

Worksession

MEMORANDUM

September 18, 2012

TO: Government Operations and Fiscal Policy Committee
FROM: Dr. Costis Toregas, Council IT Adviser *CT*
SUBJECT: Update - Technology Modernization fiscal reviews

Expected to attend:

Joe Beach, Director of Finance
Sonny Segal, CIO
Jennifer Hughes Director of OMB
Karen Plucinski, Acting ERP Program Director
Mike Ferrara, Executive Director of Enterprise Projects

Staff Recommendations:

1. Receive financial report.
2. Take note that as of now, the entire TechMod project continues to be on time and within budget, a remarkable accomplishment when compared with State-of-Practice examples from the State and Local marketplaces.

Background

The Technology Modernization project is a Capital Improvements Program (CIP) project that allows a multi-year approach to plan for, launch, and implement complex computer systems that have the ability to streamline and significantly improve the basic operations of County government. The Project Description Form (PDF) for this project from the FY13-18 CIP program is on ©1-2. Since the first appropriation in FY08, the project has invested more than \$110m in these complex projects, and with good results. Unlike many jurisdictions where either the budget or the quality of the implementation suffered under the strain of multiple stresses, Montgomery County has been almost unique in its history of successful progress.

Several projects make up the TechMod “portfolio”:

- ERP, which integrates financial, HR and Procurement systems into a single effective approach;
- MC311, which has consolidated multiple call centers into a single, effective place for residents to look for information and assistance;
- MCTime, which has automated the cumbersome and error-prone time record system for all departments;
- Infrastructure, which provides the technology underpinnings (servers, routers, cabling, major common systems etc.) for all projects; and
- P-TechMod, which stands for Process Technology Modernization of the multiple HHS systems into a single unified enterprise-wide way to serve the clients.

The Committee reviews progress of these projects periodically; indeed, P-Tech is scheduled for program review on October 18 jointly with the HHS Committee. However, the Committee has also requested that a fiscal review of the TechMod project be undertaken periodically, given the magnitude of investment and complexity of tasks. This is the 2012 fiscal review for TechMod.

Staff Questions and Executive branch answers

In order to help organize the discussion for the Committee members, staff provided the Executive branch with a small number of questions aimed at reviewing the fiscal strength and soundness of the project. These questions, and the Executive’s responses, are provided here.

1. What is this year’s appropriated amount for the project, and how much has been spent in broad categories such as labor, outside contracting and software/hardware costs?

(see Attachment 1 on ©3 and ©4)

2. Are the program objectives being met, and on a timely basis?

We are making considerable progress with

- 1) Managing significantly different business processes.
- 2) Implementing several “first-time” processes such as Compensation Workbench, Election Judge Payments, Oracle travel and expense, Retiree Payroll, etc.
- 3) Identifying and developing Enterprise operational procedures.
- 4) Addressing user concerns and needs through change management and focused training.
- 5) Continuing to revisit and modify originally implemented processes where appropriate to maximize system capabilities, enhance controls, and improve efficiencies. We continue to work closely with the software vendor when system solutions are indicated.

6) The following planned ERP activities/tasks for FY13 are in progress:

Oracle Learning Management	Oracle Learning Management is an enterprise learning delivery system that includes: 1) scheduling, 2) registration, 3) learning path development, 4) training history, 5) online learning tools and 6) testing and evaluation.
Enterprise Reporting	Along with the Oracle financials, budgeting, purchasing, and human capital management applications, the County purchased an enterprise business intelligence (BI) data warehouse/reporting tool that maintains summary and detailed information from these modules. The BI tool is designed to address business process questions (e.g., how is my department doing in relation to expenditures against budget) to assist department administrators/managers and senior executive managers in monitoring and decision making activities.
Hyperion Budgeting	Oracle Hyperion is the budget software purchased to develop the County's operating/PSP and capital/CIP budgets. The system will replace OMB's existing budget applications including BPREP, BASIS, FFI, PSP Production System, and the CIP Submission and Analyst Systems.
Tax Assessment	Modernization of the County's Tax Assessment Billing System. This system is used to annually calculate and bill County residents for County and municipal property taxes, solid waste fees, water quality fees WSSC fees, and other fees, taxes and related credits.
Property Management	Centralize and integrate Oracle EBS tools for managing property lease/contracts, space management and intelligently manage county real estate portfolio.
Identify Management	Combination of business process and technology used to manage data on IT systems and applications about user. Managed data includes users objects, identity attributes, security entitlements and authentication factors.
ZyImage Integration	ZyImage is the County's enterprise imaging tool. This product will be used to Integrate Oracle e-Business with the County's records management platform.
End Users Issues	Conducted Focus group sessions with Departmental Administrative Service, Department HR Liaisons. Coordinating with Labor Relations, identification of represented users for focus groups. Provided Financial training one on one (General Ledger, Accounts Payable, Purchasing, Projects and Grants) during the Summer. Developing FY13 Oracle Financials Training schedule and other training sessions on different modules.

