MFP Committee #3
April 29, 2009

MEMORANDUM

April 27, 2009

TO: Management and Fiscal Policy Committee

FROM: Dr. Costis Toregas, Council IT Adviser CT

SUBJECT: FY10 Update of Technology Modernization Project (continued)

The following may attend:

Timothy Firestine, Chief Administrative Officer (CAO)
Tom Street, Assistant CAO
Joe Beach, Director, Office of Management and Budget (OMB)
Jennifer Barrett, Director of 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, Technology Modernization Manager

The Committee has already had one full review of the TechMod project on April 21, 2009. The packet, which provided background materials and an analysis of the TechMod budget, is on ©1-28. The Committee requested clarification on two issues before making a decision:

- Is it possible to reduce the TechMod budget in the categories of Contract Services and Software? In a time when all budgets are being reduced for economy's sake, can these two budget items be trimmed, and what would be the effect of reductions on the overall project success?
- The Executive has stated that the MC311 implementation will produce savings of $7.5 million annually, once implemented. The Executive has further stated that full scale implementation is scheduled at the end of the 3rd Quarter of FY10, thus providing explicit savings of $1,875,000. Where are these savings in the FY10 budget?

The Executive will provide answers to these questions during the April 29, 2009 worksession.

Staff Observations

The successful execution of a complex IT project deployment hinges on perseverance and strong support. ©14 provides a good warning from the Gartner Group that "Leading causes of failure for ERP projects include lack of Executive sponsorship, inadequate staffing and funding". So far, the ERP and MC311 projects are running ahead of schedule and within budget. Attempting to extract economies by reducing, postponing, or abandoning phases in FY10 would have several detrimental effects:

- Project time frames would be thrown out of kilter, and productivity gains expected from full utilization would not impact the County budget until later years. Currently:
  - ERP is shown to deliver savings of $5,000,000 in FY13 and $15,000,000 in FY14.
  - MC311 is planned to provide savings in FY10 of $1,875,000 and $7,500,000 every year thereafter.
  - MCTime is improving efficiency in many departments and agencies, and will be eliminating a keypunching contract worth $330,000 in the next budget cycle. The overtime savings accruing because of more effective, IT-assisted oversight of timesheet preparation, approval, and entry into the payroll system is already saving significant amounts.

  These savings would be jeopardized and might never materialize if the current aggressive implementation budget is altered.

- Costs totaling more than $6,000,000 (see ©16) would become sunk costs if the projects are derailed, and a waste of resources already spent that could not be recovered.

- The productivity improvement plans in departments would have to be abandoned, as they depend on the timely delivery of IT TechMod tools; these plans are currently under way with organized sessions in all departments that are preparing to manage the change expected from TechMod success.

- There would be increases in the implementation costs of the ultimate system upgrades (Executive estimates those to be $22m, on ©16). The complexity of signed contract administration, current staffing alignments, and technology migrations is high, and the financial, procurement, and HR systems are at risk today, meaning that some answers would have to be provided at once. New bidding cycles for reduced-scope answers to the County's aging systems could increase the risk of failure, and may bring the overall life cycle cost of the projects to its current level.

For these reasons, Council staff suggests that no changes be made to the TechMod implementation budget.

However, the impact of TechMod projects, once they are deployed and functioning, on cost of operations of departments will be significant. Beyond service level improvements, it is vital to understand that each TechMod project has a significant potential to reduce current costs through Business Process ReEngineering and work flow redesign made possible by the IT solution now

being deployed. These savings are not theoretical, but can be foreseen and accomplished in a very methodical manner.

The Executive has stated that, currently, 300 people are providing intake functions in 38 departments using 6 stand-alone call centers and more than 20 IT platforms, at a total cost of some $25,000,000 (testimony of Tom Street in MFP worksession of April 21, 2009). The eventual solution known as MC311 (to be made available to the general public at the end of the 3rd Quarter of FY10) will provide improved service levels and a more coherent face to County residents using a single call center, a single IT platform, and some 52 personnel. Not all 300 positions will be eliminated in the departments, and it is not currently known just how many of these positions will be retained for other purposes (or to answer specialist questions) and in which departments. Council staff has made a fiscal analysis of this Before/After strategy and is convinced that the "payback period" for MC311 is anywhere between 1 and 3 years. To support this conclusion, a financial sensitivity analysis model was constructed of the Before and After call taking costs, and calibrated using available data. While some of the numbers used in the analysis can be sharpened, the outcome will not be substantially changed, and gives confidence in the Administration's estimates of savings. As an example, ©29-31 provides three different scenarios of the MC311 project cost impacts, each giving ample reason to continue implementation, since the development costs can be recouped in a very brief time. A similar analysis and hard cost savings will be evident for ERP and MCTime.

