COMMISSION AGENDA
ACTION ITEM

Item No.	6a
Date of Meeting	June 3, 2014

DATE: May 27, 2014

TO: Tay Yoshitani, Chief Executive Officer

FROM: Ralph Graves, Managing Director, Capital Development

SUBJECT: Expense Project Authorization Tracking (CIP #C800694)

Amount of This Request:	$650,000	**Source of Funds:**	76.8% Airport Development Fund
Est. Total Project Cost:	$650,000		17.9% General Fund
			5.3% General Fund Real Estate

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to (1) execute contract documents for required vendor services; and (2) authorize Port staff to implement the Expense Project Authorization Tracking project for a total project cost not to exceed $650,000.

SYNOPSIS

Funding authorizations are often comprised of both capital and expense components with a variety of funding sources that may change over the course of a multi-year program. Tools are in place through the Port's PeopleSoft Financials system to track capital projects and provide commitment control for individual work projects but tracking and control over expense projects as well as the total authorization are managed manually. With the increasing use of multiple funding sources, this manual effort is inefficient, inconsistent, and has a high risk of error.

This project will implement an enhancement to the PeopleSoft Financials system to expand planning, tracking, and commitment control capabilities that will cover an entire authorization with both capital and expense project components. An existing IDIQ for PeopleSoft resources will be used to provide system expertise. Total project costs are estimated to be $650,000.

BACKGROUND

When large projects are submitted for Commission approval, they may include Capital, Operating Expense, Governmental Expense, or Environmental Expense components depending on regulatory, legal, and grantor requirements. This situation has grown as evolving accounting standards have over time disallowed more categories of costs from capitalization. Prior to 2008, Port authorization procedures under Resolution No. 3181 only counted project capital costs, but Resolution No. 3605, as amended by Resolution No. 3628, requires that project authorizations include all relevant costs, whether capital or expense. The Port has several effective tools within

the PeopleSoft Financials system to manage the Capital portion of these complex projects, but lacks correspondingly efficient tools to manage the overall authorization, as well as Governmental, Environmental and Operating Expense portions, collectively known as expense projects.

Currently, expense and capital projects are tracked using a variety of sources including the Port's Project Delivery System (PDS) and PeopleSoft. The information is merged together in excel spreadsheets to analyze overall performance and assess budget needs. This manual approach is developed independently on an as-needed basis by staff and does not reflect a consistent methodology across departments or divisions. PDS is currently used only by project management personnel within the Capital Development Division (CDD). The project authorization tracking functionality proposed in this request will be particularly useful to financial managers within the business divisions and Accounting and Financial Reporting (AFR) to help ensure authorization accountability in a consistent, reliable and efficient manner.

PROJECT JUSTIFICATION AND DETAILS

There are three major limitations in the current manual process of managing total authorization project activity:

- There is no tool available that facilitates the tracking of expense authorization components similar to capital projects or provides a comprehensive view of the entire authorization. This limits the availability of information that will allow financial and project managers and leadership the ability to identify and proactively correct problems.

- There is no commitment control on spending for expense projects, which increases the risk of overspending an authorization. With this project, commitment control would provide a hard stop for spending at the authorization level, the CIP project level, and the work project level, regardless of funding source.

- There are limited options for reporting on expense project spending as a component of a total authorization. The manual merging of information from disparate sources is inefficient and produces less reliable results.

Project Objectives:

- Provide Port Staff the tools to plan, track and control all projects within an authorization

- Gain efficiencies and reduce risk by eliminating manual consolidation of project cost information from disparate sources

- Provide more accurate and timely total project information to Port Leadership for budget development and spending decisions

Scope of Work:

- Enhance the capital tracking and control capabilities within the PeopleSoft Financials system to cover expense projects

Schedule

Commission Approval	June 2014
Procurement Complete	August 2014
Implementation Complete	July 2015

FINANCIAL IMPLICATIONS

Budget/Authorization Summary	Capital	Expense	Total Project
Original Budget	$650,000	$0	$650,000
Previous Authorizations	$0	$0	$0
Current request for authorization	$650,000	$0	$650,000
Total Authorizations, including this request	$650,000	$0	$650,000
Remaining budget to be authorized	$0	$0	$0
Total Estimated Project Cost	$650,000	$0	$650,000

Project Cost Breakdown	This Request	Total Project
Vendor Services	$490,000	$490,000
Port Labor	$98,400	$98,400
Contingency (~10%)	$61,600	$61,600
State & Local Taxes (estimated)	$0	$0
Total	$650,000	$650,000

Budget Status and Source of Funds

Upon Commission Authorization, $300,000 will be transferred from CIP C800392, PeopleSoft Financials Upgrade, and $350,000 will be transferred from CIP C800097, IT Renewal/Replacement, to CIP C800694, Expense Tracking Authorization, for a total project cost of $650,000. Both sourcing projects are in the 2014 and 2015 capital budget and plan of finance. The source of funds is 76.8% Airport Development Fund, 17.9% General Fund, and 5.3% General Fund Real Estate.

Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Technology
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	$650,000
Business Unit (BU)	Capital Development Division Project Management Groups
Effect on business performance	N/A
IRR/NPV	N/A
CPE Impact	$.01 in 2016; no change from business plan forecast as this project is funded from CIPs included in the plan.

Lifecycle Cost and Savings

Recurring costs to maintain the system are not expected to change as a result of this project.

STRATEGIES AND OBJECTIVES

This project supports the Century Agenda strategy to advance this region as a leading tourism destination and business gateway. This project ensures the availability of tools to efficiently manage projects across all Port Divisions.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1): Implement the requirements in the Port's Project Delivery System (PDS). PDS does not have the commitment control capabilities required to monitor at the authorization level and does not provide the advanced reporting features currently available within PeopleSoft. This is not the recommended alternative.

Alternative 2): Continue to use the current manual procedures. The increasing use of multiple funding sources adds complexity to project planning, tracking, and control not conducive to manual processes. This is not the recommended alternative.

Alternative 3): Implement the PeopleSoft Financials enhancement. The enhancement will provide Port Staff the tools to efficiently and consistently plan, track, and control all project components of an authorization. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None.