



DATE: February 24, 2010

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

SUBJECT: **APPROVAL OF AMENDMENT 2 IN THE AMOUNT OF \$191,920 TO THE PROFESSIONAL SERVICES AGREEMENT WITH CPSG, INC. OF IRVINE (DBA PARTNERS CONSULTING), APPROVAL OF FUNDING FOR A CASHIERING SYSTEM NOT TO EXCEED \$215,000, APPROVAL OF A PURCHASE ORDER WITH DELL, INC. FOR HARDWARE FOR THE CASHIERING SYSTEM IN THE AMOUNT OF \$11,000, AND APPROVAL OF OVERALL PROJECT CONTINGENCIES NOT TO EXCEED \$15,000**

SYNOPSIS

Staff recommends that the City Council approve Amendment 2 in an amount not to exceed \$191,920 to the Professional Services Agreement with CPSG, Inc., of Irvine, California (dba Partners Consulting) for various Oracle EnterpriseOne 8.12 financial system software enhancements and training; approve funding for a new cashiering system not to exceed \$215,000; approve a purchase order in the amount of \$11,000 with Dell, Inc. for the purchase of application software and hardware; approve funding of overall project contingencies not to exceed \$15,000; the total cost of the professional services agreement, software, hardware and contingency is \$432,920; authorize the City Manager to execute the agreements; and authorize the Financial Services Director, or designee, to execute the purchase order.

BACKGROUND

On June 21, 2006 the City Council allocated \$1.3 million for the identification, acquisition and implementation of a new financial software platform. Upon further analysis and assessment among staff from Information Technologies, Financial Services, and Human Resources, it was determined that upgrading the (then) existing JDE system, along with additional system enhancements and staff training, would extend the lifespan of the software for several years. On January 23, 2008, the City Council approved funding the technical requirements of the financial system to the Oracle EnterpriseOne 8.12 version which included the necessary hardware to support this product such as new computer workstations, servers, and application software. A software needs assessment was completed in early 2008, and based on the scope of work within the report findings a Request for Proposals was conducted in July 2008 to secure a consultant to implement this multiphase project. On August 13, 2008, the City

Council awarded a contract to CPSG, Inc. (dba Partners Consulting) to perform the first two phases.

Phase 1 commenced in September 2008 and was completed with a successful “go-live” date of February 2009. This phase upgraded and implemented all current financial data and processes to the 8.12 version. Thin-client computers were installed at all finance and human resource workstations. A back-up server and application was installed which provides near-time data recovery and protection of the financial software system. Staff was thoroughly trained via in-house training sessions and utilization of the Oracle User Productivity Kit (UPK) software that provides written step-by-step processes unique to the City of Oceanside’s applications. A bi-weekly electronic newsletter regarding project updates kept the communication flowing between the project team, end-users, and City management.

Phase 2 was completed with a successful “go-live” date of July 2009. This phase reworked the Chart of Accounts (COA) and built a job-costing feature. The COA has been designed to conform to GAAP (Generally Accepted Accounting Principles), especially those principles in preparing the Comprehensive Annual Financial Report (CAFR).

On June 10, 2009, Council approved Amendment 1 with CPSG, Inc., which incorporated Phase 3 components of the project. Phase 3 commenced in July 2009 with anticipated completion by February 28, 2010. Components of this phase include a budget management system for both operating and capital budgets, job costing for capital improvement projects, bank reconciliation, third-party software interfaces, and other smaller processes which provide a big return on efficiency and automation. Development of a CalPERS reporting system has commenced, but CalPERS is experiencing delays in this project, so the City and CPSG are on “stand by” to finalize this project upon further direction from CalPERS.

As with any software application, evolving technology requires the need to stay current with improvements and modifications in order to maximize the functionality of the program. Installation of the Oracle EnterpriseOne 8.12 version will allow the City of Oceanside to have a capable and reliable financial system for the next 3-5 years provided updates, fixes, security alerts, and upgrades are installed and utilized.

ANALYSIS

The \$191,920 will pay for the necessary services to develop, configure and implement Phase 4 functions for Oracle EnterpriseOne 8.12. The \$215,000 will pay for core cashiering management software and equipment including licenses, installation, implementation and training. The \$11,000 will facilitate the purchase of application hardware, software and server licenses for the cashiering management system. The \$15,000 project contingency will be at the Director of Finance’s discretion for special reports or enhancements.

Phase 4 is scheduled to commence in March 2010 with completion by August 2010. Staff will bring future phases to City Council for funding and approval of additional modules (i.e., procurement, accounts receivable enhancements, etc.) to maximize the productivity and efficiency that Oracle EnterpriseOne 8.12 offers. Staff worked with CPSC consultants in costing estimates for analytical and development time for each of the outstanding enhancements that were identified in the needs assessment report that was completed in early 2008. Priorities were established to get the biggest efficiency impact with new modules, processes and procedures from Phase 4. The following details the components of Phase 4.

