MEMORANDUM

Date: February 1, 2023

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Lesher
County Administrator

Re: **Additional Information for the February 7, 2023 Board of Supervisors Meeting, Agenda Item No. 20 - New Enterprise Resource Planning (ERP) Software Solution**

Background

The purpose of this memorandum is to provide the Board of Supervisors (BOS) additional information regarding the Enterprise Resource Planning (ERP) Software contract award originally posted on the January 24 Addendum and continued to the February 7 Regular Agenda. As noted previously, ERP software allows organizations to manage operational activities such as finance, payroll, human resources, benefits, applicant tracking, grants management, asset/inventory management, work management, project management, time and attendance, training and development, procurement, and reporting. Pima County relies on these software systems for every aspect of our business. It is critical that these software systems are maintained in good working order and operate within current software and accounting standards. Project implementation delays will put the county at risk of both increasing costs and operating without proper financial management software in place.

In 2010, Pima County entered into a contract with CGI Technologies & Solutions Inc. to provide Enterprise Resource Planning (ERP) software solutions. Since that time, Pima County and CGI have amended the original contract and upgrades have been regularly performed. In 2020, however, the contract with CGI required Pima County to upgrade to a new version. The need to upgrade the existing ERP, combined with the recognition that software functionality is lacking to manage grants, e-solicitation, e-procurement, and payroll software (ADP) and to address critical issues related to problematic system patching, resulted in the current solicitation process.

Fiscal Responsibility

The County currently maintains yearly licensing and support subscriptions for the existing ERP software and operates the Finance and Work Order Management systems on local infrastructure (hardware) using County staff resources. The new ERP suite selected will require a one-time cost to install and configure the software in addition to the yearly ongoing software licensing costs, which will include software maintenance and infrastructure services provided by the vendors. The implementation costs are to be funded by the ERP capital improvement project (CIP), which has been included in the annual CIP budget for the last two years in anticipation of this effort. The long-term licensing costs will be funded as they are now, via cost transfers to the Information Technology Department (ITD) from all departments.

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Selection of the proposed new vendor will result in a net decrease in overall direct licensing and support costs. These savings will be realized along with an increase to the amount of functionality provided by the new ERP. New specific best in class software is being added to address cashiering, grant lifecycle management, and project management needs. The current software costs are contrasted below with the future estimated annual costs, which includes the core ERP software contract. Most savings are due to converting to a Software as a Service (SaaS) based solution, where internal hardware and support will be phased out.

Licensing, Maintenance and Support Costs Only	Current Annual	Future Annual
Core ERP: HR, Benefits, Financial, Payroll, Procurement, Talent Management, Debt Management, Work Management	3,486,816*	2,960,689
Cashiering	-	71,541
Grant Lifecycle Management	-	126,500
Reporting and Data Management	516,891	812,520
IT Support and On-Premises Hardware Costs	676,924	-
Project Management Software	-	$169,000
Grand Total	**4,680,631**	**$4,140,251**

This number does not include escalation costs that would occur starting 2025 if the software in place were retained as is. Significant upgrade costs and yearly increases would be likely.

Indirect cost savings will also be obtained by this change in ERP solution but are not anticipated to be fully realized until year four of the project when all systems have been converted. This is based on the expectation that current staff will be used during implementation and become core staff members needed to facilitate the transition. The reduced need for On-Premises ITD support will allow the department to reallocate staff to other critical information technology areas that are understaffed.

Personnel Services	Current FTE	Future FTE
Core ERP: HR, Benefits, Financial, Payroll, Procurement, Talent Management, Debt Management, Work Management	17	17
Cashiering	-	1
Grant Lifecycle Management	-	2
Reporting and Data Management	3	3
IT Support and On-Premises Hardware Costs	18.5	5
Project Management Software	-	1
Grand Total	**38.5**	**29**

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Greater Efficiency

The proposed core ERP system will increase efficiency through integration, as it includes more governmental functions within the single software umbrella than in our current system. The future ERP system is procured as a SaaS based solution, which is flexible and scalable, responds quickly to software upgrades or security needs installed directly by the vendors, and is accessible from any location via the internet. This provides operational reliability by avoiding the need for performing in-house maintenance and upgrades and yet ensuring that security protocols respond to ever changing threats. We also expect to see operational efficiencies through business process transformation, including incorporating electronic document signing, real time business information to provide decision making support, and the ability to streamline outdated processes to take advantage of new functionality. The new ERP will enable us to integrate additional software that is currently operating separately or offline directly within our workflow – such as field inspections or direct feedback from operational work orders.