3. Do you expect additional resources beyond those budgeted will be required to successfully meet the project goals?

The full funding level of (\$33,909,300) for FY 13 through FY16 is required to successfully meet the project goals. The current funding is being reevaluated in consideration of recommendations made from audits conducted after implementation.

4. Specifically in the Process Technology Modernization effort undertaken by HHS, have you been able to leverage County funds to find additional state/federal or other grants (and other resources in general) that will allow the project to be completed in a speedier manner or with an expanded scope?

MCDHHS - has been working with DHR and DHMH at the State to leverage additional federal funds. These are in the works. We are also leveraging the State Health Insurance Exchange modifications through DHR and are piggybacking the Master Client Index and the electronic case record effort (digitizing our case record) on the DHR project. Though we have local project costs, we are able to achieve greater scope as a result of this leveraging effort. Uma has also had preliminary conversations with Ford Foundation, Knight Foundation and Annie E Casey Foundation to see if there might be an interest to support either the Technology or the Transformation effort around human capital management and business process transformation. There is some interest around Social Impact Financing for the transformation work.

Technology Modernization -- MCG -- No. 150701

Category
Subcategory
Administering Agency
Planning Area

General Government
County Offices and Other Improvements
County Executive
Countywide

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

March 14, 2012
No
None.
On-going

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY11	Est. FY12	Total 6 Years	FY13	FY14	FY15	FY16	FY17	FY18	Beyond 6 Years
Planning, Design, and Supervision	113,565	60,805	18,851	33,909	13,688	11,104	8,667	450	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	0	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	56	0	56	0	0	0	0	0	0	0	0
Total	113,621	60,805	18,907	33,909	13,688	11,104	8,667	450	0	0	0

FUNDING SCHEDULE (\$000)

Current Revenue: General	65,140	37,549	4,040	23,551	8,955	7,961	6,635	0	0	0	0
Federal Aid	1,059	0	0	1,059	352	389	264	54	0	0	0
Land Sale	2,634	2,634	0	0	0	0	0	0	0	0	0
Short-Term Financing	44,788	20,622	14,867	9,299	4,381	2,754	1,768	396	0	0	0
Total	113,621	60,805	18,907	33,909	13,688	11,104	8,667	450	0	0	0

OPERATING BUDGET IMPACT (\$000)

Maintenance				33,786	225	2,015	3,037	9,503	9,503	9,503
Productivity Improvements				-3,782	-33	-33	-929	-929	-929	-929
Net Impact				30,004	192	1,982	2,108	8,574	8,574	8,574

