



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: County Executive Office, Auditor-Controller, General Services, Human Resources
Department No.: 012, 061, 063, 064
For Agenda Of: August 17, 2021
Placement: Departmental
Estimated Time: 1 hour
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s) Mona Miyasato, County Executive Officer
Betsy Schaffer, Auditor-Controller
Janette Pell, General Services Director
Maria Elena De Guevara, Human Resources Director

Contact Info: Jeff Frapwell, Assistant County Executive Officer
Kyle Slattery, Chief Deputy Controllor

DocuSigned by:
Jeff Frapwell
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SUBJECT: Business Applications Needs Assessment Project Update and Request for Proposal for County Enterprise Resource Planning Software and Implementation Services

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence:

N/A

Recommended Actions:

That the Board of Supervisors:

- a) Receive and file a Business Applications Needs Assessment Project Update;
- b) Authorize the release of the Request for Proposal (RFP) for County Enterprise Resource Planning (ERP) Software and Implementation Services;
- c) Determine that the above actions are not a project under the California Environmental Quality Act (CEQA) pursuant to Section 15378(b)(5) of the CEQA guidelines because they consist of administrative activities of government that will not result in direct or indirect physical changes in the environment.

Summary Text:

The County launched the Business Application Needs Assessment (BANA) project in 2019 to identify requirements for the next generation of enterprise business applications that will provide the technological platform for the County to operate efficiently and effectively well in to the future. This is needed to further automate our business processes, better integrate business systems, provide standardized functionality needed by departments, and meet the expectations of the workforce. This item is on the agenda to receive and file an update on the BANA Project and authorize the release of the Request for Proposal (RFP) for the enterprise resource planning (ERP) software and implementation services.

The scope of the future ERP System sought by the County includes most of the County’s Finance, Human Resources & Payroll, and Budget applications used for standard Countywide business processes. This future ERP System is expected to provide greater functionality in one unified system than what the County’s current infrastructure of multiple systems offers while enhancing automation and workflows.

On July 7, 2020, the Board approved a contract with Guidehouse to assist the County with the following four tasks which comprise the County’s Business Applications Needs Assessment (BANA) Project:

- Task 1: Business Applications Needs Assessment
- Task 2: Develop Plan of Action to Implement Solutions
- Task 3: Evaluation and Selection of Software and Implementation Vendors
- Task 4: Contract Negotiations

Task 1 and Task 2 have since been completed, while Task 3 is in process through the step of developing the Draft RFP for County ERP Software and Implementation Services (Attachment A).

Completion of the BANA Project will lead to the County ERP Project beginning in 2022. Staff anticipate returning to your Board in fall 2021 to request additional resources to augment staffing for the ERP Project and seek approval of a contract for professional Project Management Consultant services. Staff also anticipate returning to your Board in early 2022 to recommend the award of contracts for the ERP software license and ERP implementation services selected by the County through the RFP process.

Since inception of the BANA Project in 2019, the County’s Executive Information Technology Council (EITC) has overseen the project to ensure alignment with the County’s overall IT governance framework. The project Steering Committee formed as an official subcommittee of the EITC and includes an Assistant CEO, the Auditor-Controller, the General Services Director, the Human Resources Director, the Budget Director, and the recently added Social Services Director. Key project recommendations are made first to the Steering Committee, then to the EITC, and then ultimately to your Board for approval.

Background:

Need for Next Generation Systems

The County launched the BANA project to identify requirements for the next generation of enterprise business applications that will provide the technological platform for the County to operate efficiently and effectively well in to the future. The following indicators signal that the County must undertake this initiative now in order to further automate its business processes, better integrate its business systems, provide standardized functionality needed by departments, and meet the expectations of the workforce:

<p>No new versions available</p> <p>Upgrades to custom systems written in older programming languages must be completed internally and require significant investment of staff with hard to find skillsets</p>	<p>Focus on core competencies</p> <p>Developing, maintaining, and enhancing custom applications is not a core competency of county government</p>
<p>Mature market for government applications</p> <p>The market for government-specific applications has matured, resulting in a variety of vendor solutions capable of meeting the needs of county government</p>	<p>Emergence of secure cloud computing</p> <p>Subscriptions to vendor applications hosted in the cloud are now commonplace and offer the latest features while eliminating the cost of hosting software on premises</p>
<p>Maximized value of existing applications</p> <p>While the County has benefited from its investment in existing applications, custom applications reaching the end of their lifecycle will be costly to maintain and integrate</p>	<p>Changing expectations of the workforce</p> <p>Rapid advances in technology have created an expectation in the workforce of similar advancements in workplace technology</p>
<p>Pervasive use of multiple disparate systems</p> <p>Departments must use multiple systems to perform a task, resulting in cumbersome workflows that can lead to data errors, duplicative efforts, and process control issues</p>	<p>Limited functionality and integrations</p> <p>Existing systems have limited functionality, so departments must implement their own non-standardized solutions which have varying abilities to integrate with other systems</p>