Another important efficiency will be our ability to better manage our data and provide quicker analysis. The ERP team is working to improve reporting and data management as well as system integrations between software packages to increase connectivity and access to all county data. This should be experienced at all levels where staff can more easily access data related to their business as well as administrative leaders who are looking for summary level information. Finally, the new system includes upgrading to a single sign-on as well as using multifactor authentication that will increase security and ease of use.

Procurement Process Update

The Pima County Procurement Department ("Procurement Department"), in collaboration with the ERP planning team, executive committee, and the software evaluation team, conducted the ERP Request for Proposal (RFP) solicitation process. While initial discussions about the ERP system began in late 2020, the procurement process commenced in August 2021 and nine (9) proposals were received in September 2021. All proposals were elevated to the written proposal evaluation phase, four (4) were elevated to the demonstration phase, two (2) were elevated to the discovery phase, and one (1) to contract negotiation resulting in the Notice of Recommendation for Award issued on January 13, 2023, naming International Business Machines Corporation dba IBM Corporation and Workday, Inc. as the Awardee.

A letter was sent to the Procurement Department dated and received on January 20, 2023 from the fourth-ranking respondent, EPI-USE ("Protestor") protesting the recommended award ("Protest"). Protestor was a respondent to the referenced RFP together with SAP America. On January 24, 2023, the Procurement Director issued a response to the Protest, and in accordance with Pima County Procurement Code 11.20.010(F), determined that the Protest did not state a valid basis for protest, and the Protest was dismissed.

Pursuant to Procurement Code Section 11.20.010(H), EPI-USE had the right to file an appeal of the dismissal with the Clerk of the Board by 5:00 p.m. - January 31, 2023 for Board of Supervisors consideration of the appeal. The Clerk of the Board did not receive an appeal, and the Procurement Director's dismissal is uncontested.

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Criticality of ERP Implementation Timeline

Pima County staff have been diligently working towards implementing the ERP system well in advance of the upcoming April 2025 end of service date as noted above. This included first negotiating with the current provider, CGI, to upgrade and extend the current installation. The cost and effort involved with a CGI upgrade resulted in our staff being directed to conduct an open and competitive procurement selection process. This provided staff the opportunity to evaluate current business processes and envision future upgraded functionality that would be readily available in the open market. At this time, we have reached a critical point to our planned implementation timeline. Our goal is to have the core financial system elements (including a portion of the human resources functionality related to personnel budgeting) in place by April of 2024. This begins a cascading series of milestones for other ERP support software to be integrated within the year prior to the April 2025 cutoff date for the current provider. This ERP contract, if awarded at the February 7 Board meeting, will provide for the implementation services for the first phase of installation to begin immediately.

The cost of not proceeding with this proposed upgrade would be significant. This would include risk of having no financial and cost accounting systems available beyond April 2025 or outdated operating systems that do not meet current government accounting practices or security standards. There is no guarantee that if we did not award to this competitively procured best value solution that there is an alternative method available to meet our 2025 deadline. While it might be suggested that we could renegotiate with our current vendor, that avenue has already been pursued and rejected. Should we proceed again with this approach it is likely that we would not receive any savings and could potentially exceed the cost of the current proposal. Restarting a new procurement process would require a significant time investment to maintain the due diligence consistent with our current procurement process, which would result in cost escalation due to escalating market conditions and the inability to meet the 2025 implementation target.

Recommendation

I recommend the Board of Supervisors approve the ERP contract award in the not-to-exceed (NTE) amount of $63,000,000 to provide increased County efficiency and interoperability through the implementation of an integrated ERP system. This NTE value includes implementation services, five years of extended support services and fifteen years of software licensing and hardware and software support. Please note this contract is now identified as retroactive, as the effective dates were developed prior to the protest when this item was to be discussed by the Board of Supervisors at its January 24, 2023 meeting.

JKL/dym

c: Carmine DeBonis, Jr., Deputy County Administrator
       Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer
       Steve Holmes, Deputy County Administrator
       Terri Spencer, Director, Procurement Department
       Nancy Cole, Executive Project Manager, Enterprise Resource Planning