

Agenda Item #34
March 16, 2010

Worksession

MEMORANDUM

March 12, 2010

TO: Montgomery County Council

FROM: Dr. Costis Toregas, Council IT Adviser 

SUBJECT: Fiscal Year 11-16 Capital Improvements Program, General Government:
Technology Modernization Project

The following may attend:

Tom Street, Assistant Chief Administrative Officer
Joe Beach, Director, Office of Management and Budget (OMB)
Jennifer Barrett, Director, Finance
David Dise, Director, Department of General Services (DGS)
Joseph Adler, Director, Office of Human Resources (OHR)
Steven Emanuel, Chief Information Officer, Department of Technology Services (DTS)
Mike Ferrara, Executive Director, Enterprise Projects
Wayne Johnson, Enterprise Resource Planning (ERP) Functional Project Manager

The analytic packet with relevant information is on ©A-D and ©1-15.

Committee recommendation

On February 22, 2010 the Management and Fiscal Policy Committee unanimously recommended the **adoption** of the TechMod CIP appropriation of **\$11,462,000 recommended** by the Executive.

Committee discussion

The Committee took note of the progress made by the three projects under the TechMod umbrella: Enterprise Resource Planning (ERP), MC311, and MCTime. It raised four explicit questions to clarify the intent of the Executive's recommended program for the FY11-16 CIP program:

1. Are there cost savings in the operating budgets of user departments that have been made to date because of the TechMod investment? Are there cost savings contemplated within the timeframe of TechMod implementation in the future?
2. What are the unencumbered FY10 funds for TechMod?
3. Does the \$38,000 training item include training for Councilmembers and staff so that they can become effective users of ERP software?
4. Please detail Business Process Re-Engineering efforts contemplated in the future, and how they will be organized, funded, and applied.

Answers provided by the Executive to these questions are on ©10-15.

Staff discussion of additional information

1, The cost savings described on ©11 and ©12 are significant and recurring. The promise of modernizing County operations through technology is beginning to be fulfilled. The Committee will be addressing the question of additional productivity improvements, especially in light of the significant reductions in support and service levels made necessary by the fiscal downturn. This question is also addressed on ©15. It is clear, however, that the benefits of the TechMod investment have come at the right time, as department directors have commented that the types of deep reductions in staffing would not be sustainable were the new automation tools not available.

2. The unencumbered funds for TechMod in 2010 total \$11,050,000, as presented on ©13. Staff recommends that these funds continue to be invested in the TechMod effort, as any reduction might delay the expected launch of the Financial and Procurement systems on July 1, 2010 by a whole year. The benefits of having an operational financial enterprise-wide system at the onset of FY11 are expected to add efficiencies to the Executive branch and provide direct benefits to Councilmembers and their staff. The ability to directly access financial information will mean a stronger platform for decision making, and each Councilmember will be able to directly review and synthesize data regarding specific projects and costs from their office computers. For this capability to be well-used, it is important to ensure that proper training is provided, an element of ERP deployment that is positively addressed on ©14.

MFP Committee #1
February 22, 2010

MEMORANDUM

February 18, 2010

TO: Management and Fiscal Policy Committee

FROM: Dr. Costis Toregas, Council IT Adviser 

SUBJECT: CIP Technology Modernization

Expected to attend:

David Dise, Director, Department of General Services
Steven Emanuel, Chief Information Officer, Department of Technology Services
Karen Plucinski, Human Resources Program Manager
Jennifer Barrett, Director, Department of Finance
Joe Beach, Director, Office of Management and Budget
Tom Street, Assistant Chief Administrative Officer
Mike Ferrara, Executive Director, Enterprise Projects, CAO's Office
Wayne Johnson, ERP Program Manager

(A)

Summary of staff recommendations to the Committee:

