



Charlotte City Council

Governance & Accountability Committee

Meeting Summary for July 21, 2014

COMMITTEE AGENDA TOPICS

- I. **Subject:** **ERP Update**
- II. **Subject:** **Closed Session to Discuss City Manager's Evaluation Survey Results**
- III. **Subject:** **Next Meeting**
Action: Monday, August 18, 2014 at noon in Conference Room 280

COMMITTEE INFORMATION

Present: Council Members Howard, Mayfield, Autry, Kinsey and Phipps
Other: -
Time: 12:00 p.m. to 1:20 p.m.

ATTACHMENTS

1. Agenda Package

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DISCUSSION HIGHLIGHTS

Committee Chair Councilman David Howard called the meeting to order and asked those in attendance to introduce themselves. Upon completion of all introductions Councilman Howard then handed the meeting over to Assistant City Manager Hyong Yi to continue the discussion of the ERP Update and asked that he initiate the setup for the discussion of the ERP Update.

ERP Update

ACM Hyong Yi noted that the setup is a fairly quick one. He explained that the City was due for an upgrade of its technology infrastructure as it relates to how it runs its business. Over the course of the last several years the City has put together an ERP project which is being run by Jeff Stovall and David North who has done an excellent job getting us to this point. The Committee asked for a briefing mentioned as part of a full review by the external auditor Cherry Baekert regarding some of the things the City needs to be focused on and paying attention to as potential risks for next year. Often when implementing a new financial system there will always be risks associated.

Councilman Howard was clear to let it be noted that the Committee and Council was paying close attention to it. ACM Hyong Yi responded that it was duly noted and that he had evidence of it today. He informed the committee that Jeff Stovall - Chief Information Officer, was present to briefly walk them through it and answer any questions they may have.

Jeff Stovall took the podium and reviewed a couple of steps of what the ERP project actually is. He informed the committee that today (7/21) was the actual Go-Live date for ERP. He informed them that they have been working for quite a while on the project and the system has been in pre-production mode for the past week with limited access across the City but today they have access to all the employees and so far they do not have any major issues and are proceeding well.

Jeff Stovall then proceeded to share a detailed PowerPoint Presentation with the Committee (*attached*).

Jeff Stovall informed the Committee that the City's financial system that is being replaced by the new financial system was installed in 1979. The City does not have integrated, robust systems in support of these key business functions today: Procurement, Grant Accounting and Project Cost Accounting. Common themes for today's City processes: Lack of system integration, Manual and paper-based processes and High use of side "shadow" systems. The City has gone from fragmented systems to a more unified environment for financial management.

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Councilman Howard asked Jeff Stovall once the migration was complete how many systems will you have to manage? Jeff Stovall responded saying all three major systems (GEAC, GL Data Warehouse and Image Now) will be accomplished in MUNIS. Excel Database and Access Databases will not automatically go away because they store historical information but they won't be principal systems of record that will be used for regular administration of the City.

Project Scope & Status:

Go-Live in Progress: (July 2014) Core financials, core purchasing and procurement, project and grant accounting and vendor certification tracking. Currently in middle of go-live for current core systems with other capabilities that will be phasing in like: Automated vendor certification, Procurement solicitations system, employee reimbursement, accounts receivable (slated for 2nd phase simply because they already had a newer Accounts Receivable System vs. what was in the mainframe) and billing.

Councilwoman Lawana Mayfield posed the question, as far as processing time for Accounts Receivable (for example) currently what is the turnaround time for employee reimbursement compared to what it is now under the new program? Jeff Stovall responded by informing the committee that the answer depends and varies on the range of verification regarding the request. There is currently a lot of new workflow built into the system. More checks and balances to maintain financial control. Some cases will be faster and some will take longer based on managerial control and that is exactly what you want.

*Councilman Phipps entered the meeting.

Jeff Stovall discussed the Project Budget with the committee.

Project Budget: \$21, 394,893.00

Source of Funds

• ERP – Pay As You Go Capital	\$15,800,000
• Enterprise Funds	\$ 4,644,993
• Technology Investments - Capital Reserves	<u>\$ 949,990</u>
Total	\$21,394,983

Use of Funds

• Software and Maintenance Fees*	\$ 2,320,550
• Implementation Costs	
– Vendor Implementation	\$ 8,007,153
– Project Management and Technical	\$ 5,793,742
– Business Processes	\$ 4,563,538
– Hardware	\$ 710,000
Implementation Total	<u>\$19,074,433</u>
Total	\$21,394,983

* Maintenance fees during implementation period only.

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Councilman Howard asked Jeff Stovall how he dealt with the Enterprise Fund? How did you pay into that? Did you divide it by 6?

