
- MOTION** A motion was made to approve the previous meeting minutes by *Ms. Shaunessy* and seconded by *Mr. Bacarisse*.
- Mr. Stuart Bernstein* arrived at 10:18 am.
- ACTION** The minutes were unanimously approved.
- TOPIC** **4. Finance Audit**
- DISCUSSION** *Mr. Villalpando* provided a finance update. He updated the Board on the operating results for the second quarter. There are two significant trends that we are seeing regarding DIR’s financial operating results. First, we are seeing a significant decrease in Gross Revenue and Cost of Services as compared to our original forecast. The primary driver is an approximately \$25 million variance in Data Center Services. Our customers appear to be spending significantly less on DCS than we anticipated. As a result, we are working with our customers to understand the reasons for the variance. Some customers have stated that they intend to roll forward any unspent DCS budget to next fiscal year as allowed by the General Appropriations Act. Some savings that have been identified result from decreases in some of our storage pricing in the last year.
- Since we are a cost-recovery agency, we continue to look at the operating budget. As a result, we are forecasting that we will see a decrease in operating revenue (approximately \$1 million) available to fund DIR’s operations. Although we expect less operating revenue, we are currently forecasting DIR’s annual operating expenses for fiscal year 2016 to be \$1.4 million below budget of \$33.9 million, split between saving primarily in salary and professional fees. As we look throughout the fiscal year, we will continue to engage with the customers and identify their plans. DIR is hearing from customers that they will have unspent budget from this fiscal year and many customers are planning to use it next year.
- Mr. Villalpando* discussed the roll-forward balance for year-end fund balance. The ending fund balance is projected to be well within our maximum fund balance.

Mr. Villalpando presented one budget amendment for the Board’s approval. This budget amendment transfers \$442,500 from Professional Fees expenses to Other Operating expenses with no overall increase to DIR’s budget.

**MOTION** A motion was made to approve the budget amendment request to increase other operating expenses by \$442,500 and decrease professional fees by \$442,500 by *Ms. Shaunessy* and seconded by *Mr. Bacarisse*.

Poll voting: Five yes

**ACTION** The motion for the budget amendment was unanimously approved.

**TOPIC** **12. Technology Sourcing Office Update**

**DISCUSSION** Ms. Grace Windbigler, Director, Technology Sourcing Office (TSO), presented Amendment 2 to the Interlocal Cooperative Contract with the Oklahoma Office of Management and Enterprise Services, Information Services Division (OMES-ISD) for Board approval.

Ms. Windbigler provided the background on the Interlocal agreement. DIR enters into Interlocal agreements with state agencies and political subdivisions of other states to enable them to purchase off DIR Cooperative Contracts.

DIR entered into a pilot contract with OMES where they identified DIR Cooperative Contracts as a preferred source for IT goods and services and, in return, DIR agreed to share the administrative fee. The initial Contract term was June 13, 2014, through June 30, 2015, and Amendment 1 extended that end date to June 30, 2016.

The total purchases to date by OMES-ISD is \$9,390,530.92. Total administrative fees collected: \$50,917.13. Administrative fees paid to OMES ISD are \$25,458.57. DIR is seeking to extend the pilot for one additional year to June 30, 2017.

**MOTION** A motion was made to approve Amendment 2 to allow for an extra year for this pilot project to continue with OMES-ISD by *Mr. Bacarisse* and seconded by *Mr. Bernstein*.

Poll voting: Five yes

**ACTION** The motion was unanimously approved.

**TOPIC** **3. Executive Director’s Report**

Ms. Napier gave the board a brief update. The Legislature has been meeting regularly during the interim. DIR has provided testimony in 4 or 5 hearings since Ms. Napier joined DIR. DIR has a new Public Affairs Director, Robert Armstrong. We have identified two recurring themes over the last couple of months, cybersecurity and a continued interest in state contracting. Mr. Eddie Block, the state’s Chief Information Security Officer, has been out regularly meeting with legislators to educate them on our cybersecurity program. We are also developing some legislative initiatives that can enhance the program. On the contracting issue, members are asking what the impacts of SB 20 have been. While it’s a little early to declare trends, you will hear today the latest sales data from the Cooperative Contracts program and we are in the early stages of trying to see what conclusions can be drawn from the data we have so far.

DIR is hosting the DIR Connect Technology Expo at the Palmer Events Center on May 25, 2016. It is an opportunity for procurement professionals to get together and dive deep into the world of IT procurement. DIR will have sessions on life in the post-SB20 world, including Statements of Work – as well as many other topics and training. This event is put on at no cost to public sector attendees. DIR has registered 463 attendees with 131 vendor/exhibitor booths, as well as 62 HUB vendors.

Ms. Napier introduced the new employees.

Ms. Napier informed the board Janet Gilmore will be retiring at the end of June. Ms. Gilmore serves as Director of Digital Government providing oversight and management for Texas.gov and IT Services within DIR and ISO departments and serves as the DIR Information Resources Manager (IRM). This is a huge loss for DIR and Ms. Napier thanked Ms. Gilmore for her service to the state and wish her all the best in retirement!

