CITY COUNCIL COMMUNICATION:

98-457

AGENDA:
OCTOBER 5, 1998

SUBJECT:
CONCLUSION OF PHASE 1 AND EARLY IMPLEMENTATION OF PHASE 2 OF NEW FINANCIAL/ ACCOUNTING AND PAYROLL/HUMAN RESOURCES APPLICATION SOFTWARE (PEOPLESOFT)

TYPE:
RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:
KEVIN RIPER
FINANCE
DIRECTOR

WILLIAM STOWE
HUMAN
RESOURCES
DIRECTOR

MICHAEL
ARMSTRONG
INFORMATION
TECHNOLOGY
DIRECTOR

ITEM _____

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS —

Five months into Phase 1 of the PeopleSoft software implementation for all-new financial and human resources applications, staff has made significant changes in business processes and in organizational structure to adapt the City to the "best practices" embodied in PeopleSoft. (See related Council Communications from the Directors of Information Technology and Human Resources, elsewhere on the October 5 agenda.) Implementation of the first three human resources modules is still slated for January 1, 1999, as originally anticipated. However, an underestimate of the magnitude and complexity of technical tasks required of the Information Technology Department during implementation, and an overestimate of the existing staff resources trained and available to provide that support have combined to cause a several-month delay in the implementation of the first three financial modules, and an increase in the amount (and, therefore, the cost) of consulting expertise needed to implement the six modules that together make up Phase 1 of the project. Other preparation and process review tasks that link the functional aspects of Phase 1 modules to the remaining PeopleSoft modules to be implemented in Phase 2 have been allocated to the latter phase. Finally, the usefulness and comprehensiveness of the entire PeopleSoft suite of modules is so much greater than originally envisioned by staff when PeopleSoft prevailed in the competitive selection process, that the start of Phase 2 has been moved up to February/March 1999-right on the heels of the conclusion of Phase 1.

FISCAL IMPACT -

Funding for the Phase 1 project implementation contract amendment with Carrera Consulting Group [$200,000], for the Phase 2 new contract with Carrera Consulting Group [$1,547,000], and for the new contract with Modern Solutions Incorporated (MSI) [$21,344] is available in the Enhanced

Citywide Information and Communications Systems Capital Improvements Program (CIP) Project for two-thirds of the cost and in the City's various enterprise funds for one-third of the cost.

RECOMMENDATION -

Approve amendment to agreement for information management services with Carrera Consulting Group for Phase 1 of PeopleSoft implementation project; new agreement for information management services with Carrera Consulting Group (Margaret Carrera, President, Sacramento, CA) for Phase 2 of project; and contract with Modern Solutions Incorporated (Mike Lang, President, Clive, IA) for consulting services to assist with PeopleSoft application software implementation. As Phase 2 proceeds, comparable consulting expertise from MSI may be found to replace the costlier consulting expertise of Carrera, so staff recommends that authorization be granted to the City Manager to shift contract dollars away from Carrera to MSI, if appropriate.

BACKGROUND -

In early 1997, Council endorsed a sweeping set of recommendations from the Data Management and Communications Committee concerning the future of information technology in the City. One such recommendation called for the wholesale replacement of the City's mainframe- and paper-based processes for executing and tracking the City's $500,000,000 of annual operating and capital expenditures (and a like amount of revenues), and for recruiting, hiring, managing and paying its 2,600 full- and part-time employees. The City's existing legacy systems that are automated are, for the most part, not compliant with "Year 2000," and suffer from not having been updated consistently over the years. The legacy systems that are manual are, obviously, cumbersome, time-consuming, and very labor-intensive; hours that should be spent by employees in line and staff departments on customer service, management, analysis, and resource allocation have, of necessity, instead been devoted to creating, carrying, signing, copying, and often finding pieces of paper to complete basic transactions in the financial and human resources areas. Therefore, a comprehensive Request for Qualifications for new,

integrated financial/accounting and payroll/human resources application software yielded a decision to purchase and install PeopleSoft "enterprise software" for such functions. (The term "enterprise" refers to the enterprise-wide nature of the software, which integrates all financial and human resources data and functions into one relational database from which various modules extract and report information for users, decision-makers, and the public.)

PeopleSoft develops, sells, maintains, updates, and improves enterprise software, but does not generally provide the consulting assistance to implement its software. Therefore, Carrera Consulting Group was bid by PeopleSoft to be the City's implementation partner. Implementation of Phase 1 of the PeopleSoft application software project began in the Spring of 1998 for:

General Ledger
Accounts Payable
Purchasing
Human Resources
Payroll
Employee Benefits

The implementation consultant helps staff design and manage the overall project; imparts knowledge of the individual PeopleSoft modules; reviews and helps configure City business practices to align with the multitude of PeopleSoft options; assists with data conversion, report-writing, and interfaces with existing systems; helps to design and support the technical environment in which the software operates (Microsoft SQL Server relational database usage and management, data transfers, file structure, and the six different versions of the relational database-development, prototype, test, production, demo, and install).

