

CAPITAL BUDGET OVERVIEW COMMITTEE

Legislative Office Building, Room 201

Concord, NH

Tuesday, May 10, 2016

MEMBERS PRESENT:

Rep. Gene Chandler, Chair
Rep. John Cloutier
Rep. David Danielson
Rep. Frank Byron
Rep. Mark McConkey
Rep. Marjorie Smith (Alt.)
Sen. David Boutin
Sen. Nancy Stiles
Sen. Gary Daniels
Sen. Lou D'Allesandro

(The meeting convened at 10:29 a.m.)

(1) Acceptance of Minutes of the March 30, 2016 meeting.

CHAIRMAN CHANDLER: Good morning. We will open the meeting of the Capital Budget Overview Committee. First item is acceptance of minutes --

****** REP. DANIELSON: So move.

CHAIRMAN CHANDLER: -- of March 30th, 2016, meeting. Representative Danielson moves we approve them, seconded by Senator Stiles. Are there any questions? Discussions? All those in favor say aye? Opposed no? The motion carries.

******* {MOTION ADOPTED}

(2) Old Business:

CHAIRMAN CHANDLER: Old Business. None.

(3) New Business:

CHAIRMAN CHANDLER: New Business. Item number 16-020, New Hampshire Liquor Commission. Good morning.

CRAIG W. BULKLEY, Chief Operating Officer, Financial Management Division, New Hampshire Liquor Commission: Good morning, Mr. Chairman, Members of the Committee. My name is Craig Bulkley. I'm with the Liquor Commission.

DENIS C. GOULET, Commissioner, Department of Information Technology: My name is Denis Goulet. I'm with DoIT.

MR. BULKLEY: This morning we are before you to request to take a sum of money out of the money that's been allocated for our NextGen Project and apply that to consultants that we want to hire. The actual consultants are BerryDunn. They have been working with us at the beginning of the project to identify our business requirements, and then they assisted us in helping to write the RFP itself. We have identified a vendor. We are negotiating a contract with them currently. And we feel at this point that because of the potential impact to liquor revenue, this project needs independent oversight and management. And we want to hire project management professionals to help us.

These consultants would help us with providing continuous project oversight, developing in-process documentation, navigating the procurement process with a vendor, user acceptance testing, training oversight, and basically managing the process from start to finish. We feel it's important to have an independent body, if you will, helping us through this process.

CHAIRMAN CHANDLER: You can mention the amount.

MR. BULKLEY: The amount is 1 million, although -- although --

CHAIRMAN CHANDLER: Got to get to it sooner or later.

MR. BULKLEY: -- we're not sure exactly whether we'll spend all of that. But I just don't -- I don't want to be in a

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position where we're getting down to the wire. We figured this is about a 24-month project. So they would be with us for that period of time.

CHAIRMAN CHANDLER: The only thought I had from the Committee, and I don't really care this much about it, but do you think it's a good idea? Should we get a report back from them in six months or something in our fall meeting? Do you care anyone?

SEN. D'ALLESANDRO: I think we should. We should get a progress report, particularly based on the fact it's going to be a 24-month deal. You ought to set some kind of a chart up where you're going to be at after six, where you're going to be after 12, where you're going to be after 18, where you're going to be when it's finished. And --

CHAIRMAN CHANDLER: Just submit that.

SEN. D'ALLESANDRO: -- submit that to the Committee.

CHAIRMAN CHANDLER: To the LBA.

MR. BULKLEY: We'd be happy to do that for you.

CHAIRMAN CHANDLER: Yes.

MR. BYRON: Question for you. Does the Liquor Commission have its own separate IT function that will also participate in this?

MR. BULKLEY: No, we are part of DoIT, and I'll let the Commissioner of DoIT explain that.

MR. GOULET: Yes, we have IT folks who are involved -- heavily involved in this project, have been, and I agree with Director Bulkley that, you know, with the size and scope of this project, I think having that oversight will really improve the transparency and accountability of this project. It will keep us -- help keep us on track and make sure we know if

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we are going off track. So that's -- we can adjust the course as we go.