Cashiering Management The City's current cashiering system, System Innovators Inc. a/k/a "SII", was purchased in 1999, and the technology is over 10 years old. SII is no longer providing upgrades to this system, and the City receives minimal benefit from the annual cost of maintenance and support services.

In coordination with the recent contract with Union Bank, the City requested proposals for cashiering management software in September 2009, and subsequently observed demonstrations from five firms in November 2009. The final selection process will commence upon funding availability and a recommendation and contract are anticipated to be brought to City Council in April 2010 for approval.

Aside from updating an antiquated system, a new cashiering management system will allow the City to interact with new banking technology including remote deposit and Check 21. Additional efficiencies include web payments, interactive voice response for telephone payments and other self-service help features that have been requested by our customers. Automated interfaces to other software systems in the City will increase the quality and quantity of information passed between systems and increase cash controls. Internal efficiencies will be realized with the elimination of duplicate cash receipt entries, elimination of unsupported electronic transfer program, and streamlining of the deposit preparation process.

Accounts Receivable – Credit & Collections Management As part of the recent Financial Services Department restructure, emphasis has been placed on dedicating staff and resources to the accounts receivable function. This will ensure that all revenue receivables for the City are tracked in the financial system, with an established on going collection process to recover these funds. Currently the City is not taking advantage of the tools provided by Oracle to manage its customers, invoices and accounts receivable balances. Implementation of the Credit & Collections module will provide management and staff with transparency of the City's receivables; provide a foundation for automatic receipts processing, with an ultimate goal of significantly increasing the accuracy and timeliness of invoicing, while decreasing the invoice-to-cash cycle. Additional enhancements to this module may be required in a future phase.

Fixed Assets Management Another large component of the Phase 4 project is the development of the fixed asset management module. Currently the City's fixed assets are manually managed via Excel spreadsheets. All transactions are entered and calculated manually, which is cumbersome, time-consuming and invites human error and possible

data loss. As reported in the 2009 Comprehensive Annual Financial Report (CAFR), the City manages over \$630 million of capital assets (less accumulated depreciation). This module will help the City manage all the information and costs related to fixed assets. Integrations to the current accounts payable and general ledger modules will eliminate the manual entry of assets, and systematically calculate depreciation and disposal journal entries.

Payroll There are several payroll enhancements proposed which will materially decrease the time necessary to process payroll, as well as increase the overall stability of the payroll cycle. Most of these recommended enhancements are currently managed by staff on a manual basis.

Other There are several other smaller processes in Phase 4 that will give the Financial Services Department a big return on efficiency and automation including general ledger allocations, procurement and accounts payable formatting.

FISCAL IMPACT

The \$191,920 will pay for the necessary services to develop, configure and implement Phase 4 functions for Oracle EnterpriseOne 8.12. The \$215,000 will pay for core cashiering management software and equipment including licenses, installation, implementation and training. The \$11,000 will facilitate the purchase of application hardware, software and server licenses for the cashiering management system. The \$15,000 project contingency will be at the Director of Finance’s discretion for special reports or enhancements. The total cost of the professional services agreement, software, hardware and contingency is \$432,920, and is requested to be appropriated from the following accounts (various accounts will offset costs for fixed assets and cashiering modules):

Description	Transfer From	Appropriate To	Amount
FY 06/07 Carry Forward	220000101.5704 S 200809	Same	\$39,600
FY 09/10 Salary (one time savings)	200010101.5105	200010101.5704	\$13,900
FY 09/10 Benefits (one time savings)	200010101.5205.0002	200010101.5704	\$10,000
FY 09/10 Salary (one time savings)	220000101.5105	200010101.5704	\$5,800
FY 09/10 Benefits (one time savings)	220000101.5205.0002	200010101.5704	\$15,000
FY 09/10 Temp Employees (one time savings)	220000101.5110	200010101.5704	\$15,000
FY 09/10 Salary (one time savings)	210010101.5105	200010101.5704	\$20,000
FY 09/10 Benefits (one time savings)	210010101.5205.0002	200010101.5704	\$18,000
Water Operating Unrestricted Fund Balance	711.3100.0002	200010101.5704	\$55,000
Solid Waste Disposal Assigned Fund Balance	731.3020.0027	200010101.5704	\$55,000
Water FAR Unrestricted Fund Balance	712.3100.0002	210010101.5704	\$20,000
Harbor Fund Unrestricted Fund Balance	751.3100.0002	210010101.5704	\$20,000
CDC-CRA Gen'l Prjct Unassigned Fund Balance	591.3100.0001	210010101.5704	\$20,000
Fleet Management Unrestricted Fund Balance	831.3100.0002	210010101.5704	\$30,000
GF Comm Fac CIP Unassigned Fund Balance	581.3100.0001	210010101.5704	\$50,000
Williams Ranch CFD Unassigned Fund Balance*	401.3100.0001	210010101.5704	\$9,946
Morro Hills Debt Svc Unassigned Fund Balance*	452.3100.0001	210010101.5704	\$35,674
(* interest earnings only)		TOTAL	\$432,920

