Agenda Item No. (6)

To: Finance-Auditing Committee/Committee of the Whole
           Meeting of October 24, 2024

From: Malini Brown, Project Manager
           Fang Lu, Chief Technology Director
           Kellee J. Hopper, Deputy General Manager, Administration and Development
           Joseph M. Wire, Auditor Controller
           Denis J. Mulligan, General Manager

Subject: **APPROVE ESTABLISHMENT OF A NEW CAPITAL PROJECT, PROJECT # 2515, ERP (ENTERPRISE RESOURCE PLANNING) EXPANSION & IMPROVEMENT PROJECT-SCOPE AND DESIGN**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve establishing a new capital project, *ERP (Enterprise Resource Planning) Expansion & Improvement Project-Scope and Design* (Project # 2515), with an initial budget total of $1,140,493, to replace Capital Project # 1810, *ERP System Replacement*, which will be closed.

This matter will be presented to the Board of Directors at its October 25, 2024 meeting for appropriate action.

Background

Capital Project # 1810, *ERP System Replacement,* was initially approved in the FY 17/18 District Division Capital Budget with a total project budget of $4,500,000. These approved funds were initially used for conducting an As-Is Business Process mapping exercise and for the Request for Proposal process to seek proposals from qualified firms to implement a replacement ERP system.

At the meeting of March 24, 2022, the Board of Directors approved the execution of Contract No. 2019-D-059, *Enterprise Resource Planning (ERP) System and Implementation Services,* with Tyler Technologies (Tyler) of Yarmouth, Maine, to implement a new enterprise resource system for a three-year term plus two one (1) year options providing five years of access to and maintenance of the system for a total not-to-exceed amount of $4,352,144. The Board also authorized a capital budget increase in the FY 21/22 District Division Capital Budget for Capital Project # 1810, in the amount of $500,000, for a total project cost of $5,000,000.

The key objectives of the ERP replacement project were to:

1. Centralize data and processes to reduce the number of shadow systems and improve reporting;
2. Streamline business processes; and
3. Replace existing interfaces with three Golden Gate Bridge, Highway and Transportation District (District) systems (Maximo, Hastus and Kronos) and expand data exchange with other systems.

The scope of the project was to replace the District's existing Finance/ HR/ Payroll system, Finance Enterprise (FE), with Tyler's product Enterprise ERP (EERP). Tyler was responsible for the following:

    a. Application installation
    b. Application configuration
    c. Data conversion
    d. Interface development (to other systems that share data with the ERP system (e.g., Maximo and Hastus)
    e. Workflow development
    f. Report/form development
    g. Testing
    h. Documentation and training
    i. Go-Live and post implementation stabilization
    j. Support and maintenance
    k. Organizational change management
    l. Project management

The project was to be delivered in two phases: Phase 1 for Finance and Phase 2 for Human Capital Management (i.e., HR and Payroll). Phase 1 started in May 2022 with a targeted Go Live date of October 2023 and, Phase 2 started in January 2024 with a targeted Go Live date of April 2025. However, by June 2023, the entire project was put on hold for two major reasons:

1. Designing the interfaces with two critical District systems, Maximo and Hastus, had hit significant issues, making it unlikely that the project would achieve the key objectives listed above; and,
2. The project team signaled that the overall design of the Tyler system would not be a good fit for District processes and procedures.

By placing the project on hold, District staff and Tyler had the time to conduct an in-depth analysis of the issues and try to find a path forward. The analysis revealed that while it may be possible to move forward with Tyler, doing so would come at a substantial cost to the District—in both money and time, and the new ERP system was not what either party assumed when they entered into the contract. The District learned the following:

- The Tyler system's design is not suited for the nuances of District processes. If implemented, District users would need to execute more steps and/or access more screens than the current system, and would likely mean the continued use of shadow systems.
- Out of the box reporting does not meet the District's needs. The District would need to pay a considerable amount for customized reports.

- The Maximo and Hastus' interfaces are challenging for Tyler and the District would need to significantly modify both Maximo and Hastus to implement interfaces that are not as sophisticated as they currently are.
- The District would need to spend at least an additional $1 million and extend the term for an additional two years to implement a system that does not fully meet the District's needs.