As with all major information technology projects, three sets of challenges and opportunities have confronted the City in the implementation of Phase 1: organizational, functional, and technical.

Organizational Issues
Three staff departments have been, and will continue to be, substantially changed by the installation of PeopleSoft: A recommended reorganization of the Human Resources Department is the subject of a separate roll call and Council

Communication on the October 5, 1998, Council agenda-so is a significant reorganization of the Information Technology Department; and the Finance Department is recommending shifting four of its employees to the Human Resources Department to more closely align those staff, who manage payroll and employee benefits, with the Human Resources Department staff who manage related PeopleSoft modules.

Functional issues

Thanks to the structure of the software and its residence on the new Citywide network that will allow end-users to access data from their desktops, rather than having to ask data processing professionals to extract data from the mainframe, all departments will benefit substantially from the reduction of time spent causing transactions to occur, and researching the status of requested transactions (Has a certain payment been received yet? A bill paid? An item ordered from a vendor? A recruitment approved and posted? A salary change entered into the payroll system? A different insurance plan notified of an employee's wish to enroll? Etc.). This will free up scarce staff time to deliver more and better service to customers, both external and internal. Reporting of financial and human resources data will improve in both quality and timeliness. Vendors will be paid in less than 30 days, allowing the City to take wide advantage of prompt-payment discounts for the first time. Job applicant tracking will improve. Employees' pay stubs will contain more detailed information. Enhanced, desktop availability of benefit cost data, attendance, and utilization information will be available.

The six employees serving as full-time functional specialists in the Departments of Finance and Human Resources who are spearheading the implementation of the modules listed above from the City side have found a range of options and features in PeopleSoft that should be even more attractive to operating department users than originally anticipated. (Training of those operating department users on the first modules begins this month.) One example of PeopleSoft's high functionality is the frequency with which the software is updated-weekly. Unlike, say, the Windows package, which Microsoft releases in new form every couple of years, PeopleSoft posts updates to its software on the Internet every week. Applied promptly and properly, these updates give PeopleSoft a flexibility and an immediate responsiveness to the needs of customers like the City that can help solve problems as they arise, or meet new needs as they are identified.

Technical issues: Ironically, the very features of PeopleSoft that are so powerful for end-users (client/server platform; just one relational database from which all modules extract data; weekly updates to the software) pose monumental challenges for the technical staff of the Information Technology Department. Early this year the authors of this Council Communication underestimated both the complexity and breadth of information technology tasks required for ongoing support of the PeopleSoft application, and overestimated the depth of existing staff resources trained and available to provide that support. Even so, the "go-live" date for the human resources, payroll, and employee benefits modules remains January 1, 1999, as originally scheduled. The "go-live" date for the initial group of financial modules (general ledger, accounts payable, and purchasing) has slipped to December 1, 1998. Furthermore, the cost of Phase 1 has increased by $200,000 ($81,000 for higher travel costs for the Carrera consultants working on-site in Des Moines, due in great part to an inability to secure attractive airfares on short notice; and $119,000 for additional consultant hours).

The new software has so much functionality, and the implementation project so much momentum, that Phase 2 (accounts receivable/billing, project costing, budget preparation, asset management, time and labor, employee benefits administration, and version upgrades for both financials and human resources) needs to begin sooner-in February and March-when the new production environment for Phase 1 modules stabilizes. As with Phase 1, the 10 to 12 City employees working virtually full-time on the implementation project (and the several dozen working part-time on it) will need during Phase 2 the expert assistance of a PeopleSoft implementation consultant. Carrera Consulting Group is projected to need to provide 9,100 hours of assistance with Phase 2 modules, particularly project costing, which is of critical importance to departments with complicated labor-cost allocation mechanisms that result in substantial grant reimbursements. An alternative provider of certain consulting services, MSI, has been identified to substitute where possible for the more costly services of Carrera.

A sense of the complexity of the implementation project can be garnered from the attached Gantt chart that details Phase 1 implementation of PeopleSoft. There are 220 separate tasks required to complete Phase 1 of the project, and each task

consumes 1 to 200 days apiece. A similar Gantt chart, and a detailed schedule of "go-live" dates for the eight modules of Phase 2, will be prepared shortly.

A Final Word
In acquiring PeopleSoft for the enterprise-wide corporate functions of finance and human resources, the City has entered a new arena-not just Year 2000-compliant, but one in which information will be widely available on a client/server network and readily arranged for a variety of customer service, management, and reporting purposes. Putting PeopleSoft in place, taking ever-greater advantage of the evolving power of the software, and staying up to date with it are three daunting tasks that will pay for themselves many times over in the future. A strained analogy may help explain this. PeopleSoft is like the ocean: if you respect it, equip yourself properly for dealing with it, and pay attention at all times, it will sustain, nourish, and enrich you for decades, and carry you a great distance. But turn your back on it, and it can overwhelm you. During Phase 1, we have come up sputtering a couple of times, but our organization is learning and improving itself, and we have already traveled a long way. Phase 2 will complete our journey with PeopleSoft.

Attachment