



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6c

ACTION ITEM

Date of Meeting February 26, 2019

DATE: February 15, 2019

TO: Stephen P. Metruck, Executive Director

FROM: Dan Thomas, Chief Financial Officer

SUBJECT: Port Budget Software System Replacement (CIP #C801015)

Amount of this request: \$600,000

Total estimated project cost: \$600,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) proceed with the Port Budget Software System Replacement project; (2) procure hardware, software and vendor implementation services; and (3) use Port staff for implementation, for a total project cost not to exceed \$600,000. A 10-year contract for the service fee is estimated at \$2,200,000.

EXECUTIVE SUMMARY

This purpose of this authorization request is to procure and implement a new, Portwide Budgeting, Forecasting, and Planning system.

The Port procured our current budget software over ten years ago to support the annual budgeting process. Over this time, the product has been sold twice to other vendors. While the current vendor continues to provide technical conformance for current users through system upgrades, they are no longer enhancing their system with features to meet modern requirements. Market leaders, however, provide easier to use and maintain offerings architected for more efficient and faster processing. They will supplement the budgeting process with forecasting, modeling, collaboration analytics and performance-reporting capabilities. A new comprehensive system will enable Port financial staff to be more effective and efficient in their work.

This project is scheduled to be completed in 2020 in time for the 2021 budget process. Information & Communications Technology (ICT), Finance & Budget (F&B), Central Procurement Office (CPO), Accounting & Financial Reporting (AFR), Human Resources (HR) and budget system users from across the Port organization will be involved in this project. Total capital costs for this project are estimated at \$600,000. Software-as-a-service subscription fees are estimated at \$220,000 annually. These recurring license costs will be budgeted within the Central Services operating budget.

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JUSTIFICATION

This project includes several important benefits.

- (1) One integrated and comprehensive Budgeting, Forecasting and Planning System will provide staff a single system with modeling and analysis tools and features such as the ability to review previous scenarios and use common assumptions.
- (2) Rather than use multiple separate disconnected Excel models, F&B staff will use one integrated technology tool. Financial models developed within the controlled environment will be interconnected and will automatically update when key inputs change. The expected result is more reliable forecasting.
- (3) The enhanced functionality provided in the new comprehensive solution will allow Finance staff to respond more quickly to evolving business needs.
- (4) Current technology will ensure availability of a critical Portwide system.

DETAILS

Scope of Work

- (1) Procure, configure and implement a comprehensive Budgeting, Forecasting and Planning System. A 10-year contract will be pursued but the Port will have the ability to exit early if warranted.
- (2) Integrate budgeting system with PeopleSoft Financials and PeopleSoft Human Capital Management.

Schedule

Commission Authorization	2019 Quarter 1
Procurement Completion	2019 Quarter 3
Implementation	2020 Quarter 2

Cost Breakdown

	This Request	Total Project
Vendor Services	\$286,000	\$286,000
Port of Seattle Labor	\$314,000	\$314,000
Total	\$600,000	\$600,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Delay the new Budgeting, Forecasting and Planning System.

Cost Implications: \$0

Pros:

- (1) Capital funds are available for other projects.

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Cons:

- (1) The current system is at risk of failure due to incompatibility with technology advancements (i.e., web browsers, Microsoft tools).
- (2) Requires more employees to perform manual budget analysis;
- (3) Provides no required improvements in forecasting and analytical modeling tools.

This is not the recommended alternative.

Alternative 2 – Upgrade current system for Technical Conformance.

Cost Implications: \$300,000

Pros:

- (1) System will continue to be compatible with current technology (i.e., web browsers, Microsoft tools) for a few more years.

Cons:

- (1) Continue to require more employees to perform manual budget analysis;
- (2) Provides no required improvements in forecasting and analytical modeling tools.

This is not the recommended alternative.

Alternative 3 – Purchase and implement a Budgeting, Forecasting and Planning solution.

Cost Implications: \$600,000

Pros:

- (1) Meets Finance & Budget (F&B) team’s business requirements for a comprehensive budgeting, forecasting and planning solution.
- (2) Enables staff to be more effective and efficient, eliminating much of the manual Excel-based analyses currently done outside the budgeting system.
- (3) Provides system tools to advance the Port’s F&B department to a higher performing one.

Cons:

- (1) F&B staff will need to dedicate significant time to learning and configuring new system over several months to take full advantage of powerful new functionality.
- (2) Requires process changes that will impact many Port staff as forecasting and budget analyses are performed in new system.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$600,000	\$0	\$600,000

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AUTHORIZATION			
Previous authorizations	\$0	\$0	\$0
Current request for authorization	\$600,000	\$0	\$600,000
Total authorizations, including this request	\$600,000	\$0	\$600,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

This project was included in the 2019-2023 capital budget and plan of finance under committed CIP #C801015 in the amount of \$600,000.

Financial Analysis and Summary

Project cost for analysis	\$600,000
Business Unit (BU)	Corporate
Effect on business performance (NOI after depreciation)	NA
IRR/NPV (if relevant)	NA
CPE Impact	\$0.01

Future Revenues and Expenses (Total cost of ownership)

10-year software-as-a-service subscription costs estimated at \$2,200,000 will be budgeted in the Central Services Division operating budget beginning in 2020.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None