The difficulty arises in identifying and capturing the cost savings in the operations of departments. The Executive has been reluctant to expressly identify the exact location of savings for the MC311 program, but confidently states through his representatives that those savings will be forthcoming starting in FY10. Therefore, the challenge is to define cost savings in a manner that allows re-programming.

Council staff suggests the use of the "Productivity Enhancements and Personnel Cost Savings" NDA as a way to expressly include the Executive's stated savings in the FY10 budget. The current NDA in the FY10 Recommended Operating Budget (on page 68-11) is as follows:

Productivity Enhancements and Personnel Cost Savings

The approved budget assumes implementation of a Retirement Incentive Program to generate savings of $1,011,260.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**-13,000,000**	**0.0**
Increase Cost: Replace One-time Expenditure Reductions	7,191,080	0.0
Shift: Technical Adjustment for Permanent Savings from FY09 Retirement Incentive Program (RIP)	5,808,920	0.0
Decrease Cost: Savings from the FY10 Retirement Incentive Program (RIP)	-1,011,260	0.0
FY10 CE Recommended	**-1,011,260**	**0.0**

Notes:

1. The sentence above the table should read "recommended budget" rather than "approved budget".
2. On April 20, 2009, the Executive raised the estimated tax-supported savings from the proposed RIP to $2.2 million.

The expected FY10 savings from TechMod can be added as another line in this NDA as follows:

Decrease Cost: Savings from TechMod implementation	-$1,875,000	0.0

Recommendation

Staff recommends the adoption of the Executive's FY10 budget for TechMod as submitted. Staff also recommends the amendment of the Productivity Enhancements and Personnel Cost Savings NDA by increasing the current recommended savings by $1,875,000 (the expected FY10 savings from MC311).

MFP Committee #5
April 21, 2009

MEMORANDUM

April 17, 2009

TO: Management and Fiscal Policy Committee

FROM: Dr. Costis Toregas, Council IT Adviser

SUBJECT: FY10 Update of Technology Modernization project

The following may attend:

Timothy Firestine, Chief Administrative Officer (CAO)
Tom Street, Assistant CAO
Joe Beach, Office of Management and Budget (OMB) Director
David Dise, Director, Department of General Services (DGS)
Joe Adler, Director, Office of Human Resources (OHR)
Steven Emanuel, Chief Information Officer, Department of Technology Services (DTS)
Mike Ferrara, Technology Modernization Manager

The Project Description Form (PDF), which describes the current funding of the project is provided on ©1-2. A briefing prepared for the MFP worksession is on ©3-19.

Overview

This project provides for the replacement, upgrading 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 County residents. The project title has been abbreviated from Technology Modernization to TechMod, and is currently comprised of 3 major components:

- ERP: Enterprise Resource Planning
- MC311: Non-emergency customer support and issue tracking, using a 311 phone number
- MCtime: Electronic time reporting

FY10 Expenditure Issues

A project of this magnitude is a major undertaking for any government agency. The justification phase which the County undertook more than two years ago developed two distinct and powerful arguments that undergird the Business Case for this project: the basic systems that support the essential functions of finance, procurement, and human resources are outdated, expensive to operate and at risk, and the productivity of key internal operations in these three essential functions is hampered by outdated processes and the systems that support them. These two basic reasons have not changed, and the projects are on track and on time to accomplish the goals initially endorsed and approved by the Council.

The Executive has not recommended changes from the approved FY09-14 PDF. The expenditure, funding schedule, and Operating Budget Impact (OBI) information, along with the Appropriation and Expenditure data from the FY09 CIP is summarized below.

Cost Element ($000)	Total	Thru FY07	Est. FY08	Total 6 years	FY09	FY10	FY11	FY12	FY13	FY14
Planning, Design and Supervision	80,209	0	3,864	76,345	23,440	25,100	17,095	10,710	0	0
Land										
Site Improvements										
Construction										
Other										
Total	**80,209**	**0**	**3,864**	**76,345**	**23,440**	**25,100**	**17,095**	**10,710**	**0**	**0**

Funding Schedule ($000)	Total	Thru FY07	Est. FY08	Total 6 years	FY09	FY10	FY11	FY12	FY13	FY14
Land Sale	2,634		0	2,634	2,634	0	0	0	0	0
Current Revenue	42,086		3,864	38,222	8,800	12,662	11,462	5,298	0	0
Short Term Financing	35,489		0	35,489	12,006	12,438	5,633	5,412	0	0
Total	**80,209**		**3,864**	**76,345**	**23,440**	**25,100**	**17,095**	**10,710**	**0**	**0**

