

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 6a

**Date of Meeting** April 21, 2009

**DATE:** April 3, 2009

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Ralph Graves, Managing Director Capital Development  
Peter Garlock, Chief Information Officer

**SUBJECT:** Funding for Enterprise Project Cost Management System

**REQUEST:** Request for authorization for the Chief Executive Officer to approve all work and contracts including: advertise, award, administer, prepare, execute and amend any and all necessary service agreements for the Enterprise Project Cost Management System Project in an amount not to exceed \$1,975,000 and for ongoing annual support and software license fees in an amount estimated at \$110,000 per year for five years.

**BACKGROUND**

The Port of Seattle currently has three independent project management systems that were internally developed ten years ago to support the unique business requirements of separate organizations. The tracking and management of the costs and labor hours associated with projects was done using financial and human resource management systems that were separate from the project management systems. This approach required duplicate entry of information, and caused limitations in cost visibility and the timeliness of reporting.

In 2007, the Washington State Auditor's Office (SAO) performed an audit that found deficiencies in the Port's construction project cost management. As a remedy, SAO recommended implementing a centralized Enterprise Project Cost Management System (EPCMS) to improve the visibility and timeliness of project cost management.

In collaboration with the Capital Development team, Information and Communications Technology (ICT) conducted a comprehensive evaluation of our current systems and related business processes in order to implement SAO's recommendation. We also sought best practice experiences from peer organizations. This effort will culminate in the selection of a comprehensive solution following a formal RFP process.

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### PROJECT DESCRIPTION AND SCOPE OF WORK

#### *Project Statement*

Replace the current construction costing systems with a common enterprise project cost management system. The solution will be selected through a formal RFP process by a team comprised of members from Capital Development (Seaport, Aviation, and Engineering), Accounting, and Information and Communications Technology.

#### *Project Objectives*

- Ensure that project cost information is accessible in real-time, and transparent to management, staff, contractors, Commission, and the public.
- Ensure that project cost information is presented in a manner that facilitates the construction management process.
- Ensure that the system provides appropriate alerts to cost issues, and facilitates real-time decision making by management, staff, and contractors.
- Ensure that the system monitors and manages workflow to improve productivity, quality and efficiency by providing best practices and single source of data entry.

#### *Scope of Work*

- Replace multiple construction costing systems with a new enterprise project cost management system.
- Provide interfaces/integration to other internal systems.
- Provide training as required.

### STRATEGIC OBJECTIVES

This project supports the following Port strategies:

- “Ensure Airport and Seaport Vitality” by providing features and functionality not found in the Port’s current systems. The enterprise project cost management system will enable greater accountability, compliance, and improved project management practices.
- “Be a High-Performance Organization” by introducing productivity enhancing technology into our workplace. This provides cost efficiencies and advances our strategies for common construction processes and single-source systems.

### ALTERNATIVES CONSIDERED/RECOMMENDED ACTION

1. Modify the existing systems to address the SAO findings. This will not resolve other functionality or system issues and will incur increasingly high maintenance costs. This is not the recommended alternative.
2. Replace the current construction costing systems with a commercial, enterprise project cost management system selected through a formal RFP process. This alternative meets all project objectives. **This is the recommended alternative**

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### **FINANCIAL IMPLICATIONS**

This project includes \$450,000 in expenses for business process work, vendor selection and end user training which are not capitalized. The capital portion of this project includes purchase and implementation of the new system.

#### **Budget/Authorization Summary**

<b>Capital Project Budget</b>	
Original Budget	\$1,525,000
Budget Transfers	\$0
Revised Budget	\$1,525,000
<b>Expense Project Budget</b>	
Original Budget	\$450,000
Budget Transfers	\$0
Revised Budget	\$450,000
<b>Total Project Budget</b>	<b>\$1,975,000</b>
Previous Authorizations – Executive	\$195,000
Current request for authorization	\$1,780,000
Total Authorizations, including this request	\$1,975,000
Remaining budget to be authorized	\$0

#### **Project Cost Breakdown**

<b>Capital Project</b>	
Hardware and Software	\$460,000
Vendor Implementation Services	\$190,000
Port of Seattle Staff and Contractors	\$614,000
Sales Tax	\$62,000
Contingency	\$199,000
Total Capital Project	\$1,525,000
<b>Expense Project</b>	
Port of Seattle Staff and Contractors	\$417,000
Contingency	\$33,000
Total Expense Project	\$450,000
<b>Total</b>	<b>\$1,975,000</b>

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### **System Continuing Costs**

Software Maintenance Fees	\$100,000
Sales Tax (9.5%)	\$10,000
<b>Annual Vendor Support Costs</b>	<b>\$110,000</b>

### **Source of Funds**

The capital portion of this project is included in the 2009 capital budget and plan of finance as a committed project, CIP C800321. The source of capital funds is 64% Airport Development Fund and 36% General Fund.

The 2009 expense portion of this project is included in the annual operating budget.

### **Financial Analysis Summary:**

<b>CIP Category</b>	New
<b>Project Type</b>	Technology
<b>Risk adjusted Discount rate</b>	7.0%
<b>Key risk factors</b>	NA
<b>Project cost for analysis</b>	\$1,975,000
<b>Business Unit (BU)</b>	Capital Development Division
<b>Effect on business performance</b>	Reduction of operation and maintenance costs
<b>IRR/NPV 5 year</b>	NA
<b>CPE Impact</b>	

### **PROJECT SCHEDULE**

Contract Execution	May 2009
Business Process Modeling, Requirements	June 2009
Install and Configure New System	October 2009
Implementation, Testing, Training	February 2010
Go Live	February 2010

### **REQUESTED ACTION**

ICT requests that the Port Commission authorize the Chief Executive Officer to approve all work and contracts including: advertise, award, administer, prepare, execute and amend any and all necessary service agreements for the Enterprise Project Cost Management System Project in an amount not to exceed \$1,975,000 and for ongoing annual support and software license fees in an amount estimated at \$110,000 per year for five years.