- 1. The TechMod project is on time and within budget. The Executive's request does not change the Cost Estimate figures presented during the FY09-14 CIP, and staff **recommends approval of the current appropriation request for \$11.462m.***
- 2. The Committee reviewed the status of the three projects within TechMod (Enterprise Resource Planning, MC311, and MCTime) on November 2, 2009. Executive branch representatives will be available to provide updates as necessary during the worksession, and the Committee should use this opportunity to **gain understanding of the impact** these projects are having and will have on daily County operations.*
- 3. All current TechMod projects will be completed by FY12 and move off the CIP process. The transition of these complex projects to the Operating Budget must be managed carefully, or else there will be a significant increase in cost for the "new" systems, but no decrease in the "old" system business and IT expenses. The Committee should **request a strong Transition Plan** and discuss their expectations for this transition during the worksession.*
- 4. The "Core Financials" will go live on July 1, 2010, with the "Core Human Resources" systems following suit on January 1, 2011. The MC311 system will be launched on March 11, 2010. In order to appreciate their benefits, **Councilmembers and their staffs will have to be trained in the use of the desktop modules that permit direct and comprehensive access to the enterprise-wide information.***

Introduction

The County has undertaken a series of projects aimed at modernizing current administrative and management processes and the related software systems that support them. Called Technology Modernization (or TechMod for short), this "umbrella project" is reflected in the FY11-16 CIP budget as MCG No. 150701, and its current description and funding authorization request is shown in ©1-2.

There are three projects that are currently included in TechMod, although more could be added in the future. Enterprise Resource Planning (ERP), MC311, and MCTime are projects that are in various stages of development and deployment. Given the importance, complexity, and expense of these projects, the Committee has requested a semi-annual review with special emphasis on finances, targets, and timelines. The last review was on November 2, 2009. The Administration has provided a briefing that responds to questions raised by Council staff regarding the CIP submission on ©3-9.

Council Staff Comments

1. The ERP, MC311, and MCTime projects, which have required an investment of \$80 million, are expected to bring significant economies of scale and efficiencies through automation and Business Processes Re-engineering (BPR) once implemented. Even in the middle of downsizing, this promise of streamlined government has been translated into an expected \$5 million and \$15 million savings in FY13 and FY14 respectively, as shown on ©1. These savings can come from two sources:

- reduced IT maintenance and operating costs for running the multiple and sometimes overlapping IT systems of the past, once they are eliminated as the new systems come on line.
- reduced operating costs in the user departments as the efficiencies of the new modern and streamlined systems and their improved processes are felt.

The Committee should ask the Executive branch representatives to discuss **how these savings will be secured in FY13 and FY14**, and whether the change management strategies necessary to ensure such savings are being designed and put in place during FY11 and FY12.

2. The MC311 and MCTime projects will be completed in FY10. Therefore, there is no cost allocation for either project in the requested appropriation for FY11 seen on ©4. The transition of both projects to Operating Budget funding will be made clear in the Executive's March 15, 2010 recommended FY11 budget, but the Committee should **request a transition plan for these two major projects**. This is particularly important when the text of PDF No. 150701 explicitly mentions a Phase II MC311 (or CRM for Customer Relationship Management) that might be undertaken to include municipalities in the County and other County agencies such as the Board of Education, M-NCPPC, and Montgomery College. In order to reach agreement on funding, the Executive branch would have to know a cost figure that would have to be borne by the County itself to expand the use of MC311; such an estimate has not been provided in this submission and bears a discussion during this worksession.

In addition, ©7 suggests that MC311 is expected to have a \$4.398m Operating Budget Impact (OBI) in FY11. This number could presage the size of the MC311 operations center cost, and will be discussed during the Operating Budget process.