Determining the Path Forward and Terminating the Tyler Agreement

If the District was not going to proceed with Tyler, the District needed an alternative plan because staying with the status quo was not a viable option for the District. The intended benefits for implementing a replacement system would still need to be realized whatever the next step was going to be. Those benefits being:

- Timely and accurate reporting of District spending
- Save staff time and reduce the number of shadow systems
- Re-engineer and streamline business processes

The District had two possible paths: (1) go out to the market to find an alternative system; or, (2) make improvements to the District's legacy system, FE. Knowing that option 1 would take a considerable amount of time, staff researched the feasibility of option 2 and concluded that this was the best course of action for the District for the following reasons:
- Gaps identified in the 2017 Feasibility study were partially addressed when FE was upgraded to version 19 in 2021, and new features were implemented. End users are already seeing benefits of new functionality and new reporting.
- FE has improved its system, offering more functionality in the eight years since the District studied it. Its current potential is able to meet more of the District's needs.
- The source of end user frustration did not solely lie with FE; instead, it stemmed from the fragmentation of processes and data across different systems. Transitioning to Tyler EERP does not address this any better than an improved FE system.
- With newer functionality and improved technologies in interfacing systems, processes can be optimized. For example, the way data is exchanged between Hastus and FE reduces staff work currently done outside of the two systems.
- Adding new modules and reconfiguring processes will optimize how the District uses FE, thus saving staff work time. Because users are already familiar with FE, the adoption of new modules and processes will be easier.

Based on these findings, District staff sought approval from the General Manager to terminate the contract with Tyler. Having received that approval, District staff now seek approval from the Board to open a new Capital Project # 2515, *ERP Expansion & Improvement Project-Scope and Design.* Staff will close out Capital Project # 1810, *ERP System Replacement.*

District staff has negotiated a reasonable closeout settlement with Tyler, in which the District pays Tyler for its work. The District and Tyler entered into a termination agreement on September 19, 2024.

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New Project

Staff have defined a high-level scope for the Finance Enterprise Expansion and Improvement Project that meets the objectives of the original ERP project. This is presented in the table below.

Objectives	Improvement and Expansion
1) Centralize data and reduce number of shadow systems	• Grant Management – either FE module or interface to third party tool • Build out Asset Management configuration • P-Card management – either FE module or interface to third party tool • Review FTE Budgeting & Budget forecasting • Evaluate Cognos as reporting tool in FE. The District has the licenses but has not implemented it because of the ERP project • Implement Employee templates • Increased Payroll module automation and tracking
2) Business Process Consistency	• Build out workflow in FE • Roll out user training • Implement background parts to the Job Ledger to define project phases and funding sources • Implement OnBase application enabler
3) Complex Interfaces	• Fix the issues with the Maximo-FE interface • Implement changes to Hastus to remove the Cobol program

A significant difference between the old project and the new project is that the project team will not rely on a vendor to set the pace and scope of the project. Due to staff's familiarity with FE, a significant risk of the project is that staff may not prioritize work in the same way as if the District were to implement a new system. To mitigate this risk, the new project will have the same governance and team structure as the old project, as shown in the following table:

ROLE	NAME	POSITION
Executive Sponsor	Joe Wire	
Steering Committee	Kellee Hopper Fang Lu Cody Smith Brian Garrity Stephanie LaRue Jennifer Mennucci Amy Frye	
Department Heads/ Functional Leads	Vicky Ng Laurie Price	Accounting Payroll

ROLE	NAME	POSITION
	Marianne Waterman	Procurement
	Jacob Brown	Capital & Grants
	Stephanie LaRue	HR, Benefits
	Michelle Purugganan	HR, Recruitment
	Eric Reeves	Budget
	Karin Williams	Application Support, Information Systems
Subject Matter Experts	Key personnel identified by Department Heads/Functional Leads	
Project Manager	Malini Brown	Information Systems

Maintaining a dedicated project team will ensure:
- Project momentum is maintained;
- Cross functional alignment and collaboration on project goals, prioritization of requirements, and implementation strategy; and,
- Issues and risks are tracked and monitored.

If consultant services are required, the District will contract with Koa Hills Consulting. Koa Hills Consulting has extensive experience with FE.

