



**FINANCIAL AND HUMAN RESOURCES
SYSTEM REPLACEMENT PROJECT
INVESTMENT PROPOSAL**

November 2002



Table of Contents

	<u>Page</u>
Executive Summary.....	1
Guiding Principles.....	5
Project Overview	7
Drivers and Benefits	9
Finance Plan.....	15
Budget.	21
Staffing Summary	33
Timeline and Activities	39
Communication Plan	41
Software Selection Process.....	47



EXECUTIVE SUMMARY



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Financial and Human Resource systems are at the center of City business, providing information necessary for sound decision making and operations. The City's current custom-developed financial and human resources systems were implemented in phases in the 1980s. Changing technology is quickly making them obsolete. The programming languages they were written in are no longer used. The people with skill sets needed to support these applications have largely moved on to more current technologies. The interfaces that tie the various systems together are not well documented or understood by current staff.

As a result, these legacy systems have become more difficult and expensive to support. Risks associated with system failure have increased. Upgrading the systems and integrating them with newer systems has become more difficult and costly, making business process improvements and complex reporting impossible due to inconsistent processes and redundant data sources. The architecture of the systems themselves does not allow us to move toward current business strategies – single points of service, automated payment, self-service by employees, easy desktop access to core information, efficient on-line transactions and routing.

To meet the City's strategic objectives of integrated service delivery within the City and region, we need to replace our financial and human resource systems. We are recommending the City invest in a robust integrated suite of vendor applications to replace the current legacy systems.

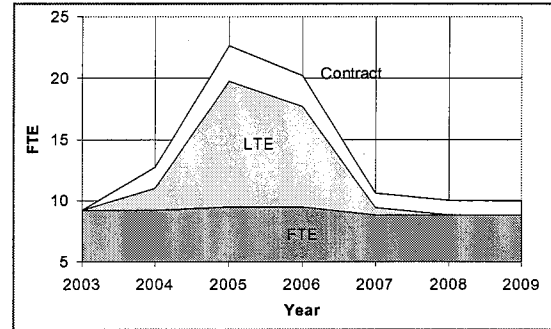
Implementing new vendor developed applications will reduce risk of system failure, decrease instances of inconsistent and redundant data, improve security, allow us to realize efficiencies in work processes and improve our ability to integrate with newer City systems and regional partners. Finally, by implementing a vendor product we can benefit from the vendor's research and development investments, thus staying current with technology and functional product enhancements.

If approved, this project would begin immediately with software selection and contract negotiations completed by 3rd QTR 2003, core financials implemented by 1st QTR 2004, and phased implementation of project costing, HR, payroll, and timekeeping in 2004 with core project completion in mid-2005.

We recognize this is a business-critical and high-risk project. It is imperative the organization follow best practices and not try to reinvent the wheel. Best practices include establishing a dedicated, co-located project staff and a rigorous, proactive oversight structure. These are critical to the success of the project, which during some phases of implementation will require up to twenty-two staff.



The project staffing plan addresses these needs with temporary and contract staff to augment the current system support staff by performing one-time project tasks. Additional on-going staff needs required to support the new systems, anticipated at 5.5 FTE's in 2005 are being addressed through re-distribution and re-assignment of current City staff. *No additional FTE's beyond internal reallocation are being requested.*



The total capital project budget is estimated at \$14.9M, which includes one-time staffing costs. This is a considerable investment in the City's technology infrastructure and requires a \$1.5 M increase in M&O for on-going support and upgrades.

Although the costs for this project are high, the risks and opportunity costs of not moving forward are higher. Currently the City has strong executive leadership, innovative and aggressive goals and motivated, knowledgeable in-house staff to complete the project. The economic slump in the technology industry also creates an excellent environment for negotiation and procurement. Furthermore, successful implementation of new technologies and re-alignment of business processes to use the software's "best business practices" are planned to create efficiencies and work capacity within the organization.

To harness these efficiencies, the project and executive oversight teams must be empowered to make decisions that support the City's strategic objective of integrated, seamless service delivery systems. The City's leadership must recognize and support the significant shifts in business process throughout the organization that will be required.

This project represents a significant undertaking. It is imperative that it be properly resourced and managed to produce the outcomes and gains that are envisioned. We are confident that our current organization has the skills, motivation and understanding to complete this project successfully. We will be returning to brief the Council on a regular basis as major milestones are accomplished.