3. TechMod will be solely focused on ERP and ERP-related investments in FY11. On ©4, there is a \$1.090m request for Personnel under an "Infrastructure" category. The Executive branch representatives will be prepared to **describe this category of Infrastructure** and link it to the continued success of ERP deployment.
4. Councilmembers and staff will be able to access financial information starting July 1, 2010 from their desktops. The Executive branch provided information during 2009 indicating that the software cost for enabling legislative staff to access ERP Financials in FY 2011 are already included in the software costs of the project. A similar question must be raised for training costs. There is a **\$38,000 item** for FY11 on ©4; does this **number include expenses related to Legislative staff and Councilmembers**? If not, what are necessary cost items that must be separately identified and funded?
5. On ©5, the Executive branch states that **Business Process Re-engineering is not contemplated** in FY11 or FY12 because of "current budget challenges and reorganization". This is disappointing, especially given the investments made in consultant studies over the last 3 years which were to prepare the County for exactly this sort of strategy. It is understandable that staff challenges may hamper or slow down productivity improvements; however, abandoning this strategy altogether may lead to loss of efficiencies. This Committee should ask for further clarification of this stance, and **provide their own thinking as to the importance of such efforts** in the FY11 and FY12 timeframes.

6. ©7 shows that there is an expectation that ERP will have an OBI of \$1.825m in FY11. There is little precedent of **transitioning a major technology project from the CIP funding environment to the Operating Budget**, so Councilmembers should address this topic, during this CIP worksession and during the Operating Budget discussion later this Spring, both for ERP and for MC311. ©8 provides some information regarding an ERP transition plan that can serve as a point of departure for this discussion.
7. The TechMod management strategy has included the use of Executive Steering Committees made up of top management leaders from all affected departments, and project sponsorship and leadership from the Chief Administrative Officer. This governance model has facilitated the resolution of the expected inter-departmental disagreements and also has made sure that budget and timeline targets have been met.

As the County begins to look towards modernizing its Public Safety systems once again under the Public Safety System Modernization project, it would be very helpful to consider using the same TechMod strategy and structures for managing this new effort. The Public Safety and Management & Fiscal Policy Committees will be discussing this issue, and the experience and observations from TechMod over the last three years will be an important determinant as to desirable strategies.

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

January 11, 2010
No
None.
On-going

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY09	Est. FY10	Total 6 Years	FY11	FY12	FY13	FY14	FY15	FY16	Beyond 6 Years
Planning, Design, and Supervision	80,209	19,745	32,659	27,805	17,095	10,710	0	0	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	0	0	0	0	0	0	0	0	0	0	0
Total	80,209	19,745	32,659	27,805	17,095	10,710	0	0	0	0	0

FUNDING SCHEDULE (\$000)

Current Revenue: General	42,086	14,524	10,802	16,760	11,462	5,298	0	0	0	0	0
Land Sale	2,634	2,634	0	0	0	0	0	0	0	0	0
Short-Term Financing	35,489	2,587	21,857	11,045	5,633	5,412	0	0	0	0	0
Total	80,209	19,745	32,659	27,805	17,095	10,710	0	0	0	0	0

OPERATING BUDGET IMPACT (\$000)

Maintenance				37,573	6,036	8,527	11,336	11,674	0	0
Productivity Improvements				-20,000	0	0	-5,000	-15,000	0	0
Net Impact				17,573	6,036	8,527	6,336	-3,326	0	0

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 being launched through this project are Enterprise Resource Planning (ERP), 311/Constituent Relationship Management (CRM), and related Business Process Review (BPR). ERP will modernize our Core Business Systems to improve the efficiency, effectiveness, and responsiveness of the County Government. The ERP project will provide needed upgrades to the County's financial, procurement, human resource, and budgeting systems and will streamline existing business processes. Business Process Review is occurring as part of ERP requirements analysis and planning. The first phase of this project, MTime, the implementation of electronic time reporting, is well underway. A new 311/CRM system will combine advanced telephony, internet, and computer technology with constituent-focused business processes. Residents will ultimately be able to call one number to access County government services and built-in tracking and accountability features will assure that every call receives a timely response. Completion of Phase I of the current MC311 (CRM) will include 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.

