



City of Ann Arbor

Information Technology Services Unit

Business Case

Financial Management System Replacement

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1. Project Summary

1.1. Project Request

Project Requested by	Karen Lancaster	
Phone number	(734) 794-6512	
Service Area/Department	Financial and Administrative Services/Accounting	
Priority (low, medium, high, or urgent): High	Project request submitted on: 01/03/2009	
Desirable project start date: 02/01/2009	Desirable project finish date: 10/30/2010	

1.2. Project Description

Replace the City's underutilized and aging financial management system.

1.3. Business Problems or Opportunities

An effective and efficient financial management system is essential to the mission of the City of Ann Arbor. The City currently runs AMS Advantage Financial Management System, including modules for Accounting, Purchasing, Budget, Workflow and Management Reporting.

The current financial system is faced with many challenges. Last upgraded in 2002 and, largely due to technology complexity and excessive upgrade costs, not updated since, the system is lacking from an end-user functional and technology standpoint. In 2007, the AMS Human Resource and Payroll functions were replaced by Ultimate Software's Ultipro Human Resources and Payroll system. The financial aspects of the AMS system, including Accounting, Purchasing, Budget, Workflow and Management Reporting, remain in use today but are several versions behind in application software. The system now runs on outdated and unsupported versions of supporting system and database software and hardware.

If left in its current state, the AMS Advantage Financial System will generate compliance issues for the City for items such as pending 2011 IRS legislation surrounding a withholding tax from vendors doing business with the City. Without a major system upgrade or replacement, the City will be unable to support this legislation.

Additionally, in September 2009, the primary AMS Advantage applications support resource retired from the City and was not replaced in anticipation of being able to replace the system with newer technology that can be supported with current resources.

Taking the continued risks of operating the City's financial system, a core platform for the City, on unsupported systems software and hardware, along with the support issues into account, a level of medium-to-long term risk that is unacceptable has been created.

1.4. Critical Success Factors

Critical success factors for the selection and successful implementation of a new Financial Management System requires that the following criteria be met:

1. The selected financial system must meet 85% of the documented requirements (attached).
2. The selected financial system must provide opportunities to streamline or otherwise improve the productivity of existing processes through the application of modern information technologies including advanced report writing and document management.
3. The selected financial system must provide opportunities to enhance service delivery to both internal and external customers of the City's Financial and Administrative Services unit.
4. The selected financial system must have a return on investment that can be realized within seven years.

2. Project Approach - Alternatives:

2.1. Alternative Option 1: Keep existing system (AMS Advantage Version 2) and enhance it to handle pending IRS changes.

This is an expensive and complex approach and would address only part of the organization's needs – keeping us in compliance with IRS regulations. This approach does not address any longer term needs or risks.

This approach assumes that the City can get AMS to implement the necessary fixes to the code base to accommodate the pending IRS changes. We estimate that this is a 9 month project and will require a ½ time project manager and two programming resources from CGI-AMS to accomplish.

Also, under this scenario, the current ten-year old technology gets updated to supported Windows and SQL Server releases but the organization's dependence on COBOL support systems stays intact. The City's hardware platform is no longer supported by IBM and that availability of replacement parts has become scarce which becomes a real risk, with few options for mitigation.

Because this is a limited solution (only addressing part of the problems identified), and requires and will create additional complex, low value, and additional work, it is not being recommended.

Alternative1 – NOT RECOMMENDED

Cost Category	Year 1	Year 2	Year 3	Year 4	Year 5
Project Costs:					
AMS Project Manager	100,000				
AMS Programmer 1	150,000				
AMS Programmer 2	150,000				
Contract COBOL Prog.	120,000	60,000	60,000	60,000	60,000
Re-platforming services	300,000				
Hardware replacement	50,000				
Total Project Cost Outlay:	870,000	60,000	60,000	60,000	60,000
Ongoing Costs:					
Software Maintenance	137,510	137,510	137,510	137,510	137,510
Hardware Maintenance	15,000	15,000	15,000	15,000	15,000
Total Ongoing Cost Outlay:	152,510	152,510	152,510	152,510	152,510
Total Costs:	\$ 1,022,510	\$ 212,510	\$ 212,510	\$ 212,510	\$ 212,510
Alternative 1	Total Five Year Costs			\$ 1,872,550	

2.2. Alternative Option 2: Upgrade existing system (CGI-AMS Advantage 2) to the latest software version (CGI-AMS Advantage 3).

