

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

**COMMISSION AGENDA**  
**ACTION ITEM**

**Item No.:** 6b

**Date of Meeting:** September 28, 2010

**DATE:** September 3, 2010

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

**FROM:** Dan Thomas, Chief Financial Officer  
Peter Garlock, Chief Information Officer

**SUBJECT:** Peoplesoft Financials Upgrade Project - CIP# C800392

**Amount of This Request:** \$5,000,000      **Source of Funds:** 64% Aviation Fund, 36%  
General Fund

**State and Local Taxes Paid:** \$47,000

**Total Project Cost:** \$5,000,000

**ACTION REQUESTED:**

Request authorization for the Chief Executive Officer to approve all work and contracts including executing and amending any and all necessary contracts and service directives to acquire necessary hardware, software, and contract implementation services for the PeopleSoft Financials Upgrade Project in an amount not to exceed \$5,000,000.

**SYNOPSIS:**

The Port of Seattle currently uses Oracle's PeopleSoft Financial system version 8.4, to provide all accounting, procurement, and financial reporting functions. Specific business functions include: general ledger, purchasing, accounts payable, project costing, time and labor, accounts receivable, billing and asset management.

The current financial system was last upgraded in 2004. Numerous software upgrades have been postponed since then in order to save costs. As a result, the system is now several major versions behind Oracle's present software release. Of greater concern is the fact that the system is platformed on out of date infrastructure (servers, database, and operating system software) which is either obsolescent, or no longer supported by the vendor. Lastly, in the 2008 Financial Statement Audit, Moss Adams observed that the Port should not rely upon the financial system currently in place because of it's age, limited vendor support, and lack of certification.

To remedy the situation, ICT will select an implementation vendor through a formal Request for Proposal process to assist internal staff with an upgrade of the software and hardware

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components of the PeopleSoft financial system. This upgrade will bring the financial system software up to date, and also transition the hardware to the standardized infrastructure environment that is utilized for all other major ICT systems.

### **PROJECT JUSTIFICATION:**

The upgrade of PeopleSoft Financials software and hardware will address the following critical issues:

- Oracle stopped providing technical support, patches, updates, and enhancements for the Port's current software version and ceased providing tax, legal and regulatory updates in March of 2008.
- The Letter of Recommendation resulting from the Port's 2008 Financial Statement Audit performed by Moss Adams included an observation that the Port utilizes PeopleSoft Financials 8.4, which was released in March of 2002, and is no longer supported. Moss Adams recommends that the Port consider the potential impacts of operating legacy financial applications and operating systems with limited vendor support, and our use of uncertified third-party solutions.
- The Port has been responsible for resolving any software issues which results in increasing operating costs to maintaining obsolete and unsupported software.
- The current database platform, Sybase, is not an ICT standard. It has major performance issues and requires extensive downtime for maintenance.
- Hewlett Packard hardware, on which the current financial system databases reside, is not an ICT standard, and will be out of support in 2011.

### **PROJECT STATEMENT AND OBJECTIVES:**

#### ***Project Statement:***

The focus of this project is to upgrade software to the latest supported version, replace customizations with built-in functionality when possible, and upgrade the underlying technical infrastructure.

#### ***Project Objectives:***

- Upgrade PeopleSoft Financials to the latest version
- Eliminate customizations by using inherent functionality wherever possible
- Implement new functionality as appropriate to business processes.
- Upgrade underlying technical infrastructure to assure reliability, availability, and improved system performance.