Comprehensive Efforts to Date in Preparation of the RFP

Phase Zero of the BANA Project began in 2019 to facilitate a stakeholder-driven process for selecting the BANA Consultant. Over a period of nine months, the County formed a 39-member Stakeholder Team of financial and IT professionals from 21 County departments, from which seven Subcommittees formed to develop the BANA Consultant RFP along with a seven-member Evaluation Committee to evaluate proposals. This phase was guided by the Steering Committee formed under the EITC and was supported with project management from the Auditor-Controller's Office. This effort produced a collaborative and transparent process carried out by a diverse and invested team focused on selecting a BANA Consultant capable of being a good partner to the County while providing superior technical expertise.

Following the selection of Guidehouse as the BANA Consultant, Guidehouse performed a comprehensive assessment of 134 business applications in use throughout the County, conducted 34 interviews across all County departments, mapped 16 countywide business processes, documented 8 countywide application interface diagrams, identified 87 items for improvement, facilitated 9 future state ideation sessions with committees of the Stakeholder Team, researched 25 best practices, and developed 103 recommendations to help the County prepare for the implementation of a new unified software solution and improve the future state. Guidehouse also delivered a Task 1 Report to summarize and share this information with the Stakeholder Team. The completion of these activities concluded Task 1 of the BANA Project.

Based on the information acquired through Task 1, Guidehouse developed a comprehensive plan of action to implement solutions. This plan was delivered in the form of a Task 2 Report which provides a summary of the County's functional requirements for an ERP System along with supporting details on the process, organizational structure, and roles and responsibilities required to support the following future phases:

Acquisition	Refining requirements, developing the RFP, evaluating vendor responses, conducting software demos, and selecting the ERP System and Implementer
Pre-Implementation	Preparing for a new ERP System by establishing a change management strategy, reviewing policies, conducting business process reengineering, and preparing data
Implementation	Implementing a new ERP System in the workplace using a phased approach
Post-Implementation	Maintaining and updating the ERP System in the workplace

In addition to the Task 2 Report, Guidehouse delivered a Functional Requirements workbook and a Technical & Integrations Requirements workbook that details the County's requirements for an ERP System, as well as a Staffing Workbook that details the roles, estimated hours and headcount required to support future phases. The completion of these deliverables concluded Task 2 of the BANA Project.

Content and Timeline of RFP for County ERP Software and Implementation Services

Based on the plan of action developed in Task 2, Guidehouse commenced Task 3 by drafting the RFP for County ERP Software and Implementation Services. The aim of the RFP is to request proposals from qualified vendors so that the County can identify the most suitable software and implementation vendors available for the project. The Draft RFP consists of four sections containing the following information:

General Information	Scope of Work	Vendor Instructions	Contract Award
1.1 Introduction	2.1 Project Scope Overview	3.1 General Instructions	4.1 Evaluation and Selection
1.2 About the County	2.2 Project Goals	3.2 Proposal Format	
1.3 Project Background and Current State	2.3 Functional Requirements	3.3 Submission Response Requirements	
1.4 RFP Timeline and Event Details	2.4 Technical & Integration	3.4 Supporting Response Attachments	
	2.5 Implementation Services		
	2.6 Ongoing Support Service		
	2.7 Project Timeline		

In addition, the Draft RFP includes 17 Attachments with additional information, forms, and requirements. These RFP attachments are not included in this Board Letter's Attachments due to file size and formats. With your Board's authorization to release the RFP in substantially similar form as Attachment A, the RFP will be finalized and released on August 20, 2021. Key dates following the RFP release are as follows:

