

Memorandum

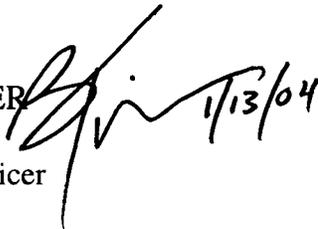
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To: DEBBIE D. LEIBROCK
Assistant Program Budget Manager
Department of Finance

Date: January 13, 2004

Attn: Richard Gillihan

From: BARBARA TIMMER
Deputy Director
Chief Information Officer



Subject: Procurement work plan for the Project Resource and Schedule Management (PRSM) system, Project Number 2660-160

We are submitting for your review and approval the revised PRSM procurement work plan (Attachment I) and procurement schedule (Attachment II). This is in response to Department of Finance (DOF) memoranda of February 21, 2003, and July 1, 2003, Mr. Richard Gillihan's e-mail of October 6, 2003, and a meeting with Mr. Gillihan on November 4, 2003. Mr. Gillihan received the original work plan in draft on November 5, 2003.

The procurement work plan covers the steps the California Department of Transportation (Department) plans to take in order to further the proposed PRSM project. The schedule identifies the duration for each step.

Mr. Gillihan's e-mail expressed four concerns:

1. "It appears that Caltrans has already identified the requirements it intends to drop from the project scope."

The Department will conduct a value analysis in accordance with the memoranda from DOF of February 21, 2003, and July 1, 2003. The requirements listed in the PRSM Feasibility Study Report (FSR) will be modified if the Department's business processes have changed since the FSR was written (2000). If there are changes, the Department will prepare a written business justification for each change.

2. "The work plan identifies a reduction in required software licenses. How many of the reduced licenses are due to head count reductions and how many are due to limiting PRSM distribution?"

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The revised work plan no longer identifies a reduction in required software licenses. As described in the preceding response, modifications will be made only if required by changes in the Department's business processes since the FSR was written.

3. "The work plan identifies the 'need to modify a number of requirements to align them with industry leading COTS [Commercial-off-the-Shelf] systems capabilities...' Finance expects the functional/technical requirements to clearly align with the business objectives, rather than to align with industry leading COTS systems."

The revised work plan no longer identifies a need to modify requirements to align them with industry leading COTS systems. As with the previous responses, changes will be made only if required by changes in the Department's business processes.

4. "To help ensure the integrity and objectivity of the value analysis, market analysis, and any future procurement efforts, Finance recommends that any project staff involved with the previous vendor negotiations should not participate in any of the activities described in the work plan."

The Department's employees who participated in the previous negotiations are no longer involved with this project. The Department will establish a new evaluation team (Step 1 of the work plan).

We look forward to your approval of this work plan. Work will begin as soon as your approval is received. If you should have any questions, please call Mr. Nigel Blampied at (916) 654-5395.

Attachments

- c: Craig Grivette, Deputy Secretary for Business Enterprise Technology, Business Transportation and Housing Agency
- Brad Kane, Deputy Secretary for Information Technology, Business Transportation and Housing Agency
- J. Mike Leonardo, Acting Chief Engineer, Department of Transportation
- Carlton L. Haack, Chief, Division of Project Management, Department of Transportation
- Tony V. Harris, Chief Deputy Director, Department of Transportation

PRSM PROCUREMENT WORK PLAN

This work plan addresses the requirements specified in the letters of February 21, 2003, and July 1, 2003, from the Department of Finance (DOF) to the Department of Transportation (Department) relative to the Special Project Report for the Project Resource and Scheduling Project (PRSM), Project Number 2660-160. These letters required that the Department:

1. Perform a value analysis of the requirements, as approved in the Feasibility Study Report (FSR), to determine the minimum set of requirements needed to meet the project objectives,
2. Conduct a market analysis to determine if there is software available to meet the project objectives, and
3. Tailor the project as required by this analysis.

The Work Plan

The work plan is comprised of the following steps that are detailed in Attachment II.