DESCRIPTION

This project provides for the replacement, upgrade, and implementation of IT initiatives that will ensure ongoing viability of key processes, replace outdated and vulnerable systems, and produce a high return in terms of customer service and accountability to our residents. Major new IT systems that have been completed through this project include the Enterprise Resource Planning (ERP) Financial and Human Resources modules, foundation phase of the 311/Constituent Relationship Management (CRM), Electronic Time reporting (MCTime), and related Business Process Review (BPR). Planning activities for the Department of Health and Human Services (HHS) technology modernization of key systems and processes are well underway. The Budgeting module of the ERP system (Hyperion) and additional self service functionality is being implemented now and the workforce component of the Hyperion System has already been completed. The ERP project was implemented to modernize our Core Business Systems to improve the efficiency, effectiveness, and responsiveness of the County Government. The ERP project has provided needed upgrades to the County's financial, procurement, human resource, payroll, and budgeting systems and has streamlined existing business processes. Additional BPR is needed to continue the alignment of County business processes with the new system and related enterprise impacts and to maximize the return on the County's IT investment. The 311/CRM system combined advanced telephony, internet, and computer technology with constituent-focused business processes. Residents are now able to call one number to access County government services. The 311/CRM system includes built-in tracking and accountability features to assure that every call receives a timely response. In addition, the 311/CRM system produces information on County efficiency and effectiveness in responding to requests for information and service requests. This information is used by the Chief Administrative Officer, CountyStat, and operating departments to track and improve performance and customer service. Completion of Phase I of the current MC311 (CRM) included developing an automated service request processing system for the County's Department of Transportation including converting the systems currently used for leaf pick-up, snow removal, tree issues, and street light outages. Phase II of the Technology Modernization project will include modernization of the County's Tax Assessment Billing System. This system is used to annually calculate and bill County residents for County and municipal property taxes, solid waste fees, water quality fees, WSSC fees, and other fees, taxes, and related credits. The HHS technology modernization involves the product identification and modification and implementation of an enterprise Health and Human Services system that includes the following components: intake and eligibility; common client index; document imaging and electronic records; case management and billing capabilities for health and human services; a portal for legacy and enterprise systems; a data warehouse; and self-service kiosks for use by clients and partner agencies.

COST CHANGE

Increase due to the continuation of staff and contractual resources to complete the remaining project components, provide ongoing system upgrades and modifications, provide the next stage of enterprise wide BPR and improvements, and implement the next phase of project improvements including implementation of the Health and Human Services system.

JUSTIFICATION

According to a 2004 ranking of major existing technology systems based on their current health and relative need for upgrade or replacement, the County's then current core business systems (ADPICS, FAMIS, BPREP, and HRMS) were ranked as Priority #1, which means "obsolete or vulnerable critical system in

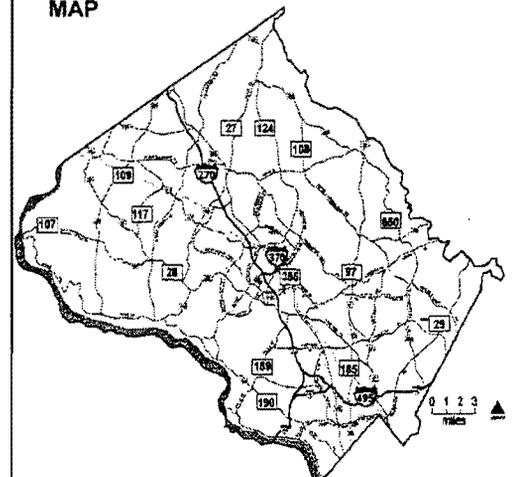
APPROPRIATION AND EXPENDITURE DATA

Date First Appropriation	FY07	(\$000)
First Cost Estimate	FY13	113,621
Current Scope		
Last FY's Cost Estimate		80,979
Appropriation Request	FY13	12,421
Appropriation Request Est.	FY14	11,104
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		80,979
Expenditures / Encumbrances		70,114
Unencumbered Balance		10,865
Partial Closeout Thru	FY10	0
New Partial Closeout	FY11	0
Total Partial Closeout		0

COORDINATION

MCG efforts are coordinated with applicable agencies during the project planning, requirements gathering, and requests for proposal (RFP) phases. Offices of the County Executive
Office of the County Council
Department of Finance
Department of Technology Services
Office of Procurement
Office of Human Resources
Office of Management and Budget
Department of Health and Human Services
All MCG Departments and Offices
Maryland Department of Human Resources
Maryland Department of Health and Mental Hygiene

MAP



Technology Modernization -- MCG -- No. 150701 (continued)

immediate risk of failure." These at-risk systems were replaced with a state of the art ERP system which provides a common database supporting financials, procurement, budget, and HR/payroll, and includes system-wide features for security, workflow, and reporting, and up-to-date technology architecture. Montgomery County seeks to set a national standard for accountability and responsiveness in governance and the delivery of services to its residents and businesses.

Tax Assessment Billing System: The current system is over 30 years old, is only internally supported, and is used for the collection of over \$2 billion in revenues annually.

Health and Human Services: This technology modernization effort will ensure ongoing viability of key processes, replace outdated and vulnerable systems, create staff operating efficiencies and produce a high return in terms of customer service and accountability to our residents.