OBI ($000)	Total	Thru FY07	Est. FY08	Total 6 years	FY09	FY10	FY11	FY12	FY13	FY14
Maintenance				41,983	616	3,794	6,036	8,527	11,336	11,674
Productivity Improvements				-20,000	0	0	0	0	-5,000	-15,000
Net Impact				**21,983**	**616**	**3,794**	**6,036**	**8,527**	**6,336**	**-3,326**

An update to these budget figures has been provided: ©19 is the FY10 budget request, and ©20 documents the current expenditures for the project. Note that no update estimates have been provided for FY11 and FY12. Similarly, no OBI number for FY15 is provided, and it will be important to see whether the Executive believes that the excellent expectations of $5m and $15m savings trend line can continue into FY15. Therefore, the total cost for TechMod through FY14 is assumed to remain at $80,209,000.

FY10 Program Issues

The TechMod project is currently on-time, on-budget, under construction, and has no request for additional funding (©6). The project governance is within the CAO's office, a fact that is ensuring strong support from senior leaders. The technology decisions that were made in FY08 are now being implemented, and a recently completed project review by a third party firm gave the green light on all counts. Here is an excerpt from this review:

> *III. Major Findings and Recommendations*
> *The project is assessed to have outstanding fundamental conditions, better than 90% of the CIBER involved projects of similar size, complexity and composition. The Reviewer attributes this to the extensive work the County has accomplished to-date in its goal to transform how the County effectively conducts its business. The County has made some effective decisions in how it has structured the ERP Project and established its initial components.*
>
> *The project is generally on schedule and slightly under budget. Some project team deliverables, although in process and near completion, are past due. (The status of all Discover Phase Deliverables is addressed later in this report.) Some completed project team deliverables are backlogged, waiting for County review and approval. Although this is an unfavorable condition, the Reviewer did not detect any detrimental impact to the Montgomery County, Maryland present status and progress of the project as it related to meeting the Global Design Phase schedule. Subjectively, team members are confident that near-term milestones will be met with the exception of Inventory Analysis, which is starting later than planned and has a compressed timeframe for completing Discover Phase tasks.*

The Reviewer assessed and analyzed the Montgomery County Phase 0 Project Plan v17. The detailed Project Plan is substantially developed and is presently being refined. Although team members have a good understanding of their roles, responsibilities, and what it is they need to be doing, the Project Plan has not been finalized, leveled, baselined, and published. This contributed to some team member's comments and concerns about not fully understanding their overall task assignments and due dates and was believed by some to be a contributing factor to frequent surprise requests from project management to focus attention on deliverables with near-term due dates.

The biggest challenge facing the project is the creation and support of an "enterprise culture", which will be important to have as the first users begin to use the systems. The County has recognized the importance of Change Management and has assigned a team to work with the various departments and prepare the way for these changes. The FY10 budget is the time when both technology deployment and "human preparation" are going at maximum speed so that the expected start date of July 1, 2010 finds the County prepared and able to skirt the implementation challenges that have beset similar projects in counties that have not prepared as well.

Reductions

Given the tough economic climate of the County's budget, it is important to affirm the foundation for these modernization projects, and to make sure that there are no economy moves which could produce savings in the FY10 budget. To this end, several options for high level cost reduction through project schedule **delays** or outright **abandonment** were posed. For each cost reduction option, the financial impact and any service quality impacts that could be known now were requested, as well as any operational cost savings lost because of each suggested option. These questions, the Executive's response, and Council staff comment are provided below.

1. <u>ERP project options</u>

    a. Extend time of completion (current target is July 1, 2010 for Financials and January 1, 2011 for HR)
    b. Drop functionality (not do certain stand-alone modules at all at this time, but interface them with the ERP system at some later point in time)

Executive response

- *Wastes sunk costs of $6 million*
- *Delays implementation of high risk systems by two years*
- *Additional long-term cost: $22M*

Staff Comment: Extending completion time by delaying tasks already under way has several negative ramifications:

- *It pushes further out the expected cost savings from the old systems (currently projected to be $5m in FY13 and $15m in FY14 and shown as OBI in the CIP project description). There are also existing costs attached to the old systems in Finance, Procurement, and HR that would have to be continued for a longer period of time, thus eating into the possible cost savings accruing from a project delay.*
- *It creates discontinuities in project staffing (both government and contract employees) which can take far longer to replace. The loss of contractors with knowledge of the County's processes would have to be faced when the project is restarted through a reselection and retraining of new personnel (since vendors can be expected to reposition their employees to other client sites).*
- *The loss of credibility with the vendor community, as well as the possibility of legal action by current contractors cannot be discounted.*

The Council has also begun to expect outcomes from the ERP system and its planned FY11 start up. As an example, the ability to track and report vendor payments over $25,000, which was a recent Council legislative initiative, is now directly tied to the completion of the ERP financial module. County departments are already under way with Change Management efforts to prepare the way for using the new systems, and delays may have confusing and detrimental impacts on the assignments and direction given to staff employees across the enterprise.

