



Debt Management System

Office of the Treasurer
Debt Management Division

JUNE 28, 2022

IT CAPITAL INVESTMENT REQUEST

- The Debt Management Division (DMD) of the Office of the Treasurer (OTT) would like to request \$995,000 of IT Capital for the purpose of replacing critical legacy database systems.
- The Authorized, Allocated, and Issued (AAI) system tracks the legal authorizations for the issuance of debt in order to ensure that all debt is issued at the appropriate time, and debt is not issued more than once.
- The Debt Management System (DMS) tracks outstanding debt for: 1) timely payment of Debt Service; 2) reporting of outstanding debt service for required reporting and disclosure purposes; 3) Demonstration of compliance with constitutional and statutory limits on outstanding and new debt; and 4) Demonstration of compliance with indenture requirements for the issuance of parity debt.
- Modernization and integration will permit expansion of capabilities of the systems to automate manual processes. This will improve data quality and integrity.

PROJECT BACKGROUND

- DMD is responsible for the tracking and payment of all State debt, maintaining bond issuance records, as well as legal authorizations and allocation records as it relates to bond issuance. In addition, DMD is required to provide related monthly reports.
- DMS was written in the early 1990's on Visual Foxpro Version 8, and R+R Report Writer. The most recent versions of Windows that supports the system is Windows 7 and Windows Server 2008. DMS includes information on debt issued.
- DMS includes the Legislative Authorization and State Bond Commission Allocation information for debt issued. However, to track the numerous unissued debt authorizations, the AAI database was developed in 2015 using Access. As separate systems, there is some duplication of information.
- All areas of government that receive bond funded appropriations are dependent upon DMD's ability to issue debt for their projects. The State's credit ratings (ability to borrow) is dependent upon DMD's ability to service, monitor, and report the outstanding debt.

PROJECT SUMMARY

An RFP to modernize AAI and DMS was issued in January 2021, and responses were reviewed.

1. Modernize the AAI system: Upgrade the Access Flat File database to current database standards.
Propose replacing with a custom system by Singh.
2. Modernize the DMS system: Upgrade the Foxpro database to current database standards.
Propose replacing with DBC's Debt Manager program.
3. Integrate the replacement AAI and DMS systems.
4. Design the replacement systems to allow for: Expanded access to the information outside of DMD; Bond Counsel and Departments receiving Bond Proceeds to enter information regarding projects; the Automation of the payment of debt service, including exporting accounting information to CORE; and the elimination of duplication of AAI information maintained by DMD, OPM, and OFA.

PROJECT STAKEHOLDER AND MANAGEMENT APPROACH

- Stakeholders: Debt Management Division (DMD)
 - Other Potential Significant Users: Bond Counsel, OPM, OFA, CORE.
 - Departments receiving Bond Funded Appropriations will be able to use the new system to provide information on their projects that is required by Bond Counsel to determine whether the project meets IRS requirements.
- Lead agency: DMD
- Richard Li, DMD, OTT, will work with the vendors to manage the day-to-day activities of the project
- Issues unable to be resolved by Mr. Li will be reported to Sarah Sanders, Assistant Treasurer, and Ms. Sanders can elevate to Darrell Hill, Deputy Treasurer.
- In addition to DMD, during the design phase, Other Potential Significant Users will be interviewed to determine capabilities that would be useful to them. The initial implementation of the AAI/DMS replacement systems is proposed to be limited to modernization of existing capabilities in order to ensure continued ability to perform essential functions. It is intended that the new system will include the ability to easily expand the system to include additional capabilities desired by DMD and Other Potential Significant Users.
- Mr. Li will provide the Requirements Study, and after that, monthly reports on the development status, to OPM Finance, and inform the IT Capital Committee of any material scope changes or budget deviations.

PROJECT BENEFITS

- Modernize AAI and DMS to ensure their continued availability into the future
- Provide a foundation to expand the capabilities to automate functions of:
 - Selecting projects for inclusion in a financing
 - Departments submitting project descriptions
 - Bond Counsel approving projects for issuance
 - Elimination of duplicate information that is entered into AAI and DMS
 - Elimination of duplicate information maintained by other departments
 - Accounting entries for CORE relating to the payment of debt service
- Integration of the AAI and DMS systems
- Improved data integrity
- System security and data change tracking
- Cloud access

PROJECT MAJOR MILESTONES AND SCHEDULE

Phase 1 - Design

- Requirements Study
- Feasibility and Design

Phase 2 – Modernize existing systems

- Building of custom AAI replacement system
- Acquisition and loading of DMS replacement system (can be done simultaneously with AAI)
- Testing of AAI replacement system
- Testing of DMS replacement system
- Integration of replacement AAI and DMS systems
- Testing of integrated system

Phase 3 – Expand capabilities of the system

- Expand access to outside of DMD
- Additional enhancements to expand capabilities

PROJECT COSTS SUMMARY

Upfront:

\$635,000	Replacement of AAI system (Development costs)
230,000	Replacement of DMS System (Licensing DBC Debt Manager System)
70,000	License fee for DBC Finance (used to create data imported into DBC Debt Manager)
20,000	Cloud Hosting
<u>40,000</u>	Contingency
\$995,000	Total Upfront Costs

Annual:

\$145,000	AAI system (retainer for maintenance – can also be used for enhancements)
55,000	DBC Debt Manager – Annual license fee
22,000	DBC Finance – Annual license fee
20,000	Cloud Hosting
<u>8,000</u>	Contingency
\$250,000	Total Annual Costs