**CITY OF OCEANSIDE
AMENDMENT NO. 2 TO
PROFESSIONAL SERVICES AGREEMENT**

PROJECT: Oracle EnterpriseOne 8.12 Upgrade

THIS AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (hereinafter "Amendment"), dated August 13, 2008 for identification purposes, is made and entered into by and between the CITY OF OCEANSIDE, a municipal corporation, hereinafter designated as "CITY", and CPSG INC. dba PARTNERS CONSULTING, hereinafter designated as "CONSULTANT."

RECITALS

WHEREAS, City and Consultant are the parties to that certain Professional Services Agreement dated August 13, 2008 , hereinafter referred to as the "Agreement", wherein Consultant agreed to provide certain services to the City as set forth therein;

WHEREAS, the parties desire to amend the Agreement to provide for changes to the Statement of Work to include Phase IV Enhancements.

NOW, THEREFORE, as set forth herein, the parties hereto do mutually agree that the Agreement shall be amended as follows:

1. SCOPE OF WORK – perform the technical and functional upgrades to implement Phase III Enhancements further defined in the Statement of Work dated January 21, 2010.

2. COMPENSATION – CONSULTANT'S compensation for all work performed in accordance with this Amendment will be invoiced bi-weekly on a time and materials basis, and shall not exceed the total contract price of \$191,920. CONSULTANT is required to remit bi-weekly timesheets and project progress reports as compared to the authorized project budget defined as follows:

Phase IV (not to exceed)	\$154,220
Contingency (with DFS approval)	\$ 15,000
Training (with DFS approval)	\$ 15,200
Expenses (not to exceed)	<u>\$ 7,500</u>
Total Compensation	\$191,920

3. TIMING REQUIREMENTS – timing is of the essence in the performance of work under this Amendment and the timing requirements shall be strictly adhered to unless

Oracle EnterpriseOne 8.12 Upgrade

otherwise modified in writing. All work shall be completed in every detail to the satisfaction of the Director of Financial Services by August 13, 2010.

Except as expressly set forth in this Amendment, the Agreement shall remain in full force and effect and is hereby ratified and reaffirmed.

SIGNATURES. The individuals executing this Amendment represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Amendment on behalf of the respective legal entities of the CONSULTANT and the CITY.

IN WITNESS WHEREOF the parties hereto being duly authorized on behalf of their respective entities to execute this Amendment, do hereby agree to the covenants contained in the Agreement, including this Amendment and have caused this Amendment to be executed by setting hereunto their signatures on the dates set forth below.

CPSG INC., dba PARTNERS CONSULTING CITY OF OCEANSIDE

By: JAMES S. GILBERT # E.V.P.
Name/Title

By: _____
Peter Weiss, City Manager

Date: FEB/10

Date: _____

By: _____
Name/Title

APPROVED AS TO FORM:

Date: _____

John P. Mull
City Attorney

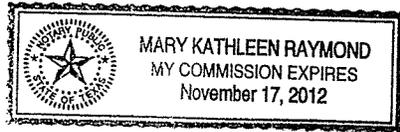
95-3620500
Employer ID No.

NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.

State of Texas

County of Harris

On this 1st day of February 2010, before me, the undersigned notary public, personally appeared James S. Guinn, II known to me to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.



Mary Kathleen Raymond

Notary Public

Oracle Enterprise One Phase IV – Enhancements

City of Oceanside

January 15, 2010

Statement of Work

partners
CONSULTING

1122 Norfolk
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Houston, Texas 77098
(713) 263-1400
(888) 665-5640
fax: (713) 263-1375

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1 Introduction and Scope

1.1 Background

This document and its attachments comprise a Statement of Work ("SOW") between Partners Consulting, Inc. ("Partners") and the City of Oceanside, California ("CoO").

The items included in this SOW are the result of gathering all of the outstanding enhancement requests, categorizing those requests into major functional groups, and deriving estimates for analytical time and development time for each line item. Estimates were compiled and reported and a line-by-line assessment was made for priority, timing, and need. The final list represents the scope of the SOW.