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 current core business systems (ADPICS, FAMIS, BPREP, and HRMS) were ranked as Priority #1, which means "obsolete or vulnerable critical system in immediate risk of failure." These at-risk systems will be replaced with a state of the art ERP system which will provide a common database supporting financials, procurement, budget, and HR/payroll, and will include 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. A customer-oriented 311/CRM system is needed as a single one-stop-shop phone number and intake system to meet this growing demand. The current cost estimate is based on detailed review of integrator, staffing, hardware, and software costs.

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

OTHER

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

CRM
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

APPROPRIATION AND EXPENDITURE DATA	COORDINATION	MAP												
<table border="1"> <tr> <td>Date First Appropriation</td> <td>FY07</td> <td>(\$000)</td> </tr> <tr> <td>First Cost Estimate</td> <td></td> <td></td> </tr> <tr> <td>Current Scope</td> <td>FY08</td> <td>85,464</td> </tr> <tr> <td>Last FY's Cost Estimate</td> <td></td> <td>80,209</td> </tr> </table>	Date First Appropriation	FY07	(\$000)	First Cost Estimate			Current Scope	FY08	85,464	Last FY's Cost Estimate		80,209	<p>MCG efforts must be coordinated with the recent implementation of a new Financial Management System by MCPS and efforts by other agencies to ensure data transportability and satisfy reporting needs between agencies. Project staff are drawing on the implementation experiences of MCPS, WMATA and governments with functions and components similar to MCG during the project planning, requirements gathering, and requests for proposal (RFP) phases.</p> <p>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 All MCG Departments and Offices</p>	
Date First Appropriation	FY07	(\$000)												
First Cost Estimate														
Current Scope	FY08	85,464												
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<table border="1"> <tr> <td>Appropriation Request</td> <td>FY11</td> <td>11,462</td> </tr> <tr> <td>Appropriation Request Est.</td> <td>FY12</td> <td>4,538</td> </tr> <tr> <td>Supplemental Appropriation Request</td> <td></td> <td>0</td> </tr> <tr> <td>Transfer</td> <td></td> <td>0</td> </tr> </table>	Appropriation Request	FY11	11,462	Appropriation Request Est.	FY12	4,538	Supplemental Appropriation Request		0	Transfer		0		
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<table border="1"> <tr> <td>Cumulative Appropriation</td> <td></td> <td>64,209</td> </tr> <tr> <td>Expenditures / Encumbrances</td> <td></td> <td>51,019</td> </tr> <tr> <td>Unencumbered Balance</td> <td></td> <td>13,190</td> </tr> </table>	Cumulative Appropriation		64,209	Expenditures / Encumbrances		51,019	Unencumbered Balance		13,190					
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Partial Closeout Thru	FY08	0												
New Partial Closeout	FY09	0												
Total Partial Closeout		0												

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

including:

- Case Management
- Events Management
- Field Services
- Grants Management
- Help Desk Solutions
- Point of Sales
- Resident Issue Tracking System
- Work Order Processing System

ERP

- 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. Operating Budget Impact revised in FY13 and FY14 to reflect Council productivity targets.

Transform

Initiatives for a More Responsive & Accountable
Montgomery County Government

Technology Modernization Project

MFP Briefing

February 22, 2010

ERP: Council Staff Questions

1. Please provide breakout detail for the \$11,462m appropriation request (as was done for the mid year TechMod review in ©30 of Nov 2, 2009 analytic packet for MFP)

Category	ERP	Infrastructure	MCTime	MC311	Total
Personnel	\$6,414,300	\$1,090,000	\$0	\$0	\$7,504,300
Services	\$3,531,500	\$0	\$0	\$0	\$3,531,500
Training	\$38,000	\$0	\$0	\$0	\$38,000
Licenses	\$0	\$0	\$0	\$0	\$0
HW&SW	\$0	\$0	\$0	\$0	\$0
Lease Costs	\$313,200	\$0	\$0	\$0	\$313,200
Other	\$75,000	\$0	\$0	\$0	\$75,000
Total Appropriation FY11	\$10,372,000	\$1,090,000	\$0	\$0	\$11,462,000