Under this scenario the City would accept the CGI-AMS upgrade. Since CGI-AMS Advantage 2 was originally installed the City has maintained an annual license and maintenance agreement. This agreement includes free “core” upgrades.

However, this is not just a upgrade, rather this option would be the equivalent of a brand new implementation. The new core software would be free, but any additional modules or new third-party partners would need to be licensed as new products. Additionally, a significant amount of professional services from CGI-AMS would be required.

Given the amount of cost and effort to upgrade CGI-AMS Advantage, we recommend that this effort not be pursued unless it is determined through a broader process that this alternative makes the most sense.

Alternative 2: – NOT RECOMMENDED

Cost Category	Year 1	Year 2	Year 3	Year 4	Year 5
Project Costs:					
Software Costs					
Implementation Costs	1,300,000				
Hardware Costs	48,000				
Total Project Cost Outlay:	1,348,000	-	-	-	-
Ongoing Costs:					
Software Maintenance	175,000	175,000	175,000	175,000	175,000
Hardware Maintenance					
Total Ongoing Cost Outlay:	175,000	175,000	175,000	175,000	175,000
Total Costs:	\$ 1,523,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000
Alternative 2	Total Five Year Costs			\$ 2,223,000	

3. Project Approach – Proposed Solution: Develop a RFP and take the City’s requirements to the marketplace

3.1. Description

The proposed solution is to develop a RFP for a Financial Management System Replacement and take the City’s requirements to the marketplace to see if there is a better functional and economic fit available.

This approach may require as much work as Alternative B but could cost significantly less.

3.2. Project Costs

3.2.1. Project Five Year Costs Breakdown

Cost Category	High	Low	Years 2 -5 High	Years 2 -5 Low
Project Costs:				
Acquisition	-	380,000	-	-
Implementation	1,300,000	500,000	-	-
Total Project Cost Outlay:	1,300,000	880,000	-	-
Ongoing Costs:				
Software Maintenance			700,000	192,000
Total Ongoing Cost Outlay:	-	-	700,000	192,000
Total Costs:	\$ 1,300,000	\$ 880,000	\$ 700,000	\$ 192,000
Recommended Solution	Total Five Year Costs		High	\$ 2,000,000
			Low	\$ 1,072,000

3.2.2. Project Funding Breakdown

3.2.2.1. Funding Source – One-Time - \$\$750,000 - 1,300,000

(Funds are already collected)

Fund	Agency	Org.	Activity/Project	Function	Object	%	Internal Transfer?
0014	092	9200	092-9509		2430	100%	NO

3.2.2.2. Funding Source – On-going - \$48,000 - \$175,000 (Annualized)

Fund	Agency	Org.	Activity/Project	Function	Object	%	Internal Transfer?
0014	092	9200	1922		2430	%100	NO

3.3. Assumptions:

Assumptions are as follows:

- The project will commence in January 2010, when Accounting staff resources have maximum availability.
- The project will go live before December 2010 (targeting October) so the new Budgeting module will be live prior to the next budget development cycle.
- The project will have the availability of the training room at City Center.

3.4. Constraints:

Constraints are as follows:

- Competing IT projects may have an impact on resource availability

3.5. Risks:

Description of Risk	Qualify the Risk	Risk Response
Schedule overrun	Conflicting projects, mandated processes and other organizational priorities may cost time in the schedule	Maintain regular checkpoints, and allow reasonable room for project delays
Budget Overrun	Must find funds and not implementing on time	Detailed pre-planning and regular budget status reports to be analyzed by project team
Vendor Performance/project slips	Failed project, legal issues	Be sure there are project management procedures in place prior to contract. Check references. Develop a services agreement that has distinct deliverables and milestones.
Cultural Resistance	Slows implementation, expectations of software value for cost savings not met due to lack of use among organization.	Keep employees well informed of upcoming functionality and provide initial and follow up training and surveys.

4. Project Roles and Responsibilities

Project Champions	Karen Lancaster Dan Rainey	Monitor and provide high-level status reports.
Business Customer	Karen Lancaster	Oversee project, working closely interested parties. Work with team members to prepare all project specifications. Member of the project team.
Financial System Subject Matter Experts (SME)	Accounting SME Purchasing SME Budget SME Treasury SME Accounts Payable SME Reporting SME	Works closely with project team to ensure their service area needs are satisfied, assists with implementation, project plan, training, and roll out. Member of the project team.
IT Subject Matter Expert	Josh Baron	Implements components of the service on to the City's Website. Creates new pages for signup. Works closely with and is a member of the project team.
Project Delivery Manager	Kathy McMahon	Assumes the responsibility for the success of the project. Details all aspects of the project. Member of the project team.
Applications Delivery Manager	Russ Hanshue	Ensures that the application functions as required and skilled team members perform tasks as expected and required.
Service Delivery Manager (Helpdesk)	Marlene Robinson	Assists in the rollout of solution with help desk staff trained in assisting new users with basic functions.
Service Delivery Manager (Infrastructure)	Dale Vanderford	Charged with preparing the infrastructure for installation.
IT Director	Dan Rainey	Responsible for assigning the right team members with required skills to ensure a successful implementation and rollout. Overall IT Responsibility for this Project. Member of the Project Team