There is also an expectation that systems that currently support financial, procurement, and HR functions will begin to be shut down as the County transitions to the ERP. This shut down will have two effects: software licenses and systems support contracts with outside vendors will be terminated, and staff supporting these systems will be retrained in the new systems or reallocated to other functions. This transition plan has not yet been made explicit, but will have an impact on FY11 funding.

The option of postponing the implementation of parts of the ERP project is made unattractive by the integrated, enterprise wide nature of the project. Licenses, software design, and training are already being deployed in anticipation of a true enterprise deployment, and the estimated sunk cost of $6 million by the Executive, although hard to verify at this point, is a reminder that these costs can be significant.

For these reasons, staff finds the Executive's arguments compelling in the case of the ERP project.

2. <u>MC311 cost reduction options</u>

   a. Changing from 24x7 to 8 hour operation

Executive Response

- 12/7 minimum required to gain constituent buy-in. Constituents want to be able to call before and after work
- The following estimates are provided as an example of possible staffing configurations:

24/7 Option	*Positions*	*12/7 Option*	*Positions*
Shift A	35	Shift A	40
Shift B	10	Shift B*	12
Shift C	2	* part time	
	47		**52**
	$2,412,800		***$2,134,400***

- Consider 12/7 and adjust as we experience actual numbers. Peak overnight shift and weekend shifts have significantly less staff than the day shifts
- Current operations with 24/7 include: Public Safety and Health & Human Services Call Center operational costs to be absorbed through the consolidation effort

Staff Comment: The discussion as to whether the MC311 center should be a 24/7, a 12/7, or any other timing configuration is an important policy discussion that should be entertained with the proper Council Committee. It sounds reasonable to allow the residents access beyond the 8 hour regular shift, but that is exactly the kind of difficult debate that should be explicitly had, especially because of the direct impact a decision has on operating costs. Since the "soft launch" of the project is scheduled for January 2010, these discussions will have an impact on the FY10 Operating Budget, and a resolution is necessary before the budget is approved. The expenditures within TechMod cover the planning and development costs, so that the true costs of deploying MC311 are scattered (both as increases and decreases) throughout the budgets of many agencies with call-taking functions.

The operating budget impact of the MC311 project can be significant. The Executive estimates that the savings in FY10 accruing from this project will be of the order of $7.5m, but the budgets that show this saving amount are other than the TechMod CIP budget. It is a matter of presentation and cross referencing numbers in departmental budgets, but this has not been done in this presentation. Experiences from other CRM implementations suggest that this $7.5 figure is very achievable, so Council staff is not questioning the estimate, but rather suggesting that the projected savings may not have been understood and expressly articulated in the departmental budgets. ***The Committee should make sure that the $7.5 million is expressly identified in these FY10 budgets.***

b. Outsourcing call taking partially (peak hours or off hours) or totally

Executive Response

- Associated cost savings unknown at this time
- Outsourcing is under review and being seriously considered. We have extensively reviewed the "New York" model and are in the early processes of developing an RFP to address peak and 24/7 operations

Staff Comment: Both insourcing and outsourcing options are important to an efficient governmental service operation. Once the analysis is complete, the results should be forwarded to the Committee for review and consideration of possible budget adjustment actions.

c. **Stretch out implementation time over 3 years** rather than the current one year (hard launch is scheduled January 2010)

Executive Response

Increase in total project costs over a 3-year period (increase staffing, personnel, development and operations)

- A three-year implementation window will increase the amount of "start-up" costs by increasing the time implementation support staff are retained
- End-user adoption by Departments becomes more difficult
- Departmental self-interest overrides the I&R centralization effort
- The impact of the initial mandate is lost, along with the drive to "get-it-done"
- Loss of critical data that assists resource allocation decision making lost in early years

Staff Comment:

d. **Eliminate implementation of project altogether** and shift to an improved, more user-friendly and searchable web site, and access points for the community in libraries, health centers, and public schools.

Executive Response

No response

Staff Comment: The cost savings identified on ©11 make the elimination option an inadvisable one.