**TOPIC**

**5. Internal Audit Update**

**DISCUSSION**

Ms. Lissette Nadal, Director of Internal Audit provided an update for Internal Audit program. Enterprise Contract Management – The audit objectives are 1) to provide assurance that adequate key DCS Enterprise Contract Management controls are in place and operational, 2) to determine whether a DCS Enterprise Contract Management activities are in compliance with state law, agency policies and contract performance, and 3) to validate the implementation of audit recommendations included in the previous audit report. This audit was in the planning phase and scheduled to be completed July 2016.

DIR Governance Audit – This audit was in the administration phase. The objectives of these assessments are to assess the design and operating effectiveness of the DIR Governance processes and to assess whether the DIR information technology governance supports the agency’s strategic goals and objectives. This assessment is on target and scheduled to be completed July 2016.

DIR Ethics Evaluation- This audit was in the planning phase. The objective of this evaluation is to evaluate the design implementation and the effectiveness of DIR Ethics related objectives, programs and activities. This evaluation is scheduled to be completed at end of this month.

Consulting Services include external audit coordination activities and management activity services. In this quarter we participated in the State Auditor’s Office (SAO), Information Technology Staffing Services Contracts. This was a follow up audit project on the previously issued SAO report 14007. The objective of this follow up was to determine the implementation status of prior SAO recommendations related to the IT Staffing services contracts and evaluate whether DIR management has taken corrective actions to address their recommendations reported in their report issued in October 2013. The report included thirty-three recommendations, which DIR agreed to implement. Based on the SAO results for this follow up work; it was determined that twenty-five of the recommendations were either fully implemented or substantially implemented. Six recommendations were incomplete or ongoing and two of the recommendations were not implemented. Ms. Nadal-Hogan, emphasized that DIR management is already taking action to implement the two outstanding recommendations and have established new target dates to complete them, which run from April 2016-March 2017.

The 2016 Texas.gov Financial Audit is in the administration phase and is scheduled to be completed in June 2016. The purpose of this audit is to conduct a financial audit on the Texas NICUSA, LLC associated with the management and operation of the Texas.gov Program.

The FY 2015 DCS Consolidation/Saving Report is on target to be completed and is in the planning phase and scheduled to be complete at the end of the month. This report is required by the state law and assures the progress of the DCS consolidation effort and financial performance.

Ms. Nadal-Hogan discussed the newly developed Internal Audit Policy and Procedures Manual. This manual is designed to ensure that the audit work is performed in accordance with auditing standards and in compliance with state law, while supporting consistency in the performance of the Internal Audit functions. The Internal Audit Policy and Procedures Manual went through the DIR internal review process and was reviewed by the Executive Director and approved by the Finance and Audit Subcommittee. Ms. Nadal-Hogan commented, that if the Board had any questions or concerns to feel free to contact her regarding the manual.

**TOPIC**

**6. Chief Information Security Office Update**

## DISCUSSION

Mr. Eddie Block, Chief Information Security Officer, updated the Board on the Chief Information Security Office. Mr. Block discussed the controlled penetration testing of state agencies networks. We had a slow start in the fiscal year Q1 that was due to some staff turnover; but we have caught up in Q2 and are well on our way to meeting or exceeding or meeting the goals we have for ourselves each year. In the combined program participation, which doesn't include the information from the Information Security Forum, which is one our bigger events for us, but to Q2 have interacted with 73% of the state agencies. We assisted higher education either through a training group or one of our advisory councils.

Mr. Block discussed the Information Security Forum. This year we had a total of 352 attendees, more registered and many didn't show. A ten-point scale survey was conducted and we had an average satisfactory score of 8.98%. Of the attendees, 75% were state agencies and 14% higher education. In previous years we had offered this forum at the J.J. Pickle Center and were capped at about 250 people. Since we moved the forum to the Palmer Events Center last year we had an uptake in local government and this year it has grown even more, which to me is a great step toward bring all the state government entities into a single program. We also had great feedback on the speakers and the event itself.

Mr. Block discussed Electronic Governance, Risk and Compliances (eGRC) solutions. This is the portal that basically started out with incident reporting and we moved it into risk assessment and risk reporting reviews. We've used it now for information resources deployment review, our legacy and cybersecurity prioritizations. It was also built to deal with the agency's security plans that we are legislatively required to report.

Currently we have our risk assessment policy template live. As agencies go in and fill out their compliance with TAC 202, that same policy is mapped across multiple federal and state regulatory schemes. They enter their information on TAC 202, but also goes to I.R.S., PCI and HIPPA, so that they see the compliance which those scheme as well. It does the mapping for them, that many had to do manually in the past.