August 27, 2021	Pre-Proposal Conference for vendors interested in responding to the RFP
September 3, 2021	Deadline for vendors to submit RFP questions
September 10, 2021	Deadline for vendors to submit an Intent to Bid
October 11, 2021	Proposal Response Deadline
October 29, 2021	Selected finalists notified by County
Nov – Dec 2021	Vendor interviews and system walkthroughs made to Evaluation Committee
Dec – Jan 2021	County completes final evaluations
January 6, 2022	Intent to Award contract(s)

Responsive proposals received will be evaluated by an eight-member Evaluation Committee consisting of staff from seven departments. The highest scoring proposals will move to the vendor shortlist and be invited for interviews and system walkthroughs so that the Evaluation Committee and subject matter experts from throughout the County can evaluate the software in action and interview the implementation vendors. A final evaluation will then be performed taking into consideration all previous evaluations to inform the selection results. The completion of these activities will conclude Task 3 of the BANA Project.

The final Task 4 will consist of negotiations between the County and the selected ERP Software Vendor and the selected Implementation Vendor. Guidehouse will provide subject matter expertise and research to help inform the County for these negotiations. The completion of these activities will result in an ERP Software License and an Implementation Services Contract for your Board's approval in early 2022, which will conclude Task 4 and mark the completion of the BANA Project.

Pre-Implementation and Implementation Phases

Concurrent with the completion of the BANA Project in early 2022, the County will transition into the Pre-Implementation phase of the ERP Project. Also referred to as the "readiness" period, this time will be used to prepare the County for a successful Implementation phase beginning in July 2022. During Pre-Implementation, the County Project Team will expand to include a Finance Lead, a Human Resources & Payroll Lead, a Technology Lead, and various subject matter experts from throughout the County to conduct activities in each of these areas. The County will need to actively begin augmenting staffing to backfill the normal job responsibilities of the departmental staff reassigned to work the ERP Project. The key activities to be completed during this phase include the following BANA Task 1 Recommendations:

1.1 Formalize Governance Structure	Formalize governance over the implementation of the new ERP System
1.2 Establish Project Management Office (PMO)	Formally establish a PMO to facilitate the preparation and implementation of the new ERP System
1.3 Change Management Strategy	Establish a plan that documents the processes, tools, and techniques used to managed the human side of change
2.1 Document Standard Policies	Determine and document Countywide and departmental policies and establish a method to regularly review/update
2.2 Conduct Business Process Reengineering	Rethink current processes and build business processes to support the new ERP System’s goals and objectives
3.1 Cleanse and Prepare Data for Migration	Begin the process of understanding, auditing, cleansing, and extracting data for the ERP Implementation
3.2 Evaluate and Prepare Interfacing Applications	Determine applications that should interface with the new ERP System and prepare the data files required
3.3 Prepare for Report and Forms Discovery	Gather and evaluate current reports and forms that will need to be recreated within the new ERP System
3.4 Prepare Chart of Accounts	Gather a complete list of the current Chart of Accounts used for Financials and Payroll

In July 2022, the County will begin the Implementation phase of the ERP Project utilizing the professional services of the selected Implementation Vendor for the selected ERP System. While specific timing and sequencing of activities is subject to the plan prepared by the selected Implementation Vendor, the County is currently envisioning a phased implementation approach along the following two year timeline:

Phase 1 Core Financials <i>July 2022 – June 2023</i>	Phase 2 Human Capital & Payroll <i>March 2023 – December 2023</i>	Phase 3 Budget Preparation <i>November 2023 – June 2024</i>
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Staffing Needs for Successful Implementation

Given the critical importance of the Pre-Implementation activities needed to ensure the County is ready for Implementation, and the size of the team expected to be involved in Implementation, staff anticipate the need for a Project Management Consultant during Pre-Implementation and Implementation. Staff plan to return to your Board in fall 2021 to request approval of a contract for these professional services. This future Board item will also include a detailed Project Staffing Plan containing specific recommendations for existing FTE needed to properly staff the ERP Project, temporary staffing needed to backfill employees reassigned from their normal duties, and any permanent additions needed to support Implementation and the new system throughout its useful life. This plan is being developed based on recommendations from Guidehouse, examples from similar organizations that have recently completed similar projects, and an internal assessment of the capabilities and availability of the County’s existing staff resources.