Statement of Estimates



1.2 Scope

The following Table represents the enhancements included in this SOW. This is a compilation grouped by the specific application affected or the module impacted:

Task Description	Functional Hours	Technical Hours	Total Hours	Total Cost
Accounts Payable				3,050.00
Payroll Wage Attachments	4.0	-	4.0	760.00
Paymode Check Remarks - AP ACH File	5.0	9.0	14.0	2,290.00
Asset Management				82,610.00
Implement Fixed Assets	321.0	145.0	466.0	82,610.00
General Ledger				8,360.00
Allocations	44.0	-	44.0	8,360.00
Payroll				29,170.00
Clean up Payroll History to reflect DBA's	9.0	-	9.0	1,710.00
Clean Up PDDBA Table	9.0	-	9.0	1,710.00
Garnishments	9.0	-	9.0	1,710.00
Injured on Duty (IOD)	9.0	-	9.0	1,710.00
Union Dues Plan Defaults	9.0	-	9.0	1,710.00
Tax Withholding	9.0	-	9.0	1,710.00
Prepayroll Reports	4.0	-	4.0	760.00
Payroll Reports Only Reports	4.0	-	4.0	760.00
Prenote functionality	9.0	-	9.0	1,710.00
Fix Payroll JE	48.0	44.0	92.0	15,680.00
Procurement				760.00
Printing Text Attachments	4.0	-	4.0	760.00
Accounts Receivable				30,270.00
Implement credit & collections management	135.0	31.0	166.0	30,270.00
Schedule Statistical Refresh				
Del Notices - Do not resend if already sent.				
Write Off - Create Activity				
Write Off - Dismissed Fees				
Total	632.0	229.0	861.0	154,220.00

2 Time Line and Financial Consideration

2.1 Time Line

For the purposes of planning, this SOW is expected to begin on or about March 1, 2010 or as soon as funding becomes available.

The focus will be on payroll, followed by Accounts Receivable, and Fixed Assets. Other enhancement and extensions will be fit as timing allows. Consideration will also be given to the tasks that have well-defined completion due dates.

For the purposes of estimating completion, the effort is expected to be executed as a full-time effort. As such, the project is expected to be completed on or before August 13, 2010.

2.2 Financial Consideration

The estimates below include project management time as well as the technical infrastructure management needed to effectively assist CoO with the migration and promotion of completed development objects into the production environment.

Resource	Hours	Rate	Total
Mario Alvarado	632.0	190.00	120,080.00
Project Management			
Business Analysis - FM/SCM			
Arnel Alon	208.0	150.00	31,200.00
Development			
Jon Auger	21.0	140.00	2,940.00
Environment Management			
Total Labor	861.0		154,220.00
Training	80.0	190.00	15,200.00
Budgeted Contingency			15,000.00
Expense Budget			7,500.00
Total Phase 4 Budget			191,920.00

3 Assumptions

The following outlines Partners' assumptions required to validate the estimates.

1. The Partners technical team will be able to work remotely to minimize travel expenses.
2. CoO functional subject matter experts will be made available to confirm requirements and perform testing.
3. CoO will provide to the Partners team the appropriate and necessary access and authority to perform the tasks included in these estimates
4. Partners' project management resource shall provide weekly status updates
5. CoO will provide the resource and support to promote development objects into the appropriate target environments.

4 Appendix A – Anticipated Value

4.1 Accounts Payable

Oracle generates ACH payments to vendors. The electronic files that get sent to the bank needs to be manually edited to eliminate special characters in the file. The enhancement will fix the data file so that it will not need to be manually manipulated, which will provide greater security of electronic payments from the City.

4.2 Asset Management

Currently, the City's Fixed Assets are manually managed outside of Oracle in Excel spreadsheets. All transactions are entered and calculated manually, which is cumbersome, time consuming and invites human error and possible data loss.

Oracle Fixed Assets will help the City manage all the information and costs related to the City's assets. Integrations to Accounts Payable and the General Ledger will eliminate the manual entry of assets and systematically calculate Depreciation and Disposal Journal Entries, which will increase accuracy, visibility and provide meaningful reporting of Fixed Assets for the City's Divisions.

4.3 General Ledger – Allocations

Currently, allocations for General & Administrative expenses are manually accumulated and allocated to the City's divisions and departments.

Oracle Allocations will allow the City to define and automatically generate Journal Entries for these types of transactions, which will provide more uniform, and predictable allocation of these types of costs.

4.4 Payroll

The Payroll process is in need of maintenance to ensure the timeliness of biweekly paychecks, and the accuracy of its effect on the general ledger.

There are several Payroll enhancements proposed which will all materially decrease the time necessary to process payroll, as well as increase the overall stability of the Payroll cycle. Payroll must be processed in a timely fashion to ensure that the City's employees are paid accurately and on time.

4.5 Account Receivable - Credit and Collections Management

Currently, the City is not taking advantage of the tools provided by Oracle to manage Customers, Invoices, and collect Accounts Receivable balances. The implementation of Credit and Collections management will provide the City with visibility of their receivables, and allow its users to "work" past due account and drive fees. It will also provide a foundation for automatic receipts processing, which will significantly increase the accuracy and timeliness of invoicing while also decreasing the invoice to cash cycle.