

GO Committee #3
October 22, 2015

Worksession

MEMORANDUM

October 21, 2015

TO: Government Operations and Fiscal Policy Committee

FROM: Dr. Costis Toregas, Council IT Adviser

SUBJECT: Update -- Technology Modernization Fiscal Review

The following are expected to attend:

Mike Ferrara, Executive Director of Enterprise Projects, CAO's Office
Karen Plucinski, Manager, Enterprise Resource Planning (ERP) Division, DTS
Stuart Venzke, Chief Operating Officer, HHS
Representative(s) from Office of Management and Budget

Summary of Staff Recommendations:

1. The Committee should be made aware of the direction and intent of the \$1,435,000 still outstanding but encumbered in the TechMod project balance sheet for the ERP project.
2. The HHS ERP system has \$17.2 million in encumbrances outstanding through October 14, 2015. The work plan against which this amount is to be spent should be discussed in a future GO or GO/HHS Committee session so that the programmatic impact of this technology investment remains on track.
3. The financial support for the technical aspects of ActiveNet within TechMod should be communicated to the PHED and ED Committees that have oversight for the entire ActiveNet program.
4. Discuss with TechMod staff the progress made in transitioning TechMod projects such as ERP (the County's Procurement, HR, and financial integrated system) from the CIP into the operating budget. Are there lessons learned? Both change management aspects and the development of a sustaining organization would fall under this line of discussion.
5. An important element of TechMod is the Business Process Re-engineering (BPR) analysis and implementation that can lead to significant efficiency improvements. An update on these efforts across TechMod projects past and current should be requested well in advance of the 2017 budget request, so the impact of TechMod investments can be properly assessed.

Background

The Technology Modernization (TechMod) 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 FY16-20 CIP program is on ©1-2.

Since the first appropriation in FY07, the initiative has invested more than \$133 million in these complex projects, with good results. Automation of slow and inefficient processes (such as paper time sheets) through MCTime, integration of fiscal, payroll, and personnel processes and records through ERP, and the creation of a centralized call-taking center (MC311) that organizes resident concerns and helps keep departmental service delivery systems accountable to the Executive are all such positive examples. Once the projects are completed, their operating costs are transferred to the Operating Budget in the appropriate department, and other, new targets take their place.

Benefits of both efficiency and effectiveness are expected for each project within this Technology Modernization cluster for the County. Efficiency benefits come about since the same governance and oversight structure is used and because the licensing, programming support, and long-term maintenance costs are standardized around the same technology and vendor contracting platforms. Effectiveness is assured because the synergies and interoperability benefits arising from coordinated use of similar processes and resources will allow for better citizen support and faster internal work flows.

Several projects make up the current TechMod “portfolio”:

- Department of Health and Human Services Enterprise Integrated Case Management system
- ActiveNet system for facilities and recreation for site registration, payment,+ and utilization.

In addition, new programs being queued for inclusion include:

- Property management module
- Family Medical Leave Act (FMLA) administration

Descriptive information is on ©3.

The intent of the current fiscal review is not to explore the programmatic aspects of these projects; rather, it is to review the financial situation of the TechMod effort, to ensure that resources are adequate for the required tasks, and to have an exchange of views with Executive branch representatives regarding the orderly execution of the complex, oftentimes interdepartmental projects. In order to accomplish this review, a TechMod summary financial snapshot has been provided on ©4.

Council Staff comments

ERP element

The Enterprise Resource Planning (ERP) system and its necessary support functions have been transitioned to the operating budget as a new organizational element for DTS through a transfer of \$10.1 million and 36 positions.

The Enterprise Resource Planning Division (ERPD) is the new organization within DTS; it is responsible for the operations of the County's core business systems (financials, human resources, procurement, and budgeting). According to the 2016 budget submission, "...ERPD provides production support and supports business owners in meeting their operational needs, adapting to the ongoing and changing environment, reengineering business processes to improve efficiency, implementing new initiatives and staying abreast of systemic enhancements and improvements to the County's ERP systems. The ERPD is comprised of both IT and business functions to promote an integrated ERP environment for developing complex solutions, continual enhancements and improvements and maintenance of the enterprise systems..."

As a consequence, the residual element for ERP within the CIP program should be clarified; the Committee should be made aware of the direction and intent of the \$1,435,000 still outstanding but encumbered in the TechMod project balance sheet.

HHS element

During the 2016 budget deliberations, the Council approved a supplemental appropriation to the FY15-20 CIP in the amount of \$10,222,000 for Technology Modernization - MCG (No. 150701). Appropriation for this project was intended to fund the implementation contract for the Enterprise Integrated Case Management (EICM) sub-project, which will support enhanced integrated and streamlined service delivery and improve outcomes for the Department of Health and Human Services' clients. This increase was needed to fund the contract with Xerox for the development and implementation of HHS' Enterprise Integrated Case Management system under the Technology Modernization-MCG CIP.