In HB 1, Article IX, Sec. 9.10, a Rider requires DIR to prioritize legacy systems and cyber security project funding. We have been asked by Legislative Budget Board (LBB) to deliver a report to them prioritizing agency requests for legacy systems and cyber security projects. Our eGrc portal is used to collect this type of information. The agencies can go in and answer a series of questions about the project itself and then there is risk assessment piece, so that as I'm looking at them I can tell what's the impact if this this project isn't funded; what is the likelihood that security event won't happen if it's not funded. This gives us a way to classify that on the security side. There are additional questions on the legacy side that were created by the enterprise group that allows them to make their choice.

SB1878 requires DIR to deliver the Study on Identity and Access Management (IAM) solutions for statewide adoption; to report on better ways to secure citizen data. We contracted with a third party research firm to help with this project. They are interviewing with select agencies. We are sending a survey, statewide, to the agencies and public institutions of higher education. Looking at to what they see as the challenges to implementing the IAM in their environment and whether or not they have something like that on the roadmap already. This give us data that we can use to help formulate what the best architecture would look like for the state. There are a number of ways to approach an IAM. In a federated environment what makes sense for Texas? This is what our report we will be looking at.

Mr. Scott asked on the first two items; it seems like the most important thing as a first step, is to make sure we are getting a complete universe of all of the systems actually in operation. How do we know when an agency has good faith and says this is 100% of our systems? How are we confirming that it's true?

Mr. Block commented we don't have an arm that does that kind of audit. I do not go out and do a verification. It's a self-reporting mechanism. With the legacy systems we have pretty good knowledge of what those look like, based on the system legacy system study we did a year ago

In the eGRC system that we are using, we've actually pulled that data forward, so it's already in the system. If they reported it last year; hopefully there aren't new legacy systems that have been created, it should already be in there and they can tie those funding requests to the legacy systems that they have already reported.

HB 1, Article IX, Sec. 9.11: Mr. Block gave update on the Cybersecurity bulk purchases. The legislation mandated ten agencies to work on this with us. We opened it up to additional agencies. We've identified a handful of products that I think will end themselves to a bulk purchase. We have received pricing back. We are in the process of getting the order numbers, so that we can negotiate what bulk looks like.

SB 34: is Biennial Report due to leadership on the state's information security status. All of the agencies have to deliver a security plan to DIR, in October, every even numbered year. DIR then has two months to an analysis and then provide a report to the legislation on what we are seeing as kind of a state of the state security.

*Mr. Scott asked on your cybersecurity purchases, what impact did SB20 have on that? Is it more that you are taking on the coordinating role amongst all the state agencies, so that those purchases are purchased through each of those agencies to comply with SB 20? Do we then, if we're doing it collectively through our agency to get the best price, are we then having to comply with S B20 requirements? What impact is SB 20 having on that?*

Mr. Block responded we do. If we were to do a bulk purchase with other agencies, it could take us over \$1M.

## TOPIC

### **7. Statewide Data Coordinator Update**

## DISCUSSION

Mr. Ed Kelly, Statewide Data Coordinator, updated the board on the data program. Overall the program continues to make good progress in several areas. During the last quarter we continued our outreach efforts with agencies and institutions of higher education. Recently the Texas Education Agency, TEA has expressed interest/willingness to support the program and contribute best practices related to their data governance program of sensitive student data. Through the support of agencies like TEA other agencies can learn and apply the lessons learned of best practices to their individual agency.

Additionally, the data sharing community which was formed to encourage collaboration and knowledge sharing continues to see increasing attendance and support. In last month's meeting 41 people attended represented by 22 different agencies. Recently, the community discussed and agreed on a name change from the Texas Data Governance and Sharing Special Interest Group to the Texas Enterprise Information Management Group or TEIM. We feel that this name change better reflects the goals of community and all aspects of information management. It is also easier to say.

Other efforts related to collaboration include the formation of two workgroups, the first, a Governance workgroup whose initial focus was the creation of the TEIM group charter which was reviewed and approved last month and second workgroup for higher education. The first meeting we had representatives from UT- Austin, Tarleton State, Texas A&M, Texas Tech and Texas State we held our first discussion on potential data sharing and governance. Additional activities for both of these workgroups in in the planning stage.

*Mr. Scott asked was San Angelo State on that list.*

Mr. Kelly responded that they were not at this time. It was just an initial outreach but we plan to include other representatives from higher education. I will make sure they are included in the next meeting.

Under the category of open data portal utilization we continue to work with agencies such as TDA and the TVC to load their agency data sets to the open data portal. For interagency sharing we had two

successful use cases this past month: Health and Human Services Commission/Texas Veterans and Texas Natural Resource Information System Group/Texas Department of Insurance. An important thing about both of the use cases there will be no cost to the receiving agencies going forward.

*Mr. Bacarisse asked if the local county emergency management office have access to the database.*

Mr. Kelly responded yes.