5. Project Benefits

5.1.1. Intangible Benefits:

- Improvements in internal processes
 - Many manual processes such as rekeying into spreadsheets, routing of paper documents, etc. will be able to be done online.
- Increased financial transparency
 - Many non-Finance users struggle with the complexity of reporting and how to extract and use information from the current financial system. This enables the casual user to access and use information without a deep understanding of Accounting.
- Increased usage of financial system by staff
 - The current technology is based on mainframe logic where the user needed to understand the table structure to find what they need. Plain English text and drill down capability did not exist at the time the current system was installed.
- Reduce the Cost of Government
 - The new system should leverage existing Microsoft technology already in place at the City (SQL2005, Excel and Word). In addition, a fully browser based technology that was accessed via the network or Internet eliminates the burden on IT staff of installed software on each PC.
- Reduce technology risk
 - The current version sits on an old Unix platform and run an older version of Oracle and COBOL. The program is written in COBOL, which is an older programming language and not in alignment with our current IT platforms.
- Strategic technology alignment
 - The new system will utilize the Microsoft Office suite for reporting as well as SQL Server 2005 as a database. SQL2005 is being used for several other IT applications and is our preferred technology platform.

5.1.2. Tangible Benefits (for selected vendor):

5.1.2.1. Benefit 1 – Reduced IT support by 1 FTE

Savings: \$135,000 annually

Verification: Continued reduced IT staffing requirements

5.1.2.2. Benefit 2 – Reduced Financial Management System software maintenance

Savings: \$90,000 annually

Verification: \$150,000 annually to support AMS, including hardware and software support. \$60,000 ongoing software costs with no additional 3rd party software required for selected vendor option.

5.1.2.3. Benefit 3 – Reduced Financial Management System replacement costs

Savings: \$110,000 annually

Verification: \$195,000, annually to support AMS, including hardware and software support. \$85,000 annual replacement costs assuming a ten-year lifecycle.

5.2. Total Estimated Savings.

A minimum of \$335,000 per year.

5.3. Return on Investment Schedule.

Assuming a total project cost of \$895,000, including contingencies, the ROI for this project is

2 Years and 8 Months

6. Proposed Project Schedule:

6.1. Project Delivery Milestone Summary

Phase	Activity	Milestone	Estimated Completion Date*
Feasibility	Business Case	Final Draft	11/18/2009
	Business Case	Sponsors & PM Sign-Off	11/18/2009
	Business Case	SME Sign-Off	11/19/2009
	Business Case	ITLB Sign-Off	11/20/2009
Planning	Contract	Vendor Signatures	12/04/2009
	Contract	City Council Approval	12/07/2009
	Contract	City Signatures	12/18/2009
	Project Schedule	Sponsors & PM Sign-Off	01/08/2010
Implementation	Installation	SME & PM Sign-Off	02/15/2010
	Configuration	SME & PM Sign-Off	06/07/2010
	Testing	Sponsors, SME & PM Sign-Off	08/01/2010
	Training	Sponsors, SME & PM Sign-Off	09/15/2010
	Rollout	Sponsors, SME & PM Sign-Off	10/30/2010
Closure	Project Closure Report	Sponsors, SME & PM Sign-Off	12/01/2010

* Dates are for illustrational purposes only and are used to show the estimated duration of phases, not committed timeframes.

7. Governance Approvals

Role	Name	Review/Approval	Date
Governance Board	Information Technology Leadership Board		
Project Champion, Business Customer	Karen Lancaster	Signed	
Project Champion, IT Director	Dan Rainey	Signed	
IT Subject Matter Expert	Josh Baron	Signed	
Project Delivery Manager	Kathy McMahon	Signed	
Applications Delivery Manager	Russ Hanshue	Signed	
Helpdesk Manager	Marlene Robinson	Signed	
Service Delivery Manager	Dale Vanderford	Signed	