ERP: Council Staff Questions

- 2. Will the Executive be recommending the adoption of Business Process Re-engineering and Shared Services implementations in the user departments made possible by the ERP system in FY11 or FY12?**

The current budget challenges and reorganization of staff within the County hamper the ERP team's ability to accurately gauge if the County can sustain business process re-engineering beyond that required to implement the new system. In the short-term, there will be lower productivity as the County absorbs the change to business processes driven by the system and develops a new baseline. Business Process Re-engineering remains a primary driver and a long term goal for the ERP project.

ERP: Council Staff Questions

- 3. In order to encourage and support County Council and Council staff use of ERP for financial analysis in FY11, what is needed regarding training, software installs and how / when will it happen and be financed?**

All County users of FAMIS and ADPICS, including those on the Council staff, will be trained on the new Oracle system from April – June 2010 prior to the July 1, 2010 go-live.

The new ERP budgeting module will be implemented July 1, 2011. Until that time, Council staff will continue utilizing the legacy system for their financial analysis. With each phase of the ERP implementation; the ERP project team (Change Management) will work closely with staff to identify specific needs and training requirements. We will have a blended learning strategy that includes both instructor-led and online computer based training. We are utilizing Oracle's online User Productivity Kit (UPK) training tool to supplement our instructor-led training.

Oracle e-business is a web-based application and initial instructor-led and UPK training is financed through ERP's capital improvement budget (CIP).

ERP: Council Staff Questions

4. What is included in the Net OBI impact figure for FY11 of \$6,036m?

	OBI	FY11
OBI's	ERP	\$1,825,480
	MCTime	-\$136,582
	MC311	\$4,398,584
	Infrastructure	-\$51,135
	<i>Total</i>	

ERP: Council Staff Questions

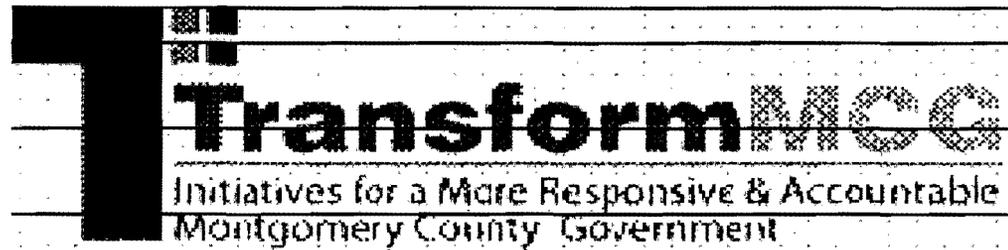
- 5. Is there a transition plan for ERP operations? Will ERP be managed in a centralized manner once development is complete? How?**

Yes. There will be centralized oversight of ERP operations from the Executive Office with subject matter experts detailed from the departments.

ERP: Council Staff Questions

- 6. Are there plans to manage the new PSSM effort for modernizing telecommunications (PDF No. 340901) within TechMod? The TechMod management and oversight structures have served the County well, and are available to manage this new complex public safety modernization project without redundancy and project management learning and deployment costs.**

It was determined that the PSSM project is distinct in purpose and a very large and complex project in itself. It is necessary to have a separate project to avoid confusion with the ongoing work of the Technology Modernization project and to clearly communicate the purpose, need, benefits, and related costs of the PSSM project.



Technology Modernization Project

MFP Briefing

March 5, 2010

ERP: Council Staff Questions

- 1. Are there cost savings that have been made to date because of the TechMod investment on the operating budgets of user departments? Are there cost savings contemplated within the timeframe of TechMod implementation in the future?**

For FY10 the County avoided a \$450,000 additional payment to upgrade the current Payroll System that we would have been required to complete in the absence of the ERP HR component.