Our planned activities include the creation of two additional workgroups with a focus on the development of a training/education component for the community to use within their respective agencies. The development of a use case workgroup to expand the discussion on continued interagency data sharing ideas and opportunities. Both are in the early stages.

This month we are holding our first conference, a ½ day session which will have three tracks, one focused on establishing a data governance program. Second track we will launch the next version of the open data portal. The new portal will provide better organization for the data as well as better data structure, and a more useful citizen interaction of the portal itself. The third track will be a panel discussion on the ethical use of data with representatives from UT, HHSC and the previous ethics/privacy officer of the Comptroller.

We continue to work with the Interagency Data Transparency Commission (IDTC), as we look to understand ways to increase open data sharing opportunities within the state. Recently a survey has been created that will be sent to each agencies executive director. It is our hope that the results of this survey will provide us a better understanding of the challenges that agencies face with expanding their data sharing initiatives and ways the commission might recommend to help. The survey is planned to be released in the next few weeks and the results will be analyzed and incorporated into a report due to the legislature by September 1, 2016.

## TOPIC

### **8. Digital Government Update**

## DISCUSSION

Ms. Jennifer Buaas, Assistant Director of Digital Government, provided an update on Texas.gov.

Ms. Buaas discussed FY 16-Q2 transaction and revenue trends. In Q2, there was a slight increase in transactions and revenue over Q1. This is because several driver-related applications had increased transactions during this timeframe. The percentage of Texas.gov applications that met their SLA target is compared against the percentage of applications that missed the SLA target. Depending on month, it varies from 81 to 94 applications being measured. You can see that reliability targets were met at 100% for December and January and 95% for February. In January and February, both driver license and vehicle registration renewals increased over 2015.

Texas.gov advertising has two new commercials that started airing in March. We engaged with the Texas Department of Licensing and Regulation to focus on a commercial related to occupational license renewal and we also collaborated with the Department of Public Safety for a driver license renewal commercial.

*Ms. Shaunessy asked are there segments or parts of the state where the use of Texas.gov is not as prevalent.*

Ms. Buaas answered yes there are portions of the state that do not have online adoption and Ms. Buaas will provide the breakdown to *Ms. Shaunessy*.

*Ms. Shaunessy asked do you have a strategy in mind as to how to get those segments using Texas.gov and is it equally popular rural vs. city. Is it more popular in the most populous places?*

Ms. Buaas responded that in the five big cities the transactions are much higher. We do have an advertising strategy where we consider the lower target markets and whether we can spend the money

to go to those targets. Ms. Buaas will provide Ms. Shaunessy the breakdown of the numbers and analysis of the strategy that we go through on what is going to be the best bang for your buck when doing advertising.

*Ms. Shaunessy commented that it seemed like a lot of people in Presidio and Brewster that live far out that would benefit from this.*

Ms. Buaas responded that she will definitely get the numbers to *Ms. Shaunessy*.

*Mr. Bernstein asked, you said the five big cities which are Austin, Dallas, San Antonio and Houston, what is the fifth city.*

Ms. Buaas responded El Paso.

*Mr. Bernstein asked if the application reliability SLA performance shows a missed target in June 2015 and November 2015, which seems kind of extreme, what's causing it.*

Ms. Buaas responded the November 2015 was due to a network device failure that impacted all the hosted applications. Since all the hosted applications were down for approximately five hours it really impacted the service level. The service wasn't down for days, it was five hours but because it was all the hosted applications, the target was significantly impacted.

*Mr. Bernstein asked, and June?*

Ms. Buaas responded that she didn't recall the reason for June outage and will provide the information to *Mr. Bernstein*.

*Mr. Bernstein asked, it's a one-off issue?*

Ms. Buaas responded yes. We have pretty high SLA targets that we have to meet. The target for the portal is 99.90%, so that means within a thirty-month period you are only allowed 43 minutes of down time. Anything above that 43 minutes of downtime, you will miss you SLA target. We have high expectations and so when it missed, it is missed barely outside of that.

*Mr. Bernstein asked, missed within a 24 hour day or certain hours?*

Ms. Buaas clarified that it is within a 24 hour day.

*Mr. Bernstein asked, can you give context regarding the 20% growth? Is 20% fantastic or is it in line with last year?*

Ms. Buaas responded, this is significant growth.

*Mr. Bacarisse responded, we are running in Texas.gov environment a lot of legacy and some instances are pretty challenging systems. Hoping to see a lot of improvement when we go to the next generation of this service. In the future we will be having a rebid.*

Ms. Buaas responded that the contract will end on August 31, 2018, and by state law we will be going through a reprourement process.

*Mr. Bacarisse said they are trying to hold together a very old legacy system.*

Ms. Buaas responded that there are a lot of moving parts with applications, agency applications, mixed integration with payment engines. Yes.

*Ms. Wanda Rohm departed the video/meeting at 11:08 am.*

## DISCUSSION

Mr. John Hoffman, Chief Technology Officer, provided a brief update on the programs within the Chief Technology Office.