As part of the overall project team, we have identified a three-tier governance model for this project, which is typical of a very large project like this where you have executive, and a mid-level management, and then, of course, the day-to-day project leadership. DoIT and Liquor will participate in all three levels of governance to drive accountability and decision-making. And I agree having a report, regular reports. That's part of what we hope to get out of this so that, again, that transparency into what's going on in the project.

MR. BYRON: Follow-up.

CHAIRMAN CHANDLER: Should this be quarterly?

CHRISTOPHER SHEA, Deputy Director, Office of Legislative Budget Assistant: Well, I was going to ask for clarification from the Committee. How often do you want a report from this group? You can do it quarterly, you can do it every six months? They said it's a two-year project.

CHAIRMAN CHANDLER: I don't want it to be a burden but quarterly?

REP. DANIELSON: Quarterly be good.

CHAIRMAN CHANDLER: Quarterly something you can function with, a quarterly report?

MR. BULKLEY: We're going to be getting reports from BerryDunn on a regular basis so that should not be a problem.

CHAIRMAN CHANDLER: Yes, further question?

REP. BYRON: You suggested there's going to be a governance model. Is that a team of individuals you're going to hire, a team you're going to hire to report to DoIT, are they going to

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report to Liquor Commission or are you going to set up some other type of functions?

MR. GOULET: They'll report to the executive level of the governance group which is a team of myself and the liquor leadership.

REP. BYRON: Thank you.

CHAIRMAN CHANDLER: Yes.

REP. DANIELSON: Thank you, Chairman. In discussions with Division I, I believe you said that there was, I don't want to put words in your mouth, but I thought you implied the monies that have been allocated for the POS project are there.

MR. BULKLEY: Yes, they are.

REP. DANIELSON: Does this million dollars come out of that?

MR. BULKLEY: Yes.

REP. DANIELSON: It does.

MR. BULKLEY: Yes.

REP. DANIELSON: Are you going to have enough money within two years to pay for that entire project?

MR. BULKLEY: Based on what has been quoted initially by the vendor, yes. Do you typically run into issues where you have to have some additional customization over the course of the project or over the course of the next few years? I anticipate that we probably will, because we won't -- we won't cover everything. We'll come up with some things that have to be done that we didn't realize that we didn't know at the beginning.

So my expectation is we may have to ask for additional money, but we now have somewhere in the vicinity of 14 to 15 million in this -- in this project. So we're hoping and

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expecting that we would have enough, certainly, to get through to the implementation stage.

REP. DANIELSON: Thank you, Chair.

CHAIRMAN CHANDLER: Representative Smith.

REP. SMITH: Thank you very much, Mr. Chairman. In our packet we have 16-023, which is the Administrative Services Public Works dah, dah, dah, dah, dah report. It's the last volume in the packet. If we go to Line 77, although the initial \$10 million that you note in your presentation isn't in here, the additional 5.136 million is. And just as I go down the line I get a little nervous. Maybe I have no reason to be. Maybe Mr. Shea will tell me I'm not reading this correctly. But I'm just -- particularly since you said that as we all understand it might end up costing more than you think, of the fifteen one hundred thirty-six -- 15,136,000 that you've gotten -- we could round that to 137,000. Tell me about these numbers.

MR. BULKLEY: I'm --

REP. SMITH: Mr. Shea.

MR. SHEA: Just for the Committee's purpose, it's Page 15. There are two rows 77 in this report.

REP. SMITH: Oh, sorry.

MR. SHEA: So Page 15 of 23, Row 77.

REP. CLOUTIER: Everybody should have gotten it in their packets.

REP. SMITH: Let me ask. As you look at these numbers, and as you look at what you plan -- that you plan to take a million from the original 15 million up to a million to do this, is there anything in this report that would make you nervous about your ability to have enough money to complete the project and including using up to a million for oversight and management?