Post-Implementation Phase

Following the planned completion of the Implementation phase by June 2024, the County will transition to the Post-Implementation phase, which consists of maintaining, updating, and supporting the chosen ERP System throughout its useful life. To support ongoing operations, the County will require a permanent ERP Program Manager supported by a team of Business Analysts and a permanent ERP IT Manager supported by an ERP Application Team and an IT Operations Support Team (Help Desk). The specific number of FTE required for each of these teams depends on the specific ERP selected, how the software is implemented, the significance of ongoing integrations with specialized and subsidiary systems, and the level of contracted help desk support. While existing FTE that are currently performing similar support functions for the County’s existing system may be redirected to support the new system, due to the size and complexity of the new system, the County may need to add additional new permanent FTE to support the new system throughout its useful life. Further details will be included in the Project Staffing Plan.

Scope of ERP System:

The scope of the future ERP System sought by the County includes most of the County’s Finance, Human Resources & Payroll, and Budget applications used for standard Countywide business processes. This future ERP System is expected to provide greater functionality in one unified system than what the County’s current infrastructure of multiple systems offers while enhancing automation and intuitively connected workflows. Such a unified solution will significantly reduce the need for standalone systems.

While most department needs should be met by the software functions provided by the future ERP System, there will be areas where certain specialized software is needed by departments to carryout unique functions that are not standard across departments or provided in the ERP System. In these cases, integrations between the future ERP System and the specialized software will be necessary in order to bridge the gap in required functionality. However, in order to maximize the value of the future ERP System, standardize processes for efficiency and effectiveness, avoid unnecessary redundancy, and benefit the County system as a whole, the County must be strategic with respect to other software initiatives related to functions that are reasonably expected to be provided by the future ERP System. The EITC will be crucial in evaluating and making these determinations.

Key Project Risks:

Due to a variety of common factors and unique circumstances, new ERP implementation projects often fail to meet expectations or are compromised by the organization in some way. The following summarizes the key risks and mitigation strategies identified for projects of similar scope to the County’s ERP Project:

Risks	Mitigation Strategies
1. Workforce Resistance to Adopting New System	✓ Communicate frequently with all key stakeholders
2. Lack of Collaboration Between Departments	✓ Engage workforce to promote common understanding
3. Failure to Standardize Varying Business Processes	✓ Implement effective change management strategy
4. Ineffective Policy over Decentralized Operations	✓ Facilitate active role for Steering Committee and CEO
5. Failure to Backfill Staff Assigned to the Project	✓ Avoid “top down” approach to sell or force change
6. Continued Use of Redundant Specialized Systems	✓ Form cross-departmental teams to identify solutions
7. Failure to Complete Project on Time within Budget	✓ Engage Project Consultants that understand the County
	✓ Focus on delivering high value outcomes
	✓ Value collaboration over negotiation
	✓ Promote Countywide mindset of “win-early, win-often”

By identifying these risks, and proactively implementing effective risk mitigation strategies, the County aims to avoid both common and unique points of failure in order to execute a successful project.

Fiscal Analysis:

Budgeted: The remaining work with Guidehouse on the BANA Project is funded through the use of committed fund balance in the Auditor-Controller Department General Fund. In addition, pursuant to the FY 2021-22 Budget Development Policy to set aside a minimum ongoing amount for eventual ERP System, \$3.0 million has been set aside in the FY 2021-22 Adopted Budget for the General County Programs General Fund Technology Replacement & Investment fund balance. Any proposed uses of these funds in FY 2021-22 for Pre-Implementation and staffing augmentation will be brought to your Board in fall 2021. There are no additional unbudgeted costs anticipated at this time for the project in FY 2021-22.

Future Impacts: As presented to the Board in November 2020 as part of the Five-Year Forecast, the ERP System was estimated to have a potential impact of \$10 million or more plus ongoing licensing and maintenance costs. Vendor responses to the RFP due in October 2021 will provide actual quoted prices to help inform the next Five-Year Forecast and FY 2022-23 budget development process. Actual negotiated licensing and implementation costs will be known when the contracts are executed in early 2022. In addition, Project Management Consultant costs related to Implementation activities scheduled for July 2022 through June 2024 will be known when the contract for Program Management Consultant services is brought to your Board in fall 2021. Ongoing support, maintenance, and upgrade costs are currently unknown and may vary based on the specific software solution selected and implemented. These costs will be integrated into FY2022-23 budget and future years as necessary.

Attachments:

Attachment A: Draft RFP for County ERP Software and Implementation Services

Authored by:

Kyle Slattery, Chief Deputy Controller, Office of the Auditor-Controller