The Chief Technology Office continues to provide strategic direction, training and solutions to Texas agencies and DIR. The Technology Planning, Policy and Governance division has maintained a focus on Statewide Strategic Planning with training on the strategic goals and have received very positive feedback. The series, which is titled Operationalize the State Strategic Plan, recently had sessions on Software Currency, Network Capacity Management and has a session on Digital Strategy next week.

Mr. Jeff Kline and the Statewide Electronic and Information Resources (EIR) accessibility program received national recognition as one of the top State IT Programs of the year by State Scoop magazine at the recent State CIO conference in Baltimore. We continue to drive DIR's long-term planning efforts and lead the development of DIR's core service models.

DIR have also initiated the DIR Technology Showcases. These showcases occur every few weeks with vendors presenting their recent developments in technology and service solutions to multiple agencies in an environment monitored to ensure the integrity of the procurement process. Ms. Deborah Hujar and Mr. John Van Hoorn to present updates on two critical initiatives.

Ms. Deborah Hujar, Director of Planning, Policy and Governance, discussed the Agency Strategic Plan. The Agency Strategic Plan is due to Legislative Budget Board and the Governor's office on June 24, 2016. Since February 2016, the agency divisions have been working on their goals for the Agency Strategic Plan. Ms. Hujar discussed the five statewide objectives that the Governor defines he wants us working toward the next biennial. The DIR agency goals are to 1) Promote technology leadership and opportunities through statewide collaboration, 2) Provide customers with cost-effective and innovative technology solutions, and 3) Enhance operational and program performance to deliver quality customer service.

The Agency Strategic Plan is not an action item for the future board meeting, since it is due June 24. You will receive a copy for review and comment and we welcome your input. The Board Chair and the Executive Director will sign the plan that will be submitted in June.

Mr. John Van Horn, Director of Enterprise Solutions Services, discussed shared solutions regarding HB 1890. One of the components of shared solutions is business analytics and reporting. One of the recommendations is that DIR lead the development of program service for business analytics and reporting. DIR has engaged with five [only four listed] different agencies as pilot members for the pilot. The agencies are Commission on State Emergency Commission (CSEC), Department of State Health Services (DSHS), Texas Alcoholic Beverage Commission (TABC), and Texas Department of Licensing and Regulation (TDLR). Pilot environment being populated with up to two application data sets per participating agency. In October, we expect to have recommendations that come out of that pilot, which describe where we would be able to effectively do a Request for Offers.

## TOPIC

### **10. Chief Operations Office Update**

## DISCUSSION

Mr. Dale Richardson, Chief Operations Officer, updated the board on the major program accomplishments for FY 16-Q2. Starting with The Data Center Services program. Work continues to complete negotiations on the Hybrid Cloud Initiative which will modernize the delivery experience for existing services. Ms. Sally Ward will speak to this in more detail later in her program update. The Technology Sourcing Office (TSO) continues to provide support and guidance for our customers on SB20 implementation; for example, based on feedback from agencies being ultra conservative in dealing with vendors, we created a "Safeguards and Vendor Interaction" guide describing acceptable business practices and ethical principles when dealing with vendors in purchasing IT goods and services. TSO has completed the questionnaire and survey for CPA's study on "centralizing state procurement." TSO only has 6 months of purchasing data, and some of the early trends we're seeing in cooperative contracts indicate a higher use of Staff Augmentation contracts and a decrease use in DBITS service. Mr. Wayne

Egeler will provide an update on the work continuing to convert the Capitol Complex Telephone System to a modernized Voice over Internet Protocol system.

TOPIC

**11. Data Center Services Update**

DISCUSSION

Ms. Sally Ward, Director, provided an update on Data Center Services. Service level attainment continues to be strong. In February there was one SLA miss related to print/mail timeliness on 1.3% of 1.4 million pieces on an SLA with a 100% minimum target. March SLA results improved to 98%. Customer scorecard satisfaction is improving from past declines discussed in previous board meetings. The majority of low scores are related to backups and service delivery of the Windows server technology. There are Service Level Improvement Plans in place for both these areas, which are monitored by the Multi-Sourcing Integrator, Capgemini, and the customers' Service Delivery Solution Group governance. Consolidation is progressing ahead of plan, and we are now scheduled to achieve our 75% goal by the end of June. As of today, we are at 73.2% consolidated.

Based on customer feedback, we have been working on implementing Hybrid Cloud technology into the Data Center Services Program. We have diligently sought customer feedback on our services and technologies, and our customers' overwhelming consensus was a need for hybrid cloud capability. This will provide our customers both public government and private community cloud technology options. As you know, "public" cloud is IT infrastructure accessed over a wide-area network, shared by anyone in the public. DCS is considered a private "community" cloud in that it was specifically built for and shared only by Texas government entities. The term "DCS hybrid cloud" means that we will have applications and data residing in our state's consolidated data centers connecting directly with applications and data residing in public government clouds.