Overall, the cost savings identified, coupled with the streamlining of existing multi-departmental call-taking that is challenging to many County residents are strong reasons to accept the Executive's recommendation. The difference between the 24/7 and 12/7 option is a significant ***$278,400*** *and can be seen as a* ***budget savings,*** *should the decision be made to opt for the 12/7 strategy for the center.*

3. MCtime cost reduction options

    a. Stretching implementation time for new departments coming online
    b. Abandon project at the end of FY09 and retain old time record systems for non-MCtime departments for the foreseeable future

Executive Response

- Unsustainable business model
- Increases project cost by $86,000
- Full deployment delayed until June 30, 2011
- Critical path dependency with ERP

Staff Comment: The organizations currently not on MCtime are using paper intensive work flows, which both rob productive hours from employees, and add explicit costs for keypunch services. One such contract is estimated at $300,000 and is scheduled for elimination once MCtime is implemented. In addition, the argument made on ©16 that an automated time system can address audit issues relating to overtime is a particularly strong one; the impact of this enterprise wide project on budgets and processes beyond TechMod is significant, and has to be factored into a decision regarding TechMod funding. Council Staff would therefore agree with the suggested implementation timeframe for MCtime.

There are no additional reduction strategies recommended by Council Staff for the TechMod project itself. The expected cost **savings** from the operational impact of MC311 (currently expected to be in the range of **$7,500,000**) does not appear in the TechMod budget but should appear in the operational budgets of the departments engaged in the deployment. The Committee should ask for a comprehensive productivity impact report which lays out the expenditures, process improvements, and fiscal and performance savings expected from each project's implementation across all departmental budgets. In this manner, the wisdom of the current TechMod investment strategy can be affirmed and fully documented.

Recommendation

Staff recommends the **adoption of the Executive's FY10 budget for TechMod as submitted.** The semiannual financial reviews of the project by the Committee should continue, and be expanded to include Change Management issues, impediments, and accomplishments as implementation dates near. We are well on our way to constructing a series of systems that will allow both Executive and Legislative branch staff to streamline financial, procurement, and HR information and decisions based on this information. More importantly, we are constructing a tool that will enable the County to identify and implement cost savings well into the future through economies (doing the job more cheaply), efficiencies (doing the job better) and re-engineering outcomes (doing the **right** job better). We should not look for economies as we construct it, but speed its completion so we can begin to use it and bring its benefits to bear.

Technology Modernization -- MCG -- No. 150701

Category	General Government	Date Last Modified	May 15, 2008
Subcategory	County Offices and Other Improvements	Required Adequate Public Facility	No
Administering Agency	County Executive	Relocation Impact	None.
Planning Area	Countywide	Status	On-going

EXPENDITURE SCHEDULE ($000)

Cost Element	Total	Thru FY07	Est. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14	Beyond 6 Years
Planning, Design, and Supervision	80,209	0	3,864	76,345	23,440	25,100	17,095	10,710	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**	**0**	**3,864**	**76,345**	**23,440**	**25,100**	**17,095**	**10,710**	**0**	**0**	**0**

FUNDING SCHEDULE ($000)

Land Sale	2,634	0	0	2,634	2,634	0	0	0	0	0	0
Current Revenue: General	42,086	0	3,864	38,222	8,800	12,662	11,462	5,298	0	0	0
Short-Term Financing	35,489	0	0	35,489	12,006	12,438	5,633	5,412	0	0	0
Total	**80,209**	**0**	**3,864**	**76,345**	**23,440**	**25,100**	**17,095**	**10,710**	**0**	**0**	**0**

OPERATING BUDGET IMPACT ($000)

Maintenance				41,983	616	3,794	6,036	8,527	11,336	11,674
Productivity Improvements				-20,000	0	0	0	0	-5,000	-15,000
Net Impact				**21,983**	**616**	**3,794**	**6,036**	**8,527**	**6,336**	**-3,326**

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, MCtime, 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. Additional projects may be added in the outyears.

COST CHANGE

As indicated in the FY07-12 Amended CIP version of this project, the expenditures associated with this effort would be refined for the FY09-14 CIP. That analysis has now occurred and the current estimate is based on detailed review of integrator, staffing, hardware, and software costs. The increase since the January 2008 version is due to the inclusion of total CRM costs and required infrastructure to support the implementation of ERP and the other Technology Modernization projects.

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.