Related plans and studies include the Information Technology Interagency Funding and Budgeting Committee's report of September 30, 2003, and the MCG FY06 IT Budget Overview prepared by DTS.

OTHER

The Technology Modernization - MCG project is intended to serve as an ongoing resource for future IT modernization and related process engineering to the County Government's business systems beyond the currently defined project scope. Future projects may include the following:

CRM - Citizen Relationship Management

Phase II: This initiative will extend the service to municipalities in the County, and other County agencies (e.g. Board of Education, M-NCPPC, Montgomery College). This initiative will proceed based upon interest from these organizations and agreement on funding.

Creation of a Citizen Relationship Management (CRM) program which will develop or convert automated capabilities for all appropriate County services including:

Case Management

Events Management

Field Services

Grants Management

Help Desk Solutions

Point of Sales

Resident Issue Tracking System

Work Order Processing System

ERP - Enterprise Resource Planning

Business Intelligence/Data Warehouse Development

Loan Management

Property Tax Billing and Collection

Public Access to Contractor Payments

Upgrade to Oracle E-Business/Kronos/Siebel

Enhancements to comply with evolving Payment Card Industry (PCI) mandates

FISCAL NOTE

Project funding includes short-term financing for integrator services and software costs. The Operating Budget Impact (OBI) estimates provided above include the costs associated with supporting the Technology Modernization project after implementation including staff returning to their "home departments" from the project office to provide on-going support, knowledge transfer, and to serve as super users, and staff and contractors necessary to support the system, maintenance agreements with software vendors, and costs associated with the "Sustaining Organization" in FY16-18. Establishment of a sustaining organization is needed post implementation to resolve problems, facilitate communication across business processes because of the system integration, produce reports, and re-engineer business processes. The Government Finance Officers Association (GFOA) and Gartner (a premier IT consulting organization) recommend that organizations implementing an ERP also establish an enterprise business support structure (often called a sustaining organization or Enterprise Service Center) after project implementation to maintain, enhance, and focus on: business strategy, functional / technical expertise, software integration, technology, project management and continuous process improvement. Investing in a sustaining organization is key to fully exploiting the capabilities of the new ERP system.

Productivity Improvements achieved through this project include absorbing staffing reductions in the Information Technology, Fiscal, Budget, Administration, Clerical, Human Resource, and Financial Occupational classifications (FY08-12); termination of maintenance agreements for legacy systems; termination of the keypunching contract for the manual timesheet process; and other related savings. Total estimated savings related to this project through FY12 are estimated at over \$36 million including the reduction of over 320 full time equivalent positions in the County Government.

TECH MOD FY13 FISCAL UPDATE

FY08 - FY13

As of 8/31/12

	Budget	Expenditures	Remaining Balance
		(Includes Encumbrances)	
ERP	\$65,658,400	\$60,878,300	\$4,780,100
MC311	\$11,874,990	\$11,874,990	\$0
MCTime	\$1,992,780	\$1,992,780	\$0
Infrastructure	\$10,639,000	\$8,704,000	\$1,935,000
HHS	\$3,235,000	\$184,800	\$3,050,200
TOTAL	\$93,400,170	\$83,634,870	\$9,765,300

**FY13 Does not include McTime or Mc311*

(3)

**TOTAL APPROPRIATION/
TOTAL EXPENDITURES**

**FY08 thru FY13 (Period 2)
August 2012**

TECH MOD THROUGH FY13 PERIOD 2 (AUGUST 2012)								
Tech Mod			Total	Personnel	Contractors	HW/SW	Other	Total Expended
Total Appropriation*				Expenditures inception thru August 2012				thru August
	Thru FY12	FY13 Appropriation	Thru FY13					
Total Appropriation*	\$67,111,400	\$12,421,000	\$79,532,400	Expenditures*				\$69,767,064
ERP	\$60,462,400	\$5,196,000	\$65,658,400	\$14,865,470	\$36,412,869	\$7,563,607	\$2,036,318	\$60,878,264
Infrastructure	\$6,349,000	\$4,290,000	\$10,639,000	\$1,416,800	\$5,479,500	\$1,807,700	\$0	\$8,704,000
HHS	\$300,000	\$2,935,000	\$3,235,000	\$0	\$184,800	\$0	\$0	\$184,800

**Does not include MC311 or MCTime*
(Expenditures include encumbrances)

(7)