The contracts with Atos and Capgemini will be amended to provide two public government cloud options integrated with DCS private community cloud technology in the state's consolidated data centers.

*Mr. Bacarisse asked, can you give an example of a scenario of some data that reside in the public cloud vs. other data that has a different classification resides in the consolidated data center.*

Ms. Ward answered, in a public cloud it could make good business sense for data that does not require Criminal Justice Information Security (CJIS) compliance security, perhaps not accessed very frequently, to reside in a public cloud where you can have cheaper storage. You might have applications that may need to access that infrequently. Data that would reside in the community cloud is going to be data that is accessed more frequently, data that require the rigidity of CJIS compliance and needs faster response times and potentially higher service delivery and management.

*Mr. Bacarisse asked, who determines where you store that data? Does that responsibility fall on DIR or does it fall on the agency, who governs that?*

Ms. Ward answered that DIR will govern what data can go to a public government cloud vs. a community cloud. We will have business rules written to into the market place technology that will ask the customer what kind of data are they trying to put into a new server and if the answer is that it is regulated data. They will not be given the choice to move that data to the public cloud. In addition, we are using the government tenant of public cloud options, which do provide a bit stronger security requirement, but in all cases DIR will ensure that TAC 202 compliance for security remains intact in either type of cloud.

*Mr. Bacarisse commented, it will be an exciting new responsibility for us.*

Ms. Ward commented, yes it will.

*Ms. Shaunessy commented, 3 slides ago you talked about comments from the customers. What are the customers saying that DIR needs to improve in performance and/also what you are doing really well?*

Ms. Ward questioned, asked from the scorecard?

*Ms. Shaunessy commented, yes.*

Ms. Ward answered that the customer scorecard is a scorecard from our vendor's performance, there are no customer ratings and comments about DIR. Those ratings and comments come in the annual customer satisfaction survey that is conducted by a third party in January of every year. The scorecard comments are all about our 3 vendors—Xerox, Capgemini and Atos. The services that they deliver and the customer score on how well they have delivered those services. In past board meetings, there was a concern for back-up and recovery, accuracy, timeliness, and resolution. The things that customers say vendors are doing very well are going to be related to main-frame services and bulk print mail services. Change management service rates very high and relationship management also rates very high.

Mr. Richardson commented that while DIR will govern what can go in what cloud. It's still the ultimate responsibility of the agency to meet TAC 202.

*Mr. Bacarisse directed, very clearly delineate the responsibilities, who has what responsibilities, as we go off in this direction. I want to make sure the lines are brightly drawn.*

*Mr. Hight asked can you speak to on where we are in term of charges the agency will have to pay for this, and how it might compare to the market charges if we were go to cloud service providers.*

Ms. Ward answered the cost to implement the hybrid cloud will come to us at no additional cost. The state will not pay any higher. Your legislative appropriations request for data center that will come from DIR will include the new pricing structure for hybrid cloud which will began in FY 18. You will have the opportunity between now and FY 18 to make the choices that you would like to make for where you would like to have your data and compute reside. There will be a cost estimate tool for you to make some of those choices. But overall we are seeing that the cost to implement is at no additional cost. And over the remaining life of the ATOS contract, through 2020, we will see a decrease in actual spend, so it will be an overall savings to the state.

*Mr. Anderson commented, so if I'm agency and I want to buy a solution that is offered on the cloud solutions within the government component—are we saying that if the agency goes direct through a provider and purchases their solutions or if it goes through this option through DIR, the cost of the option will be the same?*

Ms. Ward answered, no, it will not be exactly the same. The market rate charged to the customer for our cloud solutions are going to be the market rate that those providers provide. DIR will have additional services on top of that to ensure security of the state's data, TAC 202. We have the option of semi-managed in the public cloud as well as fully managed in the public cloud. There will be additional charges on top of the market charge from the two public cloud providers.

*Mr. Anderson commented, if you are telling agencies that they have responsibilities for TAC 202 then why would the agencies want to pay for DIR to provide additional services.*

Ms. Ward commented there are a number of additional services that come with that. When your compute is in the public cloud it is still considered part of data center. We still manage software license compliance, technology planning and refresh and capacity reporting. There are still a bundle of services from both Capgemini and ATOS that would be provided on top of that compute. It is not just on your own in the public cloud.

Ms. Ward commented in addition to providing the public government cloud options and connected to the private community cloud option, we will also be implementing technology in our consolidated data center that is similar to the technology that is offered by public cloud providers. We are adding the option for customers to semi-manage their compute in the current consolidated data centers, in addition to our having offering fully managed services. And we will be implementing the capability for

customers to self-provision servers in the consolidated data center much like they we will do in the public cloud. All of this will provide the agility, flexibility, transparency and control of IT spend that our customers have been asking for. To achieve all of this there will a financial pricing restructure in the amendments to both of these contracts at no additional cost. These amendments will be considered in the out-of-cycle board meetings next week.

