

FY 2019-2020 Virginia Beach Budget Response to Council Questions

Question Number: FY 20 17

Question: On the slide titled FY20 CIT Increase Requests 3.695 Century Enterprise Resource Planning, 1) What caused us to underestimate first year licensing costs? 2) What portion of the total requested cost increase is attributed to licensing costs? What was in-house budget estimate for “implementer costs”? What is the dollar and percentage value of delta from the awarded vendor on the RFP? What was the range of bids? What implications does our experience have on accuracy of costing of like work not yet awarded within the budgeted and programmed CIP? 3) Are FTEs being requested here? If so how many? If yes, it is correct to then conclude the FTEs would be funded by CIP appropriations? 4) Decompose the FY 18/19 specific expenditures not shown and FY20 and FY21. Looking to understand why FY 21 is more than double FY 22 and what FY 18/19 expenditures were compared to appropriations to date, when FY 21 was less than half of appropriation to date.

Date Requested: February 25th, 2019

Requested By: Councilmember Moss

Department: Information Technology

Response:

- 1) Prior to the FY20 budget submission, the ERP product had not been determined and estimated licensing costs were based on an overall market scan. Oracle ERP cloud SaaS was ultimately selected as an upgrade to the existing Oracle EBS financials system. Licenses were procured using a cooperative contract.

After purchasing the licenses for 17 financial modules, a shortfall in the number of budget module licenses has been identified. The FY20 budget request includes \$220,000 to procure these additional licenses

- 2) The budget estimate used for vendor implementation cost is \$5.0 M During acquisition the City received proposals from five offerors. The range of these proposals was \$3,955,120 to \$7,275,000. The selected vendor response includes a fixed cost of \$6,722,050. The percentage increase is 34%. We engage in market scanning for our CIP estimates. It is difficult to provide more precise estimates when an application, system, or vendor/contractor has not been selected.
- 3) The FY20 request includes 8 FTEs to support new functionality being introduced with the new ERP. Four employees would be targeted for IT and four for Finance. These FTEs are targeted as follows.
1-FTE (IT Systems Analyst II) for Budgeting, Projects & Grants.

1-FTE (IT Systems Analyst II) for E-Procurement.
 1-FTE (IT Systems Analyst II) for Financials Cloud (17 modules).
 1-FTE (IT Systems Analyst II) for Security, Interfaces, Testing, and vendor instance coordination.
 1-FTE (Financial Analyst) for Grants, Reports Development, Compensating Controls, End User Support
 1-FTE (Financial Analyst) for Employee Expenses, Supplier Cloud P to P
 1-FTE (Financial Analyst) for Purchasing Contracts, Sourcing, Self-Service
 1-FTE (Financial Analyst) for Projects Financials, Projects Management, Project Billing, Project Time

The FTEs would be net new positions paid by an increase in the department's operating budgets. While these are requests, actual funding decisions will be included in the budget presented to Council on March 26th. Typically project CIPs do not pay for ongoing staffing resources.

- 4) Funds are requested in FY20 not FY21 as the presentation; this was corrected during the presentation on Tuesday. The CIT budget and expenditures are represented below. This summarizes existing funding, projected expenditures for each FY, and adjusted FY20 funding requirements. See the chart below:

Budget-Expense Items	FY18	FY19	FY20	Totals
21st Century ERP Programmed Funding				
Programmed Funding	\$1,000,000	\$4,671,385	\$2,565,336	\$8,236,721
Programmed contingency (included in programmed funding)	\$200,000.0	\$934,277.0	\$513,067.20	
Available For Expenditure	\$800,000.0	\$3,737,108.0	\$2,052,268.80	
Updated Estimates for Expenditure				
Licenses/Software		\$673,959	\$1,148,612	\$1,822,571
Implementation Vendor	\$0	\$1,666,667	\$3,333,333	\$5,000,000
Consultant Fees (GFOA)	\$310,425	\$60,375		\$370,800
City IT Support	\$249,676	\$977,976	\$1,499,936	\$2,727,588
City Business Unit Support		\$432,000	\$461,500	\$893,500
Training	\$28,094	\$409,140	\$117,000	\$554,234
Miscellaneous Expenses (demo, design session support)	\$3,800	\$5,000	\$10,000	\$18,800
Travel		\$15,000	\$15,000	\$30,000
Total Anticipated Projected Expenditures	\$591,995	\$4,240,117	\$6,585,381	\$11,417,493
Funding Gap by Year	\$208,005	(\$503,009)	(\$4,533,112)	(\$4,828,116)
Additional Contingency required for Gap				\$5,793,739
Total adjusted FY20 CIT-CIP request			\$14,030,460	