GUIDING PRINCIPLES



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The goal of this project is to incorporate state-of-the art technology into daily City operations, streamlining and standardizing key finance and human resources business processes with the aim of improved public service delivery. Recognizing the risks and challenges of this project, we have identified the following guiding principles to govern how we will implement this project and to ensure consistency and constancy in our decisions.

1. Priority Commitment

The replacement of the financial and human resource systems is a critical priority and we will commit the time, energy, resources and talent necessary to ensure a timely and successful implementation.

- Executive leadership and support will be absolute.
- Project staff will be 100% dedicated to the project and will be co-located.

2. Commitment to Innovation

We will be guided in our decisions by streamlining and simplifying our processes and maximizing the potential of our workforce while being customer-focused.

- Project teams and departmental participants will be empowered to make changes and achieve innovation.

3. Commitment to Employees

We will maximize the opportunities for employees, assuring information and training to help employees succeed in the new environment. We will communicate with employee organizations to facilitate implementation and to address employee issues and opportunities.

4. Commitment to Teamwork

We will utilize teamwork, partnerships and cooperation within and across organizational lines to achieve rapid decision making and exceptional results.



PROJECT OVERVIEW



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PROJECT DRIVERS

- Existing system technology is outdated, becoming more difficult to support and integrate.
- Lack of integration creates "data silos" that result in redundant effort and data integrity issues.
- Existing systems are costly to modify and limit our ability to improve processes.
- The existing systems cannot support the City's strategic vision or mission.

PROJECT OBJECTIVES

- Implement an integrated Financial and HR System that will serve as a backbone for the enterprise.
- Utilize technology based on open architecture to provide for future growth and requirements.
- Implement application's best practices for business processes gaining associated efficiencies.
- Eliminate satellite financial systems reducing redundancy and improving data integrity and reporting.
- Derive benefit from the ongoing research & development investments made by Vendors.

PERFORMANCE MEASURES

- Potential to create capacity within the City workforce as a result of streamlining processes and eliminating redundancy. Examples:
 - Reduce number of City applications and databases - consolidate or eliminate 30+ systems.
 - Reduce number of interfaces between City financial systems by 40%.
 - Reduce the number of different requisitioning & timekeeping processes by 50%.
 - Streamline processes to take advantage of vendor discounts estimated at \$113K annually.
 - Reduce number of checking accounts, check writing and reconciliation processes.

FINANCING

- \$13 million one time capital costs and \$2 million project contingency
- Ongoing M&O increase of \$1.5 M

One-Time Costs / Funding 2003-2007

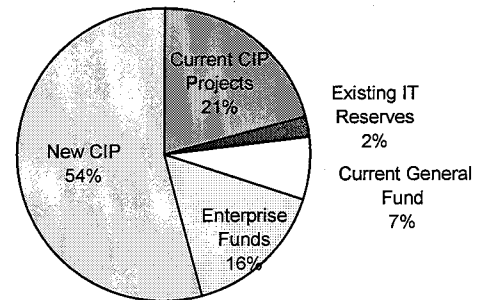
Expenditures	Total
Budget	\$13,028
Contingency (15%)	1,954
Total	\$14,982

Capital Funding Sources

Current CIP	\$3,113
Existing Reserves-GF	328
Current General Fund	1,039
Enterprise Fund Contributions	2,412
New CIP	8,090
Total One-Time	\$14,982

Ongoing M & O Total 2007 (Typical Year)

Current General Fund	\$860
Current Enterprise	88
New General Fund	960
New Enterprise Fund (primary allocation)	
Utilities	373
PCD	251
Facilities	55
Other	24
Total Ongoing M&O	\$2,611

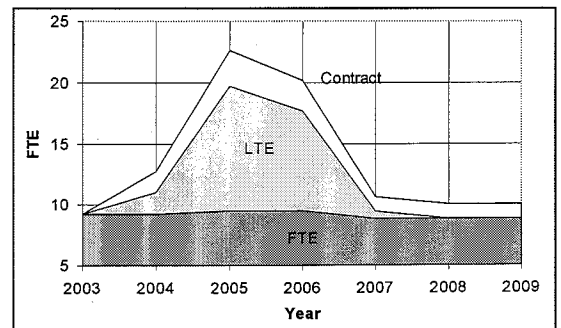


STAFFING

- No New FTE's - Project & M&O staffing accomplished through redistribution of existing FTEs
- Incremental project staffing accomplished using LTEs & Contractors

Staffing Schedule

Year	2003	2004	2005	2006	2007- Ongoing
Total Staff	12.70	22.65	20.15	10.60	10.00
FTE	9.25	9.50	9.50	8.80	8.80
LTE	1.75	10.20	8.20	0.60	0.00
Contract	1.70	2.95	2.45	1.20	1.20





DRIVERS AND BENEFITS



DRIVERS AND BENEFITS

BACKGROUND

Financial and Human Resource Systems are at the center of City operations. They provide the information with which decisions are made and must integrate with ancillary line-of-business systems (e.g., permitting).