- **Step I: Establish the Team** - The purpose of this step is to select an evaluation team consisting of key business personnel from headquarters and the districts led by the PRSM project manager, and supported by a core team to facilitate material development.
- **Step II: Value Analysis** - The purpose of this step is to analyze the approved FSR's objectives and requirements as follows:
 - The PRSM steering committee will select an Independent Project Oversight Consultant (IPOC) based on the consultant's proven experience in project management, value analysis and implementing IT projects in organizations that are comparable to the Department.
 - The evaluation team will review the objectives and functional requirements listed in the FSR in the light of any changes that have been made to the Department's business processes since the FSR was written (2000).
 - The evaluation team will modify the objectives and functional requirements if required by the Department's business processes. The business justification for each modification, if any, will be described.
 - Each member of the evaluation team will assign a weight to each of the revised objectives, indicating his or her assessment of the relative importance of the objective. The team will then discuss their assigned weights and develop a single consensus weight for each objective. The total of the weights assigned to all objectives is 100%.

- Using the same method as above, the evaluation team will identify the relative importance of each functional requirement associated with each objective. The total of the weights assigned to all of the business requirements associated with an objective is 100% of the weight previously assigned to the objective. Refer to the following illustrative table for insights into this area.
- By consensus, the evaluation team will identify the functional requirements that are necessary to ensure project success and therefore constitute a minimum set of requirements needed to address PRSM's key objectives.
- The evaluation team will identify any opportunities for spreading the cost of PRSM over time through a phased implementation.
- The PRSM steering committee will review the weights, minimum requirements and phases developed by the evaluation team. The steering committee may return these items to the evaluation team for further analysis or recommend that the sponsor approve them.

Approved FSR Business Objectives & Business Requirements	Relative Weights	
	% Weight of Each Bus Obj	% Weight of Each Bus Obj's Bus Req't
Objective #1. Meet the reporting requirements of SB 45 for 100% of the STIP projects.	xx%	--
Business Requirement 1. Comparison of planned to actual costs	--	100%
Objective #2. Provide project status data such as; plan vs. actual, earned value, cost performance indexing, etc. to our transportation partners on a near-time basis.	xx%	--
Business Requirement 2. Comparison of planned to actual milestones completed	--	xx%
Business Requirement 3. Calculation of earned value	--	xx%
Business Requirement 4. Charts, graphs and columnar reports	--	xx%
Business Requirement 5. Microsoft Excel, Microsoft Access, Crystal reports, and other ODBC compliant reporting tools	--	xx%
<i>Subtotal Objective #2</i>	--	100%
All remaining objectives & requirements		
Total of the Objectives	100%	

An Illustrative Value Analysis Table

- **Step III: DOF Review** - After approval by the Sponsor, the Department will submit the results of the Value Analysis for review and approval by the DOF prior to proceeding with next steps in procurement.

- **Step IV: Market Analysis** - The purpose of this step is to take the Value Analysis document and develop a Request for Qualifying Information (RFQI), working with the Department of General Services (DGS), and send it to the COTS project management software vendors. Based on vendor feedback, a Market Analysis document will be developed indicating the desirability of the various COTS software products. During this step the following deliverables are to be produced.

1. The RFQI Document - This document is to contain the following:

- Overview Section - This section will provide a perspective and insights into the Department's Project Delivery including product scalability requirements (numbers of active projects by District, the number of Work Breakdown Structure (WBS) codes charged over a given period of time, etc.). The overview will also include a description of the Department's information technology environment, standards, software and networks. Each vendor will be advised to label documents with proprietary or bid information as "eyes only – to be returned to vendor upon completion of analysis".
- Project Management System Requirements Section - This section will contain a listing of all technical requirements that must be addressed in a response. These technical requirements will expand on the functional requirements so that vendors can readily understand them. (Note: functional requirements are expressed in terms most readily understood by users).
- A statement that the Department desires a "COTS software" that requires (1) the user to customize the system by providing its business operational data, for example, WBS and Resource Breakdown Structure (RBS), in various tables; and (2) minimal coding changes are required, for example, converting the existing project plans from eXpert Project Manager (XPM) into their COTS software's database.
- A statement that the Department does not have a technical solution in mind; rather it is looking to each vendor to specify their best solution to the functional requirements.
- A statement that the RFQI will lead to a short list of firms who will receive a Request for Proposals. Proposals will be accepted only from firms on the short list.

2. The RFQI Scoring Document - This document is a spreadsheet containing the relative weights for each FSR objective, functional requirement and technical requirement. It is to contain the number of points awarded to each vendor answer as well as their total score.