The current TechMod review is an appropriate opportunity to ensure that the finances needed for full implementation are indeed available and that the project is moving forward. The HHS ERP system has \$17.2 million in encumbrances outstanding through October 14, 2015 (see ©4). The work plan against which this amount is to be spent should be discussed in a future GO or GO/HHS Committee session so that the programmatic impact of this technology investment remains on track.

ActiveNet element

ActiveNet is a new system in the "cloud" that has been under development by CUPF, the Department of Recreation, and M-NCPPC for several months. Once the system is fully up and running (by the fall of 2015), one-stop shopping will be available for users to register for County and Montgomery Parks classes and activities, as well as submit facility reservation requests for schools, fields, and other County buildings scheduled by CUPF.

The TechMod project has provided funding support for the technology development and implementation aspects, given the interagency nature of the project. This support for the technology component of ActiveNet will be transmitted to the PHED and ED Committees that have oversight for the entire ActiveNet program so they will be aware of the technology contribution through TechMod.

Technology Modernization -- MCG (P150701)

Category: General Government
 Sub Category: County Offices and Other Improvements
 Administering Agency: County Executive (AAGE03)
 Planning Area: Countywide

Date Last Modified: 11/17/14
 Required Adequate Public Facility: No
 Relocation Impact: None
 Status: Ongoing

	Total	Thru FY14	Rem FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
EXPENDITURE SCHEDULE (\$000s)											
Planning, Design and Supervision	134,853	97,700	6,748	30,405	19,683	5,586	5,136	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	56	0	56	0	0	0	0	0	0	0	0
Total	134,909	97,700	6,804	30,405	19,683	5,586	5,136	0	0	0	0

	Total	Thru FY14	Rem FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
FUNDING SCHEDULE (\$000s)											
Contributions	1,340	0	0	1,340	1,340	0	0	0	0	0	0
Current Revenue: General	67,912	52,388	3,494	12,030	11,030	500	500	0	0	0	0
Federal Aid	741	0	741	0	0	0	0	0	0	0	0
Land Sale	2,634	2,634	0	0	0	0	0	0	0	0	0
Recreation Fund	645	0	0	645	645	0	0	0	0	0	0
Recordation Tax Premium	2,623	54	2,569	0	0	0	0	0	0	0	0
Short-Term Financing	59,014	42,624	0	16,390	6,668	5,086	4,636	0	0	0	0
Total	134,909	97,700	6,804	30,405	19,683	5,586	5,136	0	0	0	0

	Total	Thru FY14	Rem FY14	Total 6 Years	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Beyond 6 Yrs
OPERATING BUDGET IMPACT (\$000s)											
Maintenance				3,041	486	511	511	511	511	511	511
Productivity Improvements				-24,466	-939	-939	-1,489	-7,033	-7,033	-7,033	-7,033
Program-Staff				32,449	0	6,509	6,485	6,485	6,485	6,485	6,485
Program-Other				33,050	0	5,676	6,236	7,046	7,046	7,046	7,046
Net Impact				44,074	-453	11,757	11,743	7,009	7,009	7,009	7,009

APPROPRIATION AND EXPENDITURE DATA (000s)

Appropriation Request	FY 16	500
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		133,909
Expenditure / Encumbrances		97,700
Unencumbered Balance		36,209

Date First Appropriation	FY 07
First Cost Estimate	
Current Scope	FY 15 134,909
Last FY's Cost Estimate	134,909

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 underway. The Budgeting module of the ERP system (Hyperion) and additional self-service functionality is currently underway and the workforce component of the Hyperion System has been completed. The ERP project was implemented to modernize Core Business Systems to improve the efficiency, effectiveness, and responsiveness of the County Government. In addition, modernization of the County's Tax Assessment Billing System is underway. 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 program provides for the development and implementation of an Enterprise Integrated Case Management (EICM) system as part of a larger Process and Technology Modernization (PTM) program that will move the department from a traditional agency-centric model of practice to a more effective client-centered model of practice. As part of this initiative, the EICM project will upgrade obsolete IT systems and information processes to avoid duplication of data entry, reduce ineffective coordination of services, and minimize inefficiencies resulting from legacy systems. The Active Network (ActiveNet) upgrade for the Department of Recreation, Community Use of Public Facilities (CUPF), and the Maryland-National Capital Park and Planning (M-NCPPC) involves the replacement of the existing CLASS registration and payment system. The Gilchrist Center is also in need of a platform to register its clients for programs and activities. Implementation involves analysis and realignment of business practices and procedures, system configuration, web-site designs; redesign/testing of ERP interfaces; and new Accounts Receivable functions. An Interagency Governance Committee comprised of managers from each participating department/agency will make decisions balancing the needs of each department.