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MR. BULKLEY: And at the present time I would say no. The -- the quote that has come in is very manageable given what we're dealing with here and trying to take somewhere between eight hundred and 900,000 for consulting services, I don't -- I don't see an issue. Certainly, as we move forward, as we're getting closer to the end of this project, if we feel as though we're going to need additional money for some customization into the future, then we would come back during the next biennium budget cycle.

REP. SMITH: Thank you. Mr. Chair, I guess I'll say this to you, and it's really presumptuous of me since I am just filling in, but beginning this with the understanding that, of course, you just come back and get any more money if you need it makes me nervous. That's all I want to say. Thank you.

CHAIRMAN CHANDLER: Well, we expect they won't. How's that?

REP. SMITH: That is just what I like to hear, Mr. Chair.

CHAIRMAN CHANDLER: Representative McConkey.

REP. MCCONKEY: Thank you, Mr. Chairman. Gentlemen, I understand through the process that the Liquor Commission is the biggest user of the Point of Sale, the need to have this function correctly and so forth. With the use of the consultant and bringing in the consultant firm, I assume anything that's found won't be proprietary with your Department and would be shared across all the other departments for other operations where we are using or will be using more point of sale?

MR. GOULET: I can take that. Thank you for the question. To the extent that it's reasonable, this is a target solution for this type of business. So, you know, in each case, one of the things that I'm trying to drive now is a concept called Enterprise Alignment, which really goes to exactly what you're talking about. It's not -- looking for reuse in every case. It's also potentially driving reuse, not just on new things, but looking at our current -- I have a good size list, myself and Commissioner Quiram have a good size list of things that we can

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look at over time and align so that we're, you know, we're leveraging our purchases the best possible way. In fact, the technology behind the proposed liquor solution is actually the same technology that the underlying technology that's going to be used for DMV system as well. So there's some alignment there. But from a skill set alignment, the product itself is different. But the underlying technology, which is a good thing, because the smallest number of technologies we have to support, you know, it helps us moderate cost. The more different things we have that drives costs in the wrong direction.

REP. MCCONKEY: Thank you.

MR. GOULET: You're welcome.

CHAIRMAN CHANDLER: Representative Danielson.

REP. DANIELSON: A concern actually just triggered with that response. Technology in itself over the next two years will definitely change, one assuming, since technology changes every 180 days or so it seems, but the technology will change. Within two years we're saying we are going to have this project done. There will be some modifications. The issue with the Liquor Commission is profitability. And we want to make sure -- and this system is supposed to help that profitability. My concern is with the changing of technology in two years from now are we going to have today's technology is going to be driving that system or you going to have an updated technology in two years from now? And then my concern comes back, Mr. Chairman, to the budgeting of it. How do we make sure we stay on top of that?

MR. BULKLEY: The equipment, if you're referring to that technology, is not going to be purchased until we're ready to install it in the stores. So the first year I would expect we'll be involved with actually getting the software ready, getting everything ready to go and we would purchase that, the hardware, as close to the point of implementation as possible.

You're right that it changes frequently, constantly. So we have learned that we have to budget every few years to replace

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some of the hardware. Some of it lasts quite a while. The current POS System that we have in place was installed in 1998. So we've gotten our money's worth out of it. And we've reached a point now where the sophistication of POS software that's out there will be a great enhancement to our ability to conduct business, loyalty cards, loyalty programs, things that we can't do now that a lot of national retailers can do, we will be able to do. But it will be an ongoing evolution from the standpoint that as equipment is outdated or is obsolete, it will be replaced with equipment that will be comparable but will be current.

REP. DANIELSON: Follow-up.

CHAIRMAN CHANDLER: Further question.

REP. DANIELSON: Understand. Equipment is fine, we're also talking about the software technology will be advancing as well and that's the concern I have. Is that when you tuck in consultants that usually is - Senator D'Allesandro was referring to - that can be a never-ending -- never-ending solution. That's a fear, I think, all of us would have.

