

MEMORANDUM
PLACER COUNTY HEALTH AND HUMAN SERVICES
Human Services Division

TO: Honorable Board of Supervisors

FROM: Jeffrey S. Brown, M.P.H., M.S.W., Director of Health and Human Services
Susan Kimbley, Interim Director, Human Services Division

DATE: January 6, 2015

SUBJECT: Hewlett Packard Contract for CalWIN Maintenance and Operations Services

ACTION REQUESTED:

1. Approve Agreement with Hewlett Packard (HP) Enterprise Services, LLC for CalWORKs Information Network (CalWIN) maintenance and operations services for a five year term beginning February 1, 2015 through July 31, 2020. Total consortium expenditures for this five year term are \$251,183,475. Placer County's share of the consortium cost is \$2,846,435 (\$194,551 net County cost).

BACKGROUND:

The CalWIN computer system is a welfare benefits system currently used by a consortium of 18 counties including Alameda, Contra Costa, Fresno, Orange, Placer, Sacramento, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Tulare, Ventura, and Yolo. All counties are requested by federal and state law to have an automated benefits system. The 18 counties listed above chose to join together as a consortium to share the cost and maximize efficiencies in the development and operation of this system.

CalWIN determines client eligibility for Medi-Cal, CalFresh, and/or cash assistance; issues benefits; interfaces with other State computer systems, including child support; assures that recipients are not currently obtaining benefits in another California county; and tracks the progress of clients in completing the tasks required to achieve self-sufficiency or to continue to qualify for benefits.

For Placer County, the CalWIN system facilitates the processing of over 3,000 applications for assistance each month. It helps Human Services program specialists oversee and validate the accuracy and need for benefit allowances. Placer County has provided benefits to over 33,000 households per month during FY 2014-15 to date. These benefits include short term payments for emergency need, food, financial assistance, and healthcare coverage.

The Board originally approved Placer County becoming part of the CalWIN computer system consortium in 1999, including an agreement with HP Enterprise Services, LLC (formerly EDS) for CalWIN development, implementation, maintenance and operations services. The existing contract is set to expire on July 31, 2015. The consortium of 18 counties issued a Request for Proposals in 2013 and HP was the successful bidder. The division of HP that maintains and operates CalWIN is located in Roseville. Since the contract is between all 18 counties in the consortium and HP, each of the 18 Boards of Supervisors is required to approve the contract prior to mid-January 2015.

The term of the agreement for maintenance and operations of the existing systems is for five years, with five one year renewal terms.

Because both the current contract and proposed contract reflect the needed compromises to continue to operate and maintain a statewide computer system for the benefit of 18 individual counties, both contracts contain some provisions that may not be a best fit for a particular county. However, the new agreement contains a significant number of improvements over the existing HP contract. These include:

- Business Intelligence, Rules Engine and Integrated Document Management Solutions covered under the base contract fees
- Enhanced service level agreements with liquidated damage remedies of \$1 million per month
- Prevention of rate increases to the agreement except as explicitly permitted per negotiations
- A \$5 million letter of credit which can be exercised to pay for damages if HP is in breach
- Uncapped direct damages and all types of non-direct damages and indemnities apply primarily in the event of (a) security or confidentiality breach; (b) negligence or willful misconduct; (c) the acts or omissions of HP's subcontractors; (d) the facilities; and (e) intellectual property infringement. More extensive project and portfolio management tools
- Modernization hours of 8,500 per year for continued system enhancements (not granted in original HP contract, but added under Extensions 1 and 2) and added 1,800 hours per year for research
- 10 percent holdback on deliverables, paid after acceptance and cure of any deficiencies, including cosmetic
- User Acceptance Testing and Release Level Support activities covered under base agreement fees (currently chargeable expense against the change budget per release)

The agreement also retains important protections/remedies currently available to the Consortium counties, notably:

- Service level agreements with pre-determined liquidated damages (enhanced from current levels) and the ability to trade-off liquidated damages amounts for additional work at county's discretion
- The ability to temporarily withhold any amount from HP invoices due to HP's breaches, subject to a 30 day cure period before WCDS can exercise this remedy
- The right to permanently set off damages due to HP's breaches and/or hire another vendor to complete work
- "Time is of the essence" standard on key milestones
- The ability to terminate the agreement for lack of funding, uncured breaches, and convenience (subject to notice and payment for wind-down costs)
- The ability for counties to contract for separate services, equipment and software as necessary under and related to the master M&O agreement

FISCAL IMPACT:

Placer County's share of expenditures for this five-year contract is \$2,846,435, including \$2,651,884 in Federal and State funding and \$194,551 in required County General Fund match. Each fiscal year's share of these costs will be included in the Department's Requested Budgets over the next five years.

The table below shows the Federal/State/County breakdowns based on the approved cost allocation plan for the contract base period. This is for all 18 counties combined.

(All 18 Counties)	Total	Federal Share	State Health Share	State Welfare	Counties Share
HP Base Contract Value	\$251,183,475	\$134,352,107	\$63,299,452	\$36,363,796	\$17,168,120

For Placer's share specifically, the table below has a further breakdown:

(Placer only)	Total	Placer Total Share	Federal Share	State Health Share	State Welfare Share	General Fund Match
HP Base Contract Value	\$251,183,475	\$2,846,435	\$1,522,491	\$717,315	\$412,078	\$194,551

The contract with HP Enterprise Services, LLC is on file with Clerk of the Board for review.

2/10/08