Justification

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Technology Modernization -- MCG (P150701)

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 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. 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 EICM: 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, the Montgomery County Government FY06 IT Budget Overview prepared by Department of Technology Services, and the FY14 Process and Technology Modernization Readiness Assessment conducted by the Gartner consulting group.

Recreation, CUPF, and M-NCPPC: The Active Network announced that they will release one more version upgrade of CLASS, scheduled for first quarter of 2014. After this release, there will be no further development of the CLASS software and maintenance/support will be phased out of the CLASS software (ending by December, 2017). A feasibility study determined that the Active Network's browser based application, ActiveNet, is the only software with sufficient functionality and processing capability to meet the needs of a joint registration and facility management system in a single database for Recreation, CUPF, MNCPPC, and the Gilchrist Center. The system will also improve customer service by providing a one-stop access point.

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. Objectives include creation of a Citizen Relationship Management (CRM) program to 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, and 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 included 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", as well as staff and contractors necessary to support the system, operating and maintenance (O&M) agreements with software vendors, and estimated costs associated with the Sustaining Organization through FY16-20. The 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. ERP: In FY15, \$1.340M will be transferred to the CIP by the Board of Investment Trustees (BIT) and is reflected as Contributions; another \$1.175M will be transferred from the Department of Liquor Control (\$625,000) and the Group Insurance Fund (\$550,000) to the General Fund and is reflected as Current Revenue: General. HHS: Due to delays in the State's process for seeking federal reimbursement for capital IT upgrades, Federal Aid is no longer assumed in FY15-17. HHS will continue to seek federal reimbursement as the State updates its process. ActiveNet: \$645,000 will be appropriated from the Current Revenue: Recreation Fund in FY15 for the ActiveNet upgrade; Recreation will charge CUPF and M-NCPPC for their share of the project's expenditures based on a proportionate share of each party's use of ActiveNet.

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, Department of Recreation, Community Use of Public Facilities, and the Maryland-National Capital Park and Planning Commission, Gilchrist Center or CEC, all MCG Departments and Offices, Maryland Department of Human Resources, Maryland Department of Health and Mental Hygiene.

Respond to Tech Mod questions

1. Please update the prior display of funds (available, encumbered etc) by Tech Mod project.

See Attachment A

2. Identify currently active projects and their upcoming milestones

Property Management Module - The Property Management module is a property database for large organizations to manage space allocations for both employees and/or customers. This module will hold various details related to property such as lease, contracts, insurance, rights obligations and milestones - **Implementation Spring 2016**

Risk Assessment and Penetration Test – Assess current potential risk to the County's ERP system and provides guidance to improve ERP security by performing a comprehensive risk assessment and black box (no knowledge) penetration test. – **February 2016**

The Family Medical Leave Act (FMLA) - A federal law that provides employees time off from work for medical circumstances. Leveraging Oracle's Human Capital Management suite of applications along with the Kronos Time Keeping system to assist OHR in administering FMLA for its employees. The functionality and modules being configured for this are Human Resources, Self Service, Workflow and Payroll accruals management along with the Kronos Time entry system. – **Implementation Spring 2016**

3. Are there challenges or major changes in the next 6 months for Tech Mod effort where the GO Committee can provide support or guidance?

Not at this time. The Go Committee's support and guidance is always appreciated.

4. Are there new Tech Mod projects under consideration for inclusion?

Not at this time.

TECH MOD CIP
INCEPTION THROUGH FY16

	Appropriation	Expenditures/Encumbrances			Balance*
	Total Inception thru FY16	Actual Expenditures Total Inception thru FY15 (as of 10/14/15)	Encumbrances Outstanding (as of 10/14/15)	Total Expenditures & Encumbrances (as of 10/14/15)	
ERP	\$80,897,000	\$79,041,000	\$1,435,000	\$80,476,000	\$421,000
Infrastructure	\$14,877,000	\$12,983,000	\$250,000	\$13,233,000	\$1,644,000
MC311	\$11,875,000	\$11,854,000	\$0	\$11,854,000	\$21,000
MCTime	\$2,077,000	\$2,077,000	\$0	\$2,077,000	\$0
HHS	\$24,038,000	\$6,786,000	\$17,252,000	\$24,038,000	\$0
ActiveNet	\$645,000	\$463,000	\$156,000	\$619,000	\$26,000
TOTAL	\$134,409,000	\$113,204,000	\$19,093,000	\$132,297,000	\$2,112,000

**The \$2.1M balance is programmed to be used for Oracle server licenses to ensure smooth operations of the Oracle Enterprise operations.*