Mr. Richardson commented our existing compute today is fully managed with all pricing bundles. What this change is going to allow is to unbundle the price to see what you are getting in fully managed services but if you want to select the semi- managed service will be a reduced price. You will be able to have the opportunity to select what servers you want for fully managed services and the ones you don't need for semi-managed. The same concept will occur in the cloud, if an agency does not have skill sets and they want to take advantage of some of the lower cost storage or some of the capabilities in the cloud they can select a fully manage service or if they are somewhat verse at managing operations in the cloud then you can select semi-managed but because these clouds are connected and will have some assurances of security as far as patching that will be layered on top instead of someone going out buying commodity, compute storage out the cloud One of the things we see with our cloud contract and cooperative contracts is a very low take rate from state agencies, finally starting to see a lot higher education and local city and counties take advantage of the cloud services. The feedback from state agencies is they are not sure about security and concerned about what data sets they can have in a public cloud and which ones they can't. We are going to have some learning lessons and flexibility to meet our agencies requirements. We want to modernize the delivery of the existing services we delivery to customers to give them more choice and more flexibility.

*Mr. Scott commented we have to be able to sell it to HHSC, TXDOT, as well as UT on why it's a valuable asset to them. If they are at the upper end and they've already got all the resources we have to offer to them and know this stuff as well as we do, how do we make this efficient for them so they will want to still make use of the resources? What's the value to us? We've got these capabilities to deliver and comply with state law.*

Mr. Richardson answered it depends on the state agencies mission and focus. Again for the agency to add that kind of staff, part of the shared services of the data center services program with the volume that we have other agencies benefit from that volume. For example if TXDOT or HHSC were to take all their workload out of the data center program and not associate with the data center program if they went off cooperative contracts. The impact to the agencies would be huge, their rates will go very high. That is why we trying to bring these types of services in and continue working with the agencies to make sure that we are meeting their business objectives. It's a balancing act.

*Mr. Hight commented I understand there is going to be an uptake above what the market rate is. Do we have an idea of what the percentage will be?*

Mr. Richardson responded just based on some analysis that I have done, you can expect probably the infrastructure cost that is really the delta, and it's probably 15 - 20%.

Ms. Ward commented that would include services to ensure patching, and some basic level of services that if you went directly to a public cloud you would do it yourself. Comparing apples to apples, you have to include when you compare public cloud cost then add in your staff cost on top of that. What we will eventually do is matrix for you to see exactly what are the services you get in the public cloud for semi-managed and what are the services in public cloud for fully managed and the same thing within the current state consolidated data center.

*Mr. Hight asked if there is a new need would the DCS customers have the option to go directly to the HUB vendors for those type of services or will we have flexibility on whether we want to go through DCS or not?*

Ms. Ward answered that has not been in the planning.

*Mr. Scott responded it does leave agencies in tough spots, they have to comply with TAC 202. They have to have their independent resources so the efficiencies that ya'll provide are not available necessarily for them to take advantage of because they have independent obligations.*

Ms. Ward commented yes and we do have a number of customers in the data center services program that are smaller and don't have the resources on staff. Going back to 2007 when the program was generated all that IT staff from all those agencies, 500 staff positions were removed from the agencies and moved to the vendors. For a larger agency you would still have some technology staff remaining that can pick up these skills. For the smaller agencies their concern is they would love to take advantage of the public cloud but they don't have anyone to do that and that don't have anyone that knows that. It is a little scary to think about when you go into a public cloud there is no one guiding you. Today the smaller agency can tell the vendor to go build me a server and the vendor is going to make sure that it is built with right things and the security and antivirus. In public cloud you have to pick and choose all of that from a very detailed and complex menu of options. Do you want security added on or not added on? We have fortunately seen through our public cloud pilot that there have been some choices that were missed and security issues that have occurred and that could have been prevented had our customer understood the menu of options a bit more carefully. There's great value in having someone with this kind of technical expertise to help those smaller agencies that don't have that technical staff to do it. DCS was trying to meet the needs of both. Our large customers that want more independence because they have that capability and our smaller customers who don't want that independence, they need more support and need it faster and cheaper. Semi-managed, fully managed, on prem, off prem options so each of our types of different customers have their needs met.

*Mr. Scott commented at the end of the day we are all part of State of Texas Government. But what is efficient for TXDOT, HHSC or University of Texas may not be the most efficient thing for the state of Texas. But it seems that we should be able to use whatever their best price is as the floor vs. the ceiling on pricing.*

Ms. Ward commented I believe that we do have that.