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

APPROPRIATION AND EXPENDITURE DATA

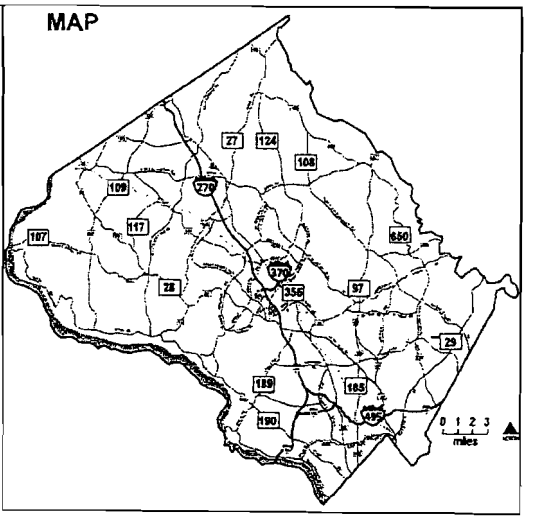
Date First Appropriation	FY07	($000)
First Cost Estimate Current Scope	FY08	85,464
Last FY's Cost Estimate		85,464
Appropriation Request	FY09	44,199
Appropriation Request Est.	FY10	14,946
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		5,064
Expenditures / Encumbrances		1,566
Unencumbered Balance		3,498
Partial Closeout Thru	FY06	0
New Partial Closeout	FY07	0
Total Partial Closeout		0

COORDINATION

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.

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

MAP



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.

(10) (2)

TransformMCG

Initiatives for a More Responsive & Accountable Montgomery County Government

Technology Modernization Project

MFP Briefing

April 21, 2009

Montgomery County Technology Modernization (Tech Mod)

- **Tech Mod is currently comprised of 3 major components:**
  - **ERP: Enterprise Resource Planning**
  - **MC311: Non-Emergency customer support and issue tracking using a 311 phone number**
  - **MCtime: Electronic Time Reporting**

12

Description of Tech Mod Projects

- ERP – The County is hampered with inefficient business processes, outdated, AT RISK systems, and lack of information to address difficult policy and fiscal challenges. ERP systems use technology to improve decision making and implement "best practice" operational efficiency through information integration and process improvements, including centralization, information sharing, and elimination of data/process duplication.

- MC311 - To meet the objective of developing programs that provide greater responsiveness and accountability in meeting the needs of a very diverse County, we have established a single phone number (311) for constituents to call for non-emergency service requests and a back-office system to track responses and completion of work requests.

- MCtime - Replaces the labor intensive, error prone manual process of handling thousands of paper timesheets every two weeks, with an automated solution that will enable more efficient business processes and accurate accounting of compensatory and overtime hours.

The three programs work in concert to improve constituent-facing and back-office functions.

13

Tech Mod Today

- On-time
- On-budget
- Under construction
- No requests for additional funding
- Any change in strategy results in additional cost

Leading causes of failure for ERP projects include lack of Executive sponsorship, inadequate staffing and funding.

- Gartner Group

Major Accomplishments/Status

ERP

- Selected Oracle eBusiness software along with CIBER, the software integrator
- Project is staffed with County and Contractor resources in compliance with contract
- Project is currently developing "to-be" business processes
- County project team staff has completed Oracle training

ERP: Council Staff Questions

- Extend time of completion or drop functionality
  - Wastes sunk costs of $6 million
  - Delays implementation of high risk systems by two years
  - Additional long-term cost: $22M

(5)

(20)

ITPCC Major IT Risk and Consequence Report

High Risk IT Systems

FY10 Estimated Operational Health and Replacement Priority of Existing Major IT Systems								
IR/Ref/SA	System Name	Status	Life	Age	Upgrades	Total FY	Full Rep Cost	Notes
1a	(MCG) Core Financials	Red	10	14	1995	$0	$30,000,000	Potential for replacement by ERP system
1b	(OHR) Human Resources	Red	7	22	1999	$0	$5,000,000	Potential for replacement by ERP system
1c	(OHR) Position Control	Red	7	22	1986	$0	$2,000,000	Potential for replacement by ERP system
1d	(OHR) Occ. Health	Red	3	7	2002	$0	$100,000	Potential for replacement by ERP system
1e	(OHR) PeopleClick	Red	3	7	2004	$0	$500,000	Potential for replacement by ERP system
1f	(OMB) Budget Devel.	Red	8	16	2007	$0	$100,000	Potential for replacement by ERP system
2	(MCG) Voicemail	Red	10	17	1992	$0	$68,000	System replacement scheduled in 2009
3	(MCG) CJIS	Red	8	14	1995	$0	$10,000,000	Potential for replacement by IJIS program
4	(MCG) Tax Receivables	Red	8	23	1986	$2,000,000	$2,000,000	
5a	(DLC) StoreKare	Red	7	10	1999	$0	$1,000,000	Replacement planned for 2009
5b	(DLC) Trace	Red	4	7	2002	$0	$250,000	Replacement planned for 2009/2010
5c	(DLC) POS Hardware	Red	5	5	2008	$0	$1,000,000	Replacement planned for 2009
6a	(DOT) Highway CMMS	Red	10	11	2000	$100,000	$100,000	
6b	(DOT) Traffic Signal Mod	Red	TBD	30	n/a	$0	$2,600,000	CIP project - currently in Phase 1 rollout
6c	(DOT) Bus Scheduling	Red	9	18	2008	$0	$250,000	System replacement in progress
7	(OMB) Budget Publication	Red	7	16	2004	$0	$2,000,000	
Estimate only. Not a Formal Budget Plan								

Study updated March 30, 2009

MC311: Why Now?

