

SOUND TRANSIT

MOTION NOS. M99-21/M99-22

**Financial Systems Development and Applications Software
BACKGROUND AND COMMENTS**

| Meeting: | Date: | Type of Action: | Staff Contact: | Phone: |
|-------------------|--------------|------------------------|-----------------------|---------------|
| Finance Committee | 4/15/99 | Discussion | Jan Hendrickson | 206-398-5097 |
| Finance Committee | 5/7/99 | Action | Hugh Simpson | 206-398-5082 |

ACTION:

Approval of two Finance Committee Motions for financial systems development. The first motion, Motion No. M99-21, amends the existing contract with Moss Adams by increasing the contract amount by \$707,882 which includes a contingency of \$268,382, to a total approved amount of \$2,952,205. The second motion, Motion No. M99-22, is for JD Edwards applications software and support. The negotiated amount of this contract \$2,268,773. An additional \$317,599 is requested to be authorized as a contingency reserve. Therefore, the total amount being requested for approval with JD Edwards is \$2,586,372.

RELEVANT BOARD POLICIES AND PREVIOUS ACTIONS TAKEN:

- ◆ Adoption of *Sound Move* (May 31, 1996)
- ◆ Adoption of Resolution No. 78-1, authority and procedures for the procurement of materials, work and services and for the acquisition and use of property and property rights (April 9, 1998)
- ◆ Adoption of Implementation Guide (May 22, 1997)
- ◆ Adoption of First Moves (May 22, 1997)
- ◆ Adoption of Fiscal Year 1999 Budget (November 12, 1998)
- ◆ Adoption of Resolution No. 98-14, approval of a Board Resolution to award a contract to KJM, Inc. for the development, installation and maintenance of a management reporting and project controls system for Sound Move (April 9, 1998)
- ◆ Adoption of Motion No. M98-35, authorizing the Executive Director to execute contracts for financial systems development and implementation, and to purchase financial application software, from Moss Adams LLP (May 7, 1998)

BACKGROUND:

In May 1998, the Finance Committee passed Motion No. M98-35 for Financial Systems Development and Support that authorized executing a contract with Moss Adams and providing for the acquisition of related applications software. The purpose of this contract is to assess, procure, implement and maintain a financial system. To date, Moss Adams has completed an assessment of the agency's needs, authored a strategic plan, developed a formal request for proposal and coordinated the applications software procurement with guidance and participation from staff. The approved amount of the contract, that includes contingency, is \$2,244,323 with \$581,753 being spent project-to-date through March 1999.

The assessment and request for proposal process began last June with an evaluation of existing systems and needs, along with a look forward to what our needs are going to be in the future. Staff from throughout the agency participated in these evaluations over a two-month time period called data modeling sessions. In the data modeling sessions, agency needs were mapped out and documented for the request for proposal document and for future application software design configuration documents.

In November 1998, five proposals were received through a competitive procurement process. After review, three vendors were interviewed with products being demonstrated through a scripting process developed by Moss Adams and staff. Through this process one vendor, JD Edwards was selected for an in-depth product review, utilizing Sound Transit's information and work flows. Results concluded that JD Edwards' product functionality was sufficient to meet Sound Transit's requirements. The other two vendors interviewed, Oracle and Peoplesoft, did not meet the functionality needs of the agency. While the in-depth product review was in process, on-site visits and reference checks were performed. Staff performed on-site visits that included a large capital construction company with multiple lines of business in Northern California for a functionality reference and a manufacturing firm in Nevada for a technical reference. Additionally, numerous reference checks were made with local governments that are currently using JD Edwards included: City of Orlando, Lee County(Florida) and Washanah County(Minnesota). Locally, staff has discussed financial systems with Port of Seattle (Peoplesoft), King County (SAP), King County Library System (in-process) and City of Tacoma (in-process).

An Applications Committee was formed early in the process to monitor the procurement and to review all applications software being purchased by the agency. Membership of this committee consists of all three lines of business, support departments, external technology consultants and our external auditors. To date, the Applications Committee has approved estimating, scheduling, interim contract administration and the recommended JD Edwards application software. This committee acts as an internal "peer review" group and meets on an as needed basis. Once the applications software is selected this committee will continue in the capacity of quality assurance oversight monitoring in regards to budget, progress and schedule on a monthly basis.