Because the new project uses much of the existing system, the costs are expected to be lower. Staff's goal is to fund the new project at the same budget amount as the original ERP project. To help refine projected costs, staff propose that the project be executed in two phases:

Phase 1 – Detailed Scope and High-level Design

Phase 1 will allow staff to:
- Re-validate requirements;
- Re-assess and re-engineer business processes;
- Work with Central Square to research what is and is not feasible with FE; and,
- Work with the vendors of interfacing systems (e.g., Maximo, NeoGov, UKG) to scope the integration requirements with FE.

Phase 2 – System Configuration, Testing, Training, and Implementation

Splitting the project into two phases will allow staff to use Phase 1 to estimate the project timeline and implementation costs more accurately, which includes, but is not limited to:
- Professional services to configure and implement new functionality;
- Professional services to improve interfaces; and,
- Changes to license costs and/ or support and maintenance costs.

After the completion of Phase 1, staff will return to the Board and seek approval for the scope and budget for Phase 2. Staff plan to seek approval for Phase 2 no later than July 2025.

Timeline and Activities

Phase	Activity	Start Date	Finish Date
1	Needs Assessment and Requirements scoping – conduct a series of cross functional workshops to discuss, agree and document business processes, system functionality, data requirements and integration requirements.	November 2024	June 2025
	Work with Central Square to review/pilot functionality in FE that the District does not currently use.		
	Research alternative options for those requirements that cannot be met by the FE system.		
	Implement quick wins if any are identified.		
	Prepare project charter for Phase 2 – will include business objective, project scope, timeline, budget, project risks and mitigations.		
	Seek approval from the Board for Phase 2 budget.		July 2025

Fiscal Impact

This fiscal impact section presents two sets of data: (1) the cost of closing out the Tyler contract and Capital Project # 1810 and, (2) the cost of Capital Project # 2515.

Cost of closing out the Tyler Contract

Summary of projects expenditures to date:

Contract No. 2019-D-059 – Awarded Costs and Expenses

	Contract Value	Expenditure	Balance
Capital Expenditures (Project #1810)			
Prime Contract (EERP Software implementation one-time cost, estimated travel costs and Yr. 1 SaaS fees)	$2,028,604	$912,797	$1,115,807
Prime Contract Contingency (20% of the one-time implementation cost, $1,322,020)	$264,404	-	$264,404
Subtotal – Capital	**$2,293,008**	**$912,797**	**$1,380,211**
Operating Expenditures (Future Operating Budgets)			
Munis Annual Fees Yrs. 2 to 5 ($514,784 per year) Includes all software licensing, annual maintenance (support, enhancements), and Disaster Recovery and System Management	$2,059,136	$44,567	$2,014,569
Subtotal – Operating	**$2,059,136**	**$44,567**	**$2,014,569**
TOTAL CONTRACT BUDGET (Capital & Operating Expenditures)	**$4,352,144**	**$957,364**	**$3,394,780**

Capital Expenditures (Capital Project # 1810)

	Budget	Expenditure	Balance
Prime Contract (Munis Software implementation one-time cost, estimated travel costs, Yr. 1 SaaS fees)	$2,028,604	$912,797	$1,115,807
Prime Contract Contingency	$264,404	-	$264,404
District Staff Labor - Project Manager	$1,225,000	$1,347,184	$-122,184
Outside Labor – temporary backfill resources	$781,811	$77,543	$704,268
Consultant Services	$300,000	$191,866	$108,134
Project Contingency (6%)	$229,339	-	$229,339
General Project Expenditures	$170,842	$973	$169,869
TOTAL CAPITAL EXPENDITURES	**$5,000,000**	**$2,530,363**	**$2,469,637**

The remaining money will return to the District treasury to be used for future capital projects, for example, Capital Project # 2515.

ERP Expansion & Improvement Project, (Capital Project # 2515)

Proposed Project Budget for Capital Project # 2515

Phase 1	Budget
Professional Services with Central Square to (1) review/ pilot new functionality/ features, (2) implement quick wins	$200,000
Needs Assessment and Requirements scoping	$200,000
Research and scope interface requirements	$100,000
Research alternative solutions for business requirements that cannot be fulfilled by FE	$100,000
District Staff Labor - Project Manager	$140,493
Outside Labor – temporary backfill resources	$100,000
Consultant Services	$150,000
Project Contingency	$150,000
Total	**$1,140,493**

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