MR. GOULET: And that's a good question. The advantage of the underlying platform, which is Microsoft Dynamics, it's a go-forward product for Microsoft. And it's being deployed and being advanced so we are not painting ourselves in a corner from a software technology perspective. Quite the opposite. This has -- this Dynamics has been out for, I want to say, ten years now. And it's -- it continues to evolve and become more sophisticated, and it's a nice revenue stream for Microsoft. So I expect that, you know, I expect that will continue, and it's a good bet that we will not be painted into a corner from a software technology perspective.

REP. DANIELSON: Thank you, sir. Thank you, Commissioner.

CHAIRMAN CHANDLER: Motion? Oh, question.

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SEN. D'ALLESANDRO: Thank you, Mr. Chair. There are 17 control states in the United States. So each of you has something in common with one another. It would seem to me one of the things we ought to strive for is working with the other control states in terms of utilization of the product. Maybe we could sell the product to them because we are all working, you know, in the same vein. Little, little differences, but with 17 users who are in a controlled environment we have a -- we have an audience that we could work with in terms of moving our product. Talk about the second sale, and that's what I envision. If you get something that -- that's perfected at this level, the ability to move it to another environment makes sense. And if Microsoft is going to be the base, it's a universal product. So it -- I think that makes a lot of sense.

In terms of the tweaking, this stuff has to be tweaked. And if you're going to customize it specifically for your operation, you're going to maintain the code because you're going to make the adjustments. I'm assuming that IT, our IT, will make the significant adjustments, because you're going to have to manage it going forward. Someone is going to have to manage it going forward.

MR. BULKLEY: That's correct.

SEN. D'ALLESANDRO: You're going to have the source code, going to have to work with it. But all of this makes for the ability to move that product around. And, as I said, there are 17 others who could use it and everybody's looking to get -- get the most out of their investment. So it seems to me it makes sense.

CHAIRMAN CHANDLER: Representative Smith.

REP. SMITH: Thank you very much, Mr. Chairman. Would we own the product or are we licensing the product? I mean, are we -- do we have the right to use it under a license?

MR. BULKLEY: We would be licensed, yeah.

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MR. GOULET: Yes, we would be licensed.

REP. SMITH: So following up on --

CHAIRMAN CHANDLER: Further question.

REP. SMITH: If I could, following up on Senator D'Allesandro's perceptive question or statement, would we under a license have the ability to then extend that license -- that right to that license to the other 16 states?

MR. BULKLEY: I would guess that if another state wanted to purchase the same system that they'd have to purchase a license. But I think where the Senator was going was if we do any customization that is relevant to a control State's situation, that that customization we would -- we would own, we would have developed, and we would be able to share, not necessarily free of charge, but we would be able to share with others who have a similar business to New Hampshire.

CHAIRMAN CHANDLER: Representative Byron.

REP. SMITH: Thank you.

REP. BYRON: Are you sure of that, because my experience in a different type of industry is that as the normal course of events you customize your software to match the needs of your particular industry, but you are under obligation that that software still stays in the possession and control of the company that produced it, and even that includes the customization.

MR. BULKLEY: Well, I'm thinking more along the lines of this is going to be like a SQL Server type of situation as far as the database. And if we develop reporting requirements or other methods that we use on a regular basis to operate the business, we develop those through developers that work for DoIT, that we would -- that would be ours. And if another state was interested in using that same software that we -- not

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software but the reports that we did, that we could -- we could market that.

CHAIRMAN CHANDLER: I'll admit, I don't have a clue what you're talking about all this stuff. I'll admit that. But I sense we are getting a little off track what we're approving here. That's all. If we need further discussion or something on what's going to happen later on --

** SEN. D'ALLESANDRO: I would move approval.

SEN. BOUTIN: Second.

