COMMISSION
AGENDA MEMORANDUM   **Item No.**   4e

ACTION ITEM   **Date of Meeting**   December 12, 2017

DATE: December 4, 2017

TO: Dave Soike, Interim Executive Director

FROM: Peter Garlock, Chief Information Officer

SUBJECT: PeopleSoft Financials Upgrade (CIP #C800909)

Amount of this request: $3,600,000
Total estimated project cost: $3,600,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) proceed with the PeopleSoft Financials Upgrade project; (2) procure hardware, software, and consulting services; and (3) use Port staff for implementation, for a total project cost not to exceed $3,600,000.

EXECUTIVE SUMMARY

The Port currently uses Oracle's PeopleSoft Financial system, version 9.1 to support the following business functions: General Ledger, Purchasing, Accounts Payable, Project Costing, Accounts Receivable, Billing, and Asset Management. Oracle's annual support plan, provides frequent, critical software patches to address constantly evolving cyber-crime threats. Regular updates of our PeopleSoft Financial System are critical to secure our financial data and preserve the value of our investment.

Extended support for PeopleSoft Financials version 9.1 ends in January 2018, after which we will no longer receive security and application software patches. This project will upgrade the Port's PeopleSoft Financial System to version 9.2, and continue vendor support that is vital to on-going Port operations. Information & Communication Technology (ICT), Accounting & Financial Reporting (AFR), Central Procurement Office (CPO), and PeopleSoft users from most other Port organizations will be involved in this project.

A procurement for an Indefinite Delivery, Indefinite Quantity (IDIQ) Contract for PeopleSoft Consulting services is currently in progress. When the contract is in place, it will be used to provide the vendor support needed to complete the project.

JUSTIFICATION

This project includes several important benefits.

(1)   The upgrade will ensure continued support of our PeopleSoft Financials system, used Port-wide to conduct operations. In 2017 alone, Oracle released 40 critical updates to fix security issues. The availability of security and application patches are critical for reducing the Port's vulnerability to cyber-crime and system issues that could disrupt Port business.

(2)   Oracle's support model will change with the new version, providing smaller, more frequent updates with the flexibility for customers to choose only the features they want to install based upon functionality and cost. After this upgrade, there will be no more large projects required to ensure continued support.

(3)   With the new version, there are several feature improvements including the introduction of work centers designed to improve user productivity, a more efficient, search-driven navigation, and pre-built dashboards.

DETAILS

The original Capital Improvement Program (CIP) Definition was to complete the upgrade as well as reconfigure the system to better meet the financial reporting needs of Port business entities and operating divisions. Current cost estimates to improve financial reporting are significant so the recommendation is to move forward with the upgrade only in this project authorization. During the project, we will leverage consulting expertise to assess the viability and implications of activating certain system features to enhance the Port's financial reporting and a future project authorization may be requested when more information is known.

Scope of Work

(1)   Upgrade of the Port's PeopleSoft Financial System to version 9.2. Approximately 100 resources across the Port are expected to contribute to the upgrade and testing of the new version.

(2)   Elimination of customizations, where possible, by using built-in functionality in the new version.

Schedule

Planning and Design Complete	2018 Quarter 1
Upgrade and Testing Complete	2018 Quarter 4
Deployment	2018 Quarter 4
Project Close	2019 Quarter 1

Cost Breakdown

	This Request	Total Project
Port Labor	$1,450,500	$1,450,500
Vendor Services	$2,150,000	$2,150,000
Total	$3,600,000	$3,600,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Select a new Financials application through a competitive procurement.

Cost Implications: $6,750,000

Pros:
   (1)   The benefits of selecting and implementing a new replacement financial system for the Port will not be known until after an initial procurement process to compare between systems.

Cons:
   (1)   The way the Port conducts its business will need to change to work within the context of a new financial system. Many business processes such as billing customers, paying bills, capturing/recording capital project costs, and accounting for the Port's many different financial transactions, will all need to be reviewed for impacts and changes.
   (2)   The procurement process will take at least 12 months, delaying project go-live until 2020. Lack of vendor support during the interim on the current system would likely affect system availability and security.
   (3)   Staff resources will have limited availability to work on other initiatives through 2020.

This is not the recommended alternative.

Alternative 2 – Complete the upgrade to the PeopleSoft Financials 9.2 and reconfigure system for better financial tracking.

Cost Implications: $6,900,000

Pros:
   (1)   The upgraded system will provide improvements to critical business functions and will be fully supported with security and application patches.
   (2)   With an upgrade to version 9.2, future new feature implementations will no longer require major upgrades.
   (3)   A system reconfiguration to improve financial reporting will eliminate manual efforts to segregate transactions and reporting by entity and division.

 Cons:
   (1)   Cost estimates for the reconfiguration effort are significant, and the benefits do not currently justify the financial and resource costs. Additional analysis will be completed in 2018 to determine if there is a less costly approach.
   (2)   Staff resources will have limited availability to work on other initiatives through 2019.

This is not the recommended alternative.

Alternative 3 – Upgrade the PeopleSoft Financials system to version 9.2

Cost Implications: $3,600,000

Pros:
(1)   The upgraded system will provide improvements to critical business functions and will be fully supported with security and application patches.
(2)   With an upgrade to version 9.2, future new feature implementations will no longer require major upgrades.

Cons:
(1)   Staff resources will have limited availability to work on other initiatives through 2018.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary	Capital	Expense	Total
COST ESTIMATE			
Original estimate	$5,500,000	$0	$5,500,000
Current change	-$1,900,000	$0	-$1,900,000
Revised estimate	$3,600,000	$0	$3,600,000
AUTHORIZATION			
Previous authorizations	$0	$0	$0
Current request for authorization	$3,600,000	$0	$3,600,000
Total authorizations, including this request	$3,600,000	$0	$3,600,000
Remaining amount to be authorized	$0	$0	$0

Annual Budget Status and Source of Funds

This project was included in the 2018-2022 capital budget and plan of finance under committed CIP #C800909 in the amount of $5,500,000. After additional analysis, it was determined that the current project scope and objectives can be accomplished with a smaller budget of $3.6 million.

Financial Analysis and Summary

Project cost for analysis	$3,600,000
Business Unit (BU)	Corporate
Effect on business performance (NOI after depreciation)	NA
IRR/NPV (if relevant)	NA
CPE Impact	$.01

Future Revenues and Expenses (Total cost of ownership)

Annual maintenance costs, budgeted in the ICT Operating Budget, are not estimated to change with this project.

<u>**ATTACHMENTS TO THIS REQUEST**</u>

   None

<u>**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**</u>

   None