The City's core Financial and HR systems were developed in-house to meet the requirements of the Finance and HR departments. Over the last fifteen years, the Citywide organizational requirements for tasks like budgeting, cost accounting, and benefits administration have increased. Not surprisingly, these core systems can no longer keep up with organizational needs. Decision-making is hampered by inadequate and often conflicting data that is not centrally maintained or managed. Integration with departmental systems is difficult and costly because of limitations within the legacy systems.

Replacing the City's Financial and HR systems with an integrated suite of applications designed to support City-wide operations and information needs is critical to meeting both immediate operational objectives and long-term strategic goals. Specific drivers and benefits include:

TECHNOLOGY

Since the current Financial and HR systems were implemented in the 1980s, revolutionary changes in technology have made the systems difficult to use and integrate. Similarly, supporting obsolete technology has become expensive as experienced programmers become scarce. *Newer technology and modern system architecture is essential if we are to have a robust, maintainable and scalable computing infrastructure as the hub for our enterprise applications.*

INTEGRATION

With our legacy systems, integration with line-of-business department applications is challenging, expensive and often unworkable. Regional integration with our current systems would be cost-prohibitive, risky and impractical. *Open architecture, modern integration tools and standardized electronic information exchange available with newer information systems greatly reduces the difficulty, costs and risks of integration.*

DATA INTEGRITY, SECURITY AND RECOVERABILITY

Limitations in our current systems have resulted in multiple sources of disparate, unreconciled data spread throughout the City hindering decision making. Furthermore, data distributed throughout the City on PCs is not secure, nor is it recoverable in the event of even minor disasters such as PC failure. Information is a core business asset that must be protected and cannot be replaced once lost. *Implementing centrally managed, integrated systems would improve the quality, security and recoverability of data.*

REMOVING BARRIERS

Staff throughout the City recognize the redundancies, inefficiencies, workarounds and limitations of the current systems. Staff want to be more efficient, proactive and innovative but the systems are often obstacles rather than tools. *A new Financial and HR system will remove barriers to productivity by allowing us to streamline processes like purchasing, contracting and project cost reporting. It will remove redundancies in data entry, dramatically reduce the number of independent databases that are incrementally maintained and eliminate associated reconciliation tasks. Similarly, it will empower employees to manage their HR business in a secure environment, without forms and paper, via the web, hence minimizing the need for "middlemen" to aggregate and perform routine transactions.*

STEWARDSHIP

Accurate budgeting and cost accounting is essential to ensuring fiscal accountability. Current systems do not meet our needs for data collection, analysis and reporting in crucial areas like CIP project management. *State of the art, integrated systems provide mature, robust and flexible solutions that will improve our ability to plan and manage City financial and human resources by providing more accurate, up-to-date and easy to access information via on-line tools and reports.*



SERVICE DELIVERY

One of the City's core values is to provide exceptional public service. Seamless, efficient service delivery requires integrated systems. Distributed, silo systems are impassable barriers to achieving the City's business vision. We must change the underlying applications architecture to be successful. *Newer systems are designed specifically to support an integrated service delivery model and will be an important catalyst in helping us to meet our objectives.*

OPPORTUNITY COST

The City's current Financial and HR systems have been slated for replacement for several years. It has been recognized that their replacement is inevitable, the only question is timing. The cost of postponement of this project in opportunity cost is steep. In the past few years the City has engaged top quality leaders who can motivate change, expect results and have set aggressive strategic goals. *Thus, the City is well positioned to move forward with a major system implementation that will positively change operations throughout the City and help us meet our strategic goals.*

ESTIMATED EFFICIENCY GAINS AND GRAPHS

The above identified benefits may result in efficiencies throughout the City that would allow us to harness increased working capacity distributed over the City workforce. Based on industry standards, these efficiencies are estimated at 21-32 hours per employee per year with an additional \$75 - \$130K in savings associated with vendor discounts and miscellaneous cost savings.