*Ms. Shaunessy commented if it's available to give some thought to you. There are some entities that are truly big. Maybe just having the resources available through DIR for choosing these different clouds, but maybe having a lower cost. If those agencies assume upfront, you make it clear and say you are assuming the risk and it's all on you. I just wonder if that might be available on two different paths.*

Mr. Richardson commented that we are going to have a learning curve and we can go through that. It's hard when you are in a shared services environment to make individual accommodations on a per agency basis. We have seen agencies select cloud services and not select network issues that prevented denial of service attacks for example. Those kind of services that are supplied in the data center but the individual agencies don't think about those type of things when they are procuring. We got a few cloud pilots in process right now whereas agency says I don't need all of that and work with them and say we think you do. Then it turns out they want all of it because they didn't want to manage it and decided not to do that. It going to be a learning curve, we trying to accommodate both sets of demands. Right now we are going to get these negotiations wrapped up and presenting it at the BELC meeting tomorrow and have more discussion on it.

## TOPIC

### **12. Technology Sourcing Office Update**

## DISCUSSION

Ms. Grace Windbigler, Director, Technology Sourcing Office (TSO), provided an update for TSO. The total new contracts awarded during Q2 is 34 which brings the total for the fiscal year to 91. The purchases for the Cooperative Contracts program for through FY16 Q2 are \$963.6M, which is a decrease of 3.2% compared to FY15 Q2. In FY15, two education customers had large bulk purchases that account for most of the difference in spend. I've listed the top five customers in Q2 on the right hand side of the screen. Two state agencies, HHSC and TxDOT, two cities, San Antonio and Austin, and one education customer, Dallas ISD, top our list.

The HUB participation for internal procurements, which are purchases made by DIR for DIR operations. As of FY16 Q2, DIR has achieved 100% of our HUB goals which are also the state HUB goals. The second report metric is external procurements which are those HUB purchases made by DIR customers through our Cooperative Contracts. We are at \$263M for Q2 which is a 2.9% decrease when compared to this same time period in FY15-Q2. Our HUB coordinators continue to participate in economic opportunity forums and outreach events throughout the state in order to increase the Good Faith Effort. The FY16 Semi-Annual HUB report was published this week and DIR ranked #13 on the list of the top 25 agencies spending greater than \$5 Million with HUBs. Kudos to the HUB team.

*Mr. Bernstein asked when you say we are hitting a 100% of our goal. What is the 32.9 %?*

Ms. Windbigler answered we adopted the state hub goals. There's a disparity study that was done in Texas from that the Comptroller assigned percentages to each state agency need to work towards and make a good faith effort.

*Mr. Bernstein asked are all state agencies different or is it uniform?*

Ms. Windbigler responded so each state agency can either adopt the state goals or they can adopt their own goals. They just have to have a methodology. If it's different, why they choose those different goals. DIR chose to adopt the State of Texas HUB goals. The goals listed on the report are both.

*Mr. Bernstein asked the 25 state agencies recognized on the HUB spend, how many of those adopted State HUB goals.*

Ms. Windbigler answered she will find out the information. The 25 state agencies on HUB spend?

*Mr. Bernstein responded yes and also would you share the hub spend that you referencing with the board so we can see context for other agencies.*

## TOPIC

### **13. Communications Technology Services Update**

#### DISCUSSION:

Mr. Wayne Egeler, Director, presented a brief update for the Communication Technology Services (CTS) program. We currently have two network upgrades underway for FY 16-Q2. The Transport Network Software Upgrade. This upgrade will allow for additional monitoring and enhance our capacity management capabilities. We plan to finish this upgrade in June. The next upgrade is our Domain Name Services Hardware and Software upgrade. This upgrade will refresh and virtualize the servers that manage a number of state ip and web addresses. This project is wrapping up at the end of May.

Next we continue to transition from our legacy PBX phone system to our Voice over IP system. We currently have over 1200 phones/soft clients transitioned. A letter was sent out to the IRM's last month and the telephone coordinators informing them that the legacy PBX would be end of support March 2018. After sending this letter we received 32 responses with requests to schedule meetings. We are engaged with 45 agencies, 93 total agencies. We will probably send the letter out again in June.

*Mr. Scott asked when does it shut off.*

Mr. Egeler responded March 20, 2018

We sent the letter out so they can put it in their LAR request and schedule meetings with them. For some agencies there will be a cost if they need to upgrade.

*Mr. Scott asked what percent still has to upgrade of the total number.*

Mr. Egeler answered 18,000 lines that need to be transitioned and have 1200 transitioned today. The ones we have met with, there are about 10% that will need to upgrade.

The next item is the migration from our Legacy Data Network to a more advanced Network. We completed the final 30 circuits remaining on the platform in January and the network equipment has been decommissioned. This project began in 2011 and there were 5300 service instances that were migrated as part of this project. Our customer base has increased 7 % from Q2 FY-15. Our current sales in Quarter 2 are at 19.8 million dollars.

**TOPIC**            **14. Public Testimony – No public testimony.**

**MOTION**        A motion was made to adjourn the meeting by *Mr. Bacarisse* and *Ms. Shaunessy* seconded the motion.

**ACTION**         The meeting adjourned at 11:57 am.

Approved by the Board Chair:

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**John B. Scott, Chair**

\_\_\_\_\_  
**Date**