



STATE OF CALIFORNIA
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MEMORANDUM

To: Selvi Stanislaus
From: Mark Shijo
Subject: Board Approval for Contracts Exceeding \$1 Million

This memorandum provides information for your notification to the Board pursuant to the Board's resolution requiring approval for contracts exceeding \$1 million.

Integrated Nonfiler Compliance (INC) equipment replacement

This proposal requests approval of two contracts, each valued at more than \$1 million, in order to refresh the hardware for the revenue-generating INC system. INC is the department's Nonfiler program that identifies and gains compliance from individuals and businesses that are not filing State tax returns. The INC system processes more than 150 million records of income-related data about taxpayers each year. In Fiscal Year 2005/2006, the INC system generated \$566 million in General Fund revenues. Replacing the INC equipment is necessary as it is obsolete and inefficient. The department has experienced multiple outages, which if continued, puts the State at risk for lost or delayed revenue. The INC equipment to be replaced includes production and test Unix servers, the storage area network and fiber switches. The contract for the replacement of the Unix servers is estimated at \$1.5 million. The cost to replace the remaining equipment is approximately \$1.3 million. The department will use the California Strategic Sourcing Initiative (CSSI) contract(s), existing competitively bid contracts, for most, if not all of the purchases. The contracts will be issued in late December 2006 or early January 2007.

If you have any questions regarding any of the above items, please contact me at 845-6782.

Director, Financial Management Bureau

Cc: Titus Toyama
Cathy Cleek