- **Improved service to the public**
  - Provide a single, three-digit number, point-of-contact to the general public for all the information and Government services channels;
  - Eliminate the need for citizens to understand Government organization;
  - Minimize call referrals and transfers, and;
  - Provide service request tracking and traceability.
- **Increased accountability**
  - Provide data and information essential for both the Executive and Council to make improved budgetary and resource allocation and reallocation decisions;
  - Allow individual requests to gain senior management level visibility;
  - Create a mechanism for Departmental integration, and;
  - Tracking individual requests for service that are of interest to Council Members for personal follow-up.

MC311: Why Now? (Continued)

- **Cost Savings**
  - Current operational costs of $25M annually identified through business process mapping (BPM)
  - Consolidation of people, processes and technology with a estimated savings of 30% in FY10
  - Remove non-emergency calls from public safety
  - Reduce cost per call to the County
    - Consolidate multiple County call centers in a single entity
    - Realign & standardizes call taking functions across the County into "Generalist" positions
    - Direct service requests to least costly channels, i.e., self-service and internet
  - Consolidate technology base to a single platform
    - Hardware, software and operations & maintenance (O&M)

MC311: Major Accomplishments/Status

MC311 (CRM)

- Selected Oracle Seibel software solution
- Completed Customer Discovery study for defining current business processes for 38 County departments
- Business Process Re-engineering analysis for customer facing processes in process
- Deployed 7 full time staff with Customer Service subject matter expertise to Project Management Office from DEP, HHS, DHCA, DOT, POL, REC, and Permitting
- Occupied Project Office/Call Center office space April 13th

MC311: Council Staff Question #1

❖ Reduce MC311 Costs by:

- Changing from 24x7 to an 8 hour operation
  - 12/7 minimum required to gain constituent buy-in. Constituents want to be able to call before and after work
  - The following estimates are provided as an example of possible staffing configurations:

24/7 Option	*Positions*
Shift A	35
Shift B	10
Shift C	2
	47
	$2,412,800

12/7 Option	*Positions*
Shift A	40
Shift B*	12
	52
	$2,134,400

*PT

  - Consider 12/7 and adjust as we experience actual numbers. Peak overnight shift and weekend shifts have significantly less staff than the day shifts
  - Current operations with 24/7 include: Public Safety and Health & Human Services
  - Call Center operational costs to be absorbed through the consolidation effort

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MC311: Council Staff Question #2

- **Reduce MC311 Costs by:**
  - Outsourcing call taking partially: peak hours, off hours or totally
    - Associated costs savings unknown at this time
    - Outsourcing is under review and being seriously considered. We have extensively reviewed the "New York" model and are in the early processes of developing an RFP to address peak and 24/7 operations

22

14

MC311: Council Staff Question #3

- **Reduce MC311 Costs by:**
  - Stretch out implementation time over 3 years rather than the current one year (soft launch is scheduled January 2010)
    - Increase in total project costs over a 3-year period (increase staffing, personnel, development and operations)
      - A three-year implementation window will increase the amount of "start-up" costs by increasing the time implementation support staff are retained
      - End-user adoption by Departments becomes more difficult
      - Departmental self-interest overrides the I&R centralization effort
      - The impact of the initial mandate is lost, along with the drive to "get-it-done"
      - Loss of critical data that assists resource allocation decision making lost in early years

MCtime: Why Now?

- Eliminates out-sourced 3rd party services
- Eliminates paper timesheets
- Critical to ERP
- Addresses audit issues relating to overtime

24

Major Accomplishments/Status

MCtime

- Fire and Rescue testing in progress; deployment expected to begin in 3rd quarter of calendar year 2009
- Police requirements gathering is in progress
- Full roll-out targeted to be completed by end of FY10

25

MCtime: Council Staff Questions

- Stretch implementation time for new departments or abandon implementation
  - Unsustainable business model
  - Increases project cost by $86,000
  - Full deployment delayed until June 30, 2011
  - Critical path dependency with ERP

26 18

FY10 CIP Budget

Technology Modernization Project

Category	ERP	MC311	MCtime	Infrastructure	Total
Personnel	$5,145,000	$ 1,118,000	165,000	$1,155,000	$7,583,000
Contractor Services	2,153,000	3,072,000	120,000	-	$5,345,000
Training	58,000	250,000	11,000	70,000	389,000
Software	-	300,000	425,000	50,000	$775,000
Hardware	-	200,000		150,000	$350,000
Lease Costs	302,000	-		-	$302,000
Other	75,000	50,000	25,000	30,000	$180,000
FY10 Current Estimate	**$7,733,000**	**$4,990,000**	**$746,000**	**$1,455,000**	**$14,924,000**