CHAIRMAN CHANDLER: Senator D'Allesandro moves approval of item number 16-020, seconded by Senator Boutin. Are there any more questions or discussions? If not, all those in favor say aye? Opposed no?

*** **{MOTION ADOPTED}**

CHAIRMAN CHANDLER: And we don't need to make it formally, but just if you could submit quarterly reports on that.

MR. BULKLEY: I'll work with Chris.

CHAIRMAN CHANDLER: Thank you very much.

MR. GOULET: Thank you.

CHAIRMAN CHANDLER: The next item 16-024, Department of Resources and Economic Development. Any questions? You need to hear anything?

** SEN. D'ALLESANDRO: Move the item.

SEN. BOUTIN: Second.

CHAIRMAN CHANDLER: Senator D'Allesandro moves, seconded by Senator Boutin. Representative McConkey has a question of the Department.

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REP. MCCONKEY: Yes.

CHAIRMAN CHANDLER: Okay. I guess Commissioner Rose is here and others.

JEFF ROSE, Commissioner, Department of Resources and Economic Development: Good morning, Members of the Committee. Jeff Rose, Commissioner of the Department of Resources and Economic Development.

REP. MCCONKEY: Thank you, Commissioner. Thank you, Mr. Chairman. The -- I'm -- I have just a couple quick questions, if you could, for information. Talking about 2016 Capital Request. From the document I'm reading here dated May 2nd by yourself, and I'm on Page 4 under Cannon's 2016 \$350,000 Capital Request and an item I just was looking for some information. You can get back to me on it. 75K for a septic overflow system revisions at the summit. I'm just -- if you could just get back to me another time and tell me what a septic overflow is.

And second -- my second question is on Page 2 on Mittersill Project Update, item three near the bottom of the page. New compressor, new dam pipe, hydrants, guns, so forth. There was a new dam that was built. I don't know if it was this facility or somewhere else on Cannon. It was constructed, deconstructed, reconstructed but never used. Is that because that part of that project has been built and you're waiting for other improvements and then you'll move to impoundment or is that -- is that dam not part of your project?

MR. ROSE: Would you like me to respond now or would you like me to have a conversation offline?

REP. MCCONKEY: If we could have a conversation later, but I'd like to know the outcome of that dam and if it's still viable as being part of your project.

MR. ROSE: Happy to do so.

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REP. MCCONKEY: Thank you.

CHAIRMAN CHANDLER: Senator Stiles.

SEN. STILES: Thank you. And thank you for coming in. Can you just tell me where does all of the revenue come from for the Cannon Mountain Capital Improvement Fund?

MR. ROSE: The revenue to pay the bonds for the Cannon Mountain Capital Improvement Fund comes from the lease payments from Mount Sunapee State Park. Excuse me, Mount Sunapee Ski Area.

SEN. STILES: Thank you.

CHAIRMAN CHANDLER: And percentage of the proceeds above -- I mean, I guess you -- there is a lease amount plus a percentage.

MR. ROSE: Correct, yes. There's a base payment and 3% of the revenues from the leasing of Mount Sunapee.

CHAIRMAN CHANDLER: Any other questions? If not, the question before us is the approval of 16-024. All those in favor say aye? Any opposed? The motion carries.

*** {MOTION ADOPTED}

(4) Miscellaneous:

(5) Informational:

(6) Date of Next Meeting and Adjournment:

CHAIRMAN CHANDLER: Everything else is Informational. Does anyone have any question on any of the items that's Informational?

Okay. I think we have set another meeting for Tuesday, June 14th, at 10:30. So if you can make the first one, you should

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be able to make the second one. We will recess until June 14th at 10:30.

(The meeting recessed at 10:53 a.m.)

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CERTIFICATION

I, Cecelia A. Trask, a Licensed Court Reporter-Shorthand, do hereby certify that the foregoing transcript is a true and accurate transcript from my shorthand notes taken on said date to the best of my ability, skill, knowledge and judgment.

Cecelia A. Trask
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