During the assessment and request for proposal development, staff recognized that not only integration between financial and management system was required, but that a single fully integrated enterprise system that utilized a single database was preferable. A fully integrated enterprise system is referred to as an enterprise resource planning system or "ERP system". An agency-wide ERP system will not only provide financial systems, but will allow for expansion into contract administration, commitment planning, change order management, property management, cost management, inventory and other agency-wide future application needs. The ERP system will provide 20 different applications in one flexible and integrated system rather than a piece-meal approach that would have the same applications being acquired from at least 5 different vendors requiring different architectures and platforms. When the initial contract was approved, budget amounts were estimates that would be revised as Sound Transit's requirements were defined during the assessment and procurement processes. The funding section below recognizes this evolution in relation to total cost of ownership.

WHY IS AN ERP SYSTEM BENEFICIAL TO SOUND TRANSIT?

- Sound Transit can take advantage of new technologies that provide a single database for project management and financial information that can be accessed through a common set of tools by staff as necessary.
- Sound Transit has no legacy systems to maintain or integrate.
- Staff is committed to supplying accurate and timely data to all stakeholders which an ERP system will facilitate.

KEY FEATURES:

- Moss Adams will provide support to Sound Transit in developing and implementing the Agency’s ERP system and the integration of these systems with the Sound Transit’s long-term project management systems that are not part of the ERP system, i.e., scheduling and estimating. Moss Adams contract amount will be amended to a new total \$2,952,205 from \$2,244,323, an increase of \$707,882. Contingency is included in this amount.
- Moss Adams has assembled a team that includes a certified WBE firm and their participation accounts for 18% of the total contract amount. As additional sub-consultants are required, Moss Adams has committed to expanding M/W/DBE participation.
- JD Edwards ERP application software and support contract will be for \$2,268,773, with an additional amount of \$317,599 for contingency for a total approved amount of \$2,586,372.
- Compensation to Moss Adams and JD Edwards will be based on composite hourly rates, except for hardware and applications software.
- JD Edwards is a tier 1 vendor recognized internationally for specializing in government and construction oriented organizations. A tier 1 vendor is recognized as an industry leader in applications software.
- The amended contract for Moss Adams is for April 1999 through March 2001. The contract for JD Edwards will be split into software licensing, maintenance and implementation. Software licensing and maintenance will extend over the life of the system, while contract provisions for implementation will end in 2001. Annual costs for software licensing and maintenance are included for the first three years.

DEVELOPMENT, SUPPORT AND APPLICATION SOFTWARE COSTS OVER TWO YEAR CONTRACT: (COMPARISON WITH ORIGINAL APPROVED CONTRACT BUDGET AMOUNT)

Budget estimates included in the original request for proposal for financial systems were intended to be guidelines until the agency assessment and software application procurement were complete. The table below depicts the change in the overall cost.

| Project Category | Moss Adams | JDEdwards | Total | Original Approved Contract |
|---------------------|------------|-----------|-----------|----------------------------|
| Assessment | 265,976 | - | 265,976 | 107,000 |
| Procurement | 241,149 | - | 241,149 | 109,000 |
| Implementation | 1,801,766 | 1,094,774 | 2,896,540 | 840,150 |
| Maintenance | 374,932 | 307,893 | 682,825 | 765,000 |
| Software | - | 513,156 | 513,156 | 1,000,000 |
| Hardware | - | 352,950 | 352,950 | - |
| Sub-total | 2,683,823 | 2,268,773 | 4,952,596 | 2,821,150 |
| Contingency | 268,382 | 317,599 | 585,981 | 423,173 |
| Total Project Costs | 2,952,205 | 2,586,372 | 5,538,577 | 3,244,323 |

FUNDING:

Funding is provided in the Fiscal Year 1999 budget of \$4,600,000. This dollar amount is adequate for 1999 costs and future year costs will be addressed in the 2000 budget process. Due to the project redefinition, both resource allocation and budget changes are occurring. The original and revised budget numbers include vastly different system and implementation scenarios. In summary, the ERP system is providing 20 different applications in one flexible and integrated system rather than a piece-meal approach that would have the same applications being acquired from at least 5 different vendors.