FY10 Original Appropriation **$14,945,804**

Category	ERP	MC311	MCtime	Infrastructure	Total
Personnel	$2,570,000	$ 793,000	$ 1,025,000	$ 92,000	$4,480,000
Contractor Services	24,823,000	3,388,000	251,000	2,998,000	$31,460,000
Training	150,000	47,000	-	-	197,000
Software	6,455,000	962,000	-	265,000	$7,682,000
Hardware	346,000	-	-	1,281,000	$1,627,000
Lease Costs	331,000	-	21,000	-	$352,000
Other	53,000	210,000	33,000	-	$296,000
FY09 Requirements	**$34,728,000**	**$5,400,000**	**$1,330,000**	**$4,636,000**	**$46,094,000**

FY09 Appropriation	**$44,199,000**
FY08 Carryforward	**$1,895,000**
Total FY09 Available	**$46,094,000**

$25,000,000	estimated total cost of call intake today
	Toregas estimates (all others come from Executive Branch documents or statements)
300	employees involved in intake
$75,000	estimate of intake professional salary
38	number of departments with intake function
6	Operational call centers
100,000	estimate of running a call center (energy, rent, telecomms)
20	current technology platforms
30,000	Average cost to maintain IT system in a department (licenses, amortization, equipment)
20	estimate of IT staff supporting IT platforms
90,000	estimate of IT support salary
100	estimate of specialist positions still remainig
52	estimate of staff for operating MC311
10	estimate of IT staff for MC311
1.5	MC311 / departmental cost center operating cost ratio

Today's costs		MC311 operations
	MODEL COMPUTES FOLLOWING:	
$22,500,000	personnel	$3,900,000
$600,000	center operations	$150,000
$1,800,000	IT personnel	$900,000
$180,000	IT equipment and support costs	$67,500
$25,080,000	Totals	$5,017,500
	Continuing cost of departmetnal operations	$7,500,000
	Estimated annual savings	$12,562,500
	One time Dev cost of MC311	$10,390,000
	Payback period (Dev Cost/annual savings)	0.827064677

$25,000,000	estimated total cost of call intake today
	Toregas estimates (all others come from Executive Branch documents or statements)
300	employees involved in intake
$75,000	estimate of intake professional salary
38	number of departments with intake function
6	Operational call centers
100,000	estimate of running a call center (energy, rent, telecomms)
20	current technology platforms
30,000	Average cost to maintain IT system in a department (licenses, amortization, equipment)
20	estimate of IT staff supporting IT platforms
90,000	estimate of IT support salary
150	estimate of specialist positions still remainig
52	estimate of staff for operating MC311
10	estimate of IT staff for MC311
1.5	MC311 / departmental cost center operating cost ratio

Today's costs		MC311 operations
	MODEL COMPUTES FOLLOWING:	
$22,500,000	personnel	$3,900,000
$600,000	center operations	$150,000
$1,800,000	IT personnel	$900,000
$180,000	IT equipment and support costs	$67,500
$25,080,000	Totals	$5,017,500
	Continuing cost of departmetnal operations	$11,250,000
	Estimated annual savings	$8,812,500
	One time Dev cost of MC311	$10,390,000
	Payback period (Dev Cost/annual savings)	1.179007092

$25,000,000	estimated total cost of call intake today
	Toregas estimates (all others come from Executive Branch documents or statements)
300	employees involved in intake
$75,000	estimate of intake professional salary
38	number of departments with intake function
6	Operational call centers
100,000	estimate of running a call center (energy, rent, telecomms)
20	current technology platforms
30,000	Average cost to maintain IT system in a department (licenses, amortization, equipment)
20	estimate of IT staff supporting IT platforms
90,000	estimate of IT support salary
200	estimate of specialist positions still remainig
52	estimate of staff for operating MC311
10	estimate of IT staff for MC311
1.5	MC311 / departmental cost center operating cost ratio

Today's costs		MC311 operations
	MODEL COMPUTES FOLLOWING:	
$22,500,000	personnel	$3,900,000
$600,000	center operations	$150,000
$1,800,000	IT personnel	$900,000
$180,000	IT equipment and support costs	$67,500
$25,080,000	Totals	$5,017,500
	Continuing cost of departmetnal operations	$15,000,000
	Estimated annual savings	$5,062,500
	One time Dev cost of MC311	$10,390,000
	Payback period (Dev Cost/annual savings)	2.052345679