The approach is to award points in such a fashion as to reward answers that do not require COTS software adaptations or require only minimal adaptation.

Potential Points Awarded to Each RFQI Technical Requirement Response	
Points Awarded	Explanation
100	The requirement is addressed completely by the current COTS version. Vendor is to specify the current version number.
90	The requirement is completely addressed by the next available COTS version. The vendor is to specify the next available version number and scheduled general availability date. The general availability date must be no more than eight months from the date of the vendor's response in order to be awarded these points.
75	The requirement is addressed either completely by a software adaptation, by a combination of a software adaptation and COTS software functionality or by any alternative approach that eliminates or reduces the need for COTS software adaptations. This response requires a clear statement as to how this is being done as well as an optimistic (lowest credible) cost of implementing the adaptation, a pessimistic (highest credible) cost of implementing the adaptation and a most likely (best guess) cost of implementing the adaptation.
0	The requirement is not addressed completely and a meaningful alternative for addressing the requirement was not proposed.

3. Cost Estimate - Vendor submittals will include an estimated cost range - an optimistic (lowest credible) cost of implementing the unmodified COTS solution, a pessimistic (highest credible) cost of implementing the unmodified COTS solution, and a most likely (best guess) cost of implementing the unmodified COTS solution.
4. Vendor Evaluation - Each vendor response will be scored against the criteria above. A short list will be developed of vendors who have the highest scores and vendors who meet the minimum requirements at the lowest cost.
 - Identify the COTS solutions that satisfy the “minimum” requirements from the Value Analysis.
 - Score each COTS solution using the weighting scheme developed in the value analysis.
 - Determine a “cost/value” range for each COTS solution. This is the estimated cost the solution divided by the “value”.
 - Telephone clients of all vendors whose submittals indicate that they satisfy the minimum requirements to determine their level of customer satisfaction.
 - Hold a proposed system demonstration with the highest value vendors, irrespective of cost, and the lowest cost/value vendors. The purpose of these demonstrations is to verify that the vendors can perform as claimed.
5. Vendor Short List - Develop a list of vendors who will receive a Request for Proposals (RFP).

6. The Market Analysis Report - This document will contain:
- Vendor Response Summary & Conclusions Section - This section contains the scoring sheets summary, including best overall response, as well as the results of the scores associated with the minimum set of requirements and costs submitted for various items.
 - Recommendations Section - This section contains the recommendations for proceeding with the PRSM project. It includes the list of vendors who will receive RFPs; a scoring and evaluation system for the technical proposal, including the passing score; and, the method of determining a best value selection. Best value factors may include elements such as the degree to which the bidder's proposal satisfies the Department's requirements, the cost of the proposed system, the technical performance of the proposed system (including scalability, reliability, availability and serviceability), the market strength of the proposed system (durability and size of the existing client base, evaluation by market research firms such as the Gartner Group, customer satisfaction, bidder's financial ability) and the bidder's project team experience.
 - Response by Vendor Section - This section contains the scoring sheets for each vendor that responded to the RFQI including estimated costs for certain items requiring costs, such as adaptations, interfaces, or licenses.
- **Step V: DOF Review** - Submit results of the Market Analysis for DOF review and approval prior to proceeding with next steps in procurement.
 - **Step VI: Request for Proposals** - Proceed with a two-envelope RFP for vendor selection based on results of RFQI review.
 - Each participating vendor will submit a technical proposal that describes how it will implement PRSM, and a cost proposal in a separate envelope.
 - The technical proposals will be evaluated using the scoring system proposed previously. If they live up to their commitments in the market analysis, all participating vendors should have passing scores. Based on the scores, a "value" will be assigned to each solution. If the solutions live up to their promises in the market analysis, the value should be similar to that found in the market analysis.
 - The cost proposals of passing vendors will be opened.
 - A selection will be made, using the "best value" method described in the market analysis report.
 - **Step VII: SPR** - A Special Project Report will be submitted to DOF listing the vendor, functionality and price of the proposed contract.
 - **Step VIII: Award Contract** - Proceed with execution of contract and begin contract work.

Attachment II: PRSM Procurement Schedule 01/07/2004