ALTERNATIVES:

- Develop in house staff resources that would increase risk and set back project reporting schedules and timely reporting to the Board.
- Pursue negotiations with one of the other two applications software vendors in the competitive range.
- Develop systems independently that are not integrated nor consistent.

CONSEQUENCES OF DELAY:

Delay in awarding these contracts will result in agency systems not being implemented in a timely fashion. Development of these systems is paramount to managing Sound Move and providing a level of confidence to the Federal Transit Administration, the Sound Transit Board and staff, Citizen Oversight Panel, and other interested parties. Current interim systems are not adequate to manage project growth and are increasingly at risk.

HOW IS SOUND TRANSIT GOING TO IMPLEMENT AN ERP SYSTEM?

The implementation has been split between three phases that will begin in May, 1999. The first phase includes the modules of core financial functions (general ledger, accounts payable, accounts receivable), project cost and procurement. The time frame for beginning production processing for phase 1 is January 2000. Production processing is when the database is being populated with daily transactions and being accessed by throughout the organization. The second phase includes fixed assets that begins in January 2000 and is scheduled to be in production by April 2000. The third phase includes human resource and payroll that will begin in June 2000 and is scheduled to be in production by March 2001.

Each phase will be supported by implementation teams consisting of staff throughout the agency and contracted consultants. These teams will be responsible for implementation design and applications software configuration, conversion and testing.

HOW WILL THESE CONTRACTS RELATE TO THE MANAGEMENT REPORTING AND PROJECT CONTROLS SYSTEM CONTRACT (MSC)?

Staff from the MSC contract (KJM, Inc.) will participate and provide technical assistance in creating the design and workflow elements of the applications software configuration in regards to project costing and procurement. To date, the MSC contract has developed long-term estimating and scheduling solutions and an interim contract administration system. The MSC will be responsible for integrating these systems with the ERP system and maintaining them long-term.

HOW DO THESE CONTRACTS FIT INTO THE OVERALL SOUND MOVE PROGRAM?

The ERP system development and support contracts will provide dedicated services to the agency in developing financial and project management systems.

HOW WILL THESE CONTRACTS BE ADMINISTERED AND MONITORED?

Overall, responsibility for these contracts will be assumed by the Director of Finance and Administration. The Finance and Administration Controller/Treasurer will provide day to day management of these contracts. The Applications Committee will review on a monthly basis budget, progress and schedule.

LEGAL REVIEW:

The Legal Department has reviewed and approved the Background and Comments and Motion.

SOUND TRANSIT

MOTION NO. M99-21

A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the Executive Director to amend the existing contract with Moss Adams for financial systems development and implementation by increasing the contract amount by \$707,882 for a total amount not to exceed \$2,952,205, which includes a contingency of \$268,382.

Background:

In May 1998, the Finance Committee passed Motion No. M98-35 for Financial Systems Development and Support that authorized executing a contract with Moss Adams and providing for the acquisition of related applications software. The purpose of this contract was to assess, procure, implement and maintain a financial system. To date, Moss Adams has completed an assessment of the agency's needs, authored a strategic plan, developed a formal request for proposal and coordinated the applications software procurement. The approved amount of the contract, that includes contingency, is \$2,244,323 with \$581,753 being spent project-to-date through March 1999.

This amendment is recognizing fundamental changes in integration between providing core financial system support to enterprise resource planning (ERP) system support. The ERP system will provide 20 different applications in one flexible and integrated system rather than a piece-meal approach that would have the same applications being acquired from up to 5 different vendors requiring different architectures and platforms. Moss Adams will continue to provide support implementing and maintaining the system once in place.


Moss Adams will team with JD Edwards, the applications software provider, to implement an integrated solution during 1999 and 2000.

Motion:

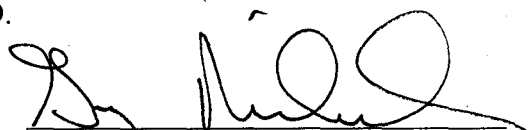
It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that the Executive Director is authorized to execute an amended contract with Moss Adams for financial systems development and implementation, by increasing the contract amount by \$707,882 for a total amount not to exceed \$2,952,205, which includes a contingency of \$268,382.

Approved by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof on the 6th day of May, 1999.

ATTEST:



Marcia Walker
Board Administrator



Greg Nickels
Finance Committee Chair