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### **PROJECT SCOPE OF WORK AND SCHEDULE:**

#### ***Scope of Work:***

- Upgrade the PeopleSoft Financials modules to the latest version. No new modules will be implemented as part of this project.
- Upgrade existing interfaces to be compatible with the new PeopleSoft Financials version. Development of new interfaces will be deferred to future projects.
- Eliminate or minimize existing customizations, whenever possible, using built-in functionality in the new version. Deploy new functionality that can be implemented with no customizations. New functionality requiring customization will be deferred to future projects or prioritized as part of ongoing maintenance and support.
- Custom reports, currently available outside the PeopleSoft system in the MIS Intranet Reporting application, will be replaced with PeopleSoft delivered reports or developed within Port of Seattle Technical Architecture Standards. The estimates for this work, included in this budget request, are preliminary and will be revised when more data is available from detailed analysis to be completed during the design phase. If needed, additional funds for custom reports would be requested after completion of detailed analysis next spring.
- Upgrade the system technical infrastructure and replace with standard hardware and operating system software.

The project team will include support from a qualified implementation partner experienced in upgrading to the latest PeopleSoft version. This consulting services vendor will be selected via a Request for Proposal.

#### ***Schedule:***

Commission Approval	September 2010
Contract with Implementation Partner executed	December 2010
Project Start	March 2011
Upgrade Complete	August 2012

### **FINANCIAL IMPLICATIONS:**

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

Original Budget	\$4,500,000
Budget Increase – Transfer from CIP# C800393 Police Records and Document Management System	\$500,000
Revised Budget	\$5,000,000

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Previous Authorizations this CIP	\$0
Current Request for Authorization	\$5,000,000
Total Authorizations, including this request	\$5,000,000
Remaining budget to be authorized	\$0

### **Project Cost Breakdown:**

Port of Seattle Labor and Contractors	\$1,806,000
Vendor Implementation	\$2,200,000
Software Licenses & Hardware	\$492,000
Contingency ~10%	\$455,000
Tax 9.5%	\$47,000
<b>Total Capital Costs</b>	<b>\$5,000,000</b>

Core Project Team Training	\$100,000
Staff Time for Business Process Work and End User Training	\$500,000
<b>Total Expense Costs</b>	<b>\$600,000</b>

### **Recurring Cost Breakdown:**

There is no expected change in recurring costs for external support or license agreements as a result of this project.

### **Budget Status and Source of Funds:**

This project is included in the 2010-2014 capital budget and plan of finance within CIP# C800392, PeopleSoft Financials Upgrade. Upon authorization, the original budget of \$4.5 million will be increased to \$5 million through a transfer of funds from CIP# C800393 Police Records and Document Management System, where the \$500,000 is not needed. The source of funds is 64% Airport Development Fund, 27% General Fund, and 9% Tax Levy.

### **Financial Analysis and Summary:**

CIP Category	Renewal/Replacement
Project Type	Technology
Risk adjusted Discount rate	7.0%
Key risk factors	NA
Project cost for analysis	\$5,000,000
Business Unit (BU)	Accounting & Financial Reporting
Effect on business performance	NA
5 Year NPV/IRR	NA
CPE Impact	NA

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### **Lifecycle Cost and Savings:**

This project is renewal and replacement of a critical Port of Seattle system ensuring continued availability and security.

### **ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES:**

Proceeding with this project ensures that a system supporting critical business functions across all organizations within the Port of Seattle continues to operate reliably and efficiently.

### **STRATEGIC OBJECTIVES:**

This project supports the following Port strategies:

- **Be a high performance organization:** Use of the new system will result in increased productivity due to improved support for business functions
- **The cleanest, greenest, most energy efficient Port in the nation:** New hardware will improve energy efficient infrastructure

### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

1. **Upgrade PeopleSoft Financials:** With this investment, the Port will have a fully supported PeopleSoft Financials system. This is the recommended alternative.
2. **Replace PeopleSoft Financials with another system:** The implementation of another financials system would cost significantly more in both dollars and staff time to implement. This is not the recommended solution.
3. **Do Nothing:** With this option, the Port incurs high risks for the continued availability and security of this critical financial system. This is not the recommended solution.

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

No other documents are associated with this request.

### **PREVIOUS COMMISSION ACTION OR BRIEFING:**

No previous commission action.