In FY11, the County will eliminate the payroll keypunching contract (\$255,000) because of the implementation of MCTime

Most "savings" from the ERP will not be in the form of budgetary reductions but will be reflected as cost avoidance, productivity improvements, improved customer service, enhanced transparency in operations and information, greater efficiencies in work processes that will free up "fractional workyears" in County staff time, but not in position abolishments or budgetary line item reductions.

Base budget reductions in all departments in the FY09-11 operating budgets will further complicate linking ERP implementation with further budgetary reductions since staff and contractor resources have been significantly curtailed in these years due to fiscal constraints. Further imposed savings could severely impact operations, performance, and customer service.

ERP: Council Staff Questions

❖ #1 (continued)

For DLC ERP implementation the following savings are expected to be achieved: eliminate 2 positions in FY11 (\$224,680) 3 positions in FY13 (\$245,520); an IT consulting contract in FY14 (\$180,000); 1 position in FY15 (\$54,130). Cumulative annual gross savings = \$704,330.

Additional savings in maintenance agreements, licensing costs, and other contractor costs may be realized in the future depending on the nature and timing of legacy system retirement plans.

ERP: Council Staff Questions

2. What are the unencumbered FY10 funds for TechMod?

FY10 Unencumbered Balance (as of 3/3/10)		\$11,050,000
ERP		
Personnel		\$2,800,000
Application Developers		\$340,000
Audit		\$100,000
Complete development/implementation of ERP Analytics/Business Intelligence		\$1,500,000
Complete development/implementation of Tax Assessment System		\$1,000,000
Testing Tools & Services		\$150,000
Identity Management		\$200,000
Legacy System Integration (including McTime/MC311)		\$500,000
Training		\$500,000
MCTime		
Personnel		\$290,000
Consultant Services (Police/Issue Resolution/Report Writing)		\$315,000
Training		\$55,000
Infrastructure		
Personnel		\$235,000
Contractors		\$475,000
Security Plan (ERP/MC311)		\$300,000
Recovery Point Server Space extension		\$80,000
MC311		
Personnel		\$610,000
Complete development/implementation of DEP functionality		\$300,000
Complete development/implementation of DOT functionality		\$200,000
Complete development/implementation of CRM Analytics/Business Intelligence		\$200,000
Complete development/implementation of MC311 Portal		\$250,000
End-user adoption/CSC Training		\$250,000
Siebel CTI/IC Support		\$250,000
County Wide Trunking		\$150,000
Balance		\$0

ERP: Council Staff Questions

3. Does the \$38,000 training item include training for Council members and staff so they can become effective users of ERP software?

Yes. All County users of FAMIS and ADPICS, including those on the Council staff, will be trained on the new Oracle system from April – June 2010 prior to the July 1, 2010 go-live.

The new ERP budgeting module will be implemented July 1, 2011. Until that time, Council staff will continue utilizing the legacy system for their financial analysis. With each phase of the ERP implementation; the ERP project team (Change Management) will work closely with staff to identify specific needs and training requirements. We will have a blended learning strategy that includes both instructor-led and online computer based training. We are utilizing Oracle's online User Productivity Kit (UPK) training tool to supplement our instructor-led training.

ERP: Council Staff Questions

- 4. Please detail Business Process Re-Engineering efforts contemplated in the future, and how they will be organized, funded and applied.**

The landscape for the County has changed significantly since the business process reengineering studies were conducted three years ago. The team is revisiting previous estimates of cost savings from business process reengineering. The next steps are to work within the ERP team to confirm expected efficiencies due to process streamlining within the organization and then work with Departments to see how business process reengineering can drive productivity gains and additional staff reductions. These efforts will be funded within the project budget and coordinated through the County's existing governance structures.