Jeff Stovall responded by informing the committee that the funds were an allocation based as part of a capital contribution based on ratio of IT allocations across the organization. Jeff reiterated that they followed the methodology devised by the budget organization and informed the committee the project is currently within budget.

Benefits:

Jeff Stovall explained to the committee the benefits of the new financial system such as:

- Provides a modern, fully supported financial system
 - Eliminates near-term obsolescence threat
 - Provides greater consistency, detail and transparency

Jeff Stovall noted that over the years the City had a few scares by the (supplier) vendor because they were looking to discontinue the process. The City was effectively stagnant. The City realized having a 35 year old financial system put them at risk. By implementing a new system they now have the ability to see a much more granular view of financials across the organization. The new capabilities would give better managerial views of what is being spent and how the City is spending across the organization.

Councilman Howard asked given the information shared if the City will have to start an external audit earlier next year? Jeff Stovall was unable to answer that question but CM Hyong Yi informed Councilman Howard that external audit can't start until fiscal year's end. The City has been working with the external auditors and they have been instrumental in keeping the City on track and making sure we address our concerns. Hyong Yi noted that he thinks everything will be OK as it pertains to the external auditors as we switch to the new system. He actually thinks that we don't need to build in anymore time for an external audit. Ron Carlee notes that the city will have a smoother audit and is well positioned for next year's audit. Also, there are (routine) planning meetings in the April and May timeframe and the City will be able to receive feedback from the external auditors at that time. Councilman Howard confirmed the information he received and noted that he just wanted to make sure all factors were taken into account. He proceeded comfortably in the discussion based on the feedback he just received regarding his concern.

- Better vendor support
 - Enables vendor self-service
 - Establishes processes for Charlotte Business Inclusion

Jeff Stovall explained that vendors who supply to the City are now able to use a vendor self-service capability where they are able to change their own information, see their invoices and where they stand in the payment process. They were unable to do this in the old system.

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Phipps posed the question of whether we are running parallel systems while we implement the new system. Jeff Stovall informed Councilman Phipps that we already closed the books from the last fiscal year and opened the books for the new fiscal year. He noted that the City still has the old mainframe system in place but it is not running in parallel to the 2015 financials. In fact, effectively after July there is no going back to the old system.

The City has incorporated Council approved policies into the design of the new ERP system. There are 4 phases for support for the Charlotte Business Inclusion built into the system today and the team will continue to build upon it and refine it as they move forward into the later stages of the project.

- Future flexibility
 - Allows for the addition of more capabilities later

Jeff Stovall noted that now that the new system is more open and more integrated it has the ability to add capability as needed that is more effective and more efficient whereas integration with the old mainframe system was very limited.

Risks (associated with the new system):

- Department readiness – Work flows across independent departments are different. Each department has worked for months to define workflows to support their department. As a result there is department readiness.
 - Learning curve productivity impacts
 - Ability to procure and pay in a timely manner
 - Vendor concerns and responsiveness
 - Capacity to handle the unknown event, issues
 - Inability to fallback to mainframe after July

Councilman Howard asked Jeff Stovall when you have outside people getting involved with your internal systems, security is more important than ever, so do you feel comfortable with the security? Jeff Stovall responded “We do”.

Jeff Stovall took questions from Council.

Q&A:

Q1)

David Howard: I thought we talked about running parallel systems for a while? Did I not remember that from the last meeting or so?

Hyong Yi: The old system is still up and running because the external auditors needed to get the data from the past year.

Ron Carlee: Parallel would be literally duplicating the system.

David Howard: I think I do remember about keeping it for a year if we needed to get at it.

Ron Carlee: And to mitigate the risks by the extensive testing for the go-live dates

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David Howard: You said you wanted to get pass one good audit before you couldn't go back to that system.

Ron Carlee: No, that's way too late because you would have to recreate everything. You really have to know within your first month whether or not the systems work and if not you have to pull the plug.

David Howard: That's scary

Ron Carlee: It is scary that is why we only do it every generation.
(Laughter in the room)

Q2)

Greg Phipps: Would it be safe to say that there have not been any catastrophic failures within the past 35 years?

Jeff Stovall: Catastrophic failures? Not that I am aware of. Catastrophic, no. Changes, yes. Mainframe systems are very reliable systems once they are running. So catastrophic changes no but we have made major changes. Catastrophic failures are really not what we are trying to mitigate. What we are trying to mitigate is the vendor calling us up telling us hmmm we need to get rid of this.

Q3)

Greg Phipps: My question is about a contingency plan. Is the backup located offsite?

Jeff Stovall: Yes it is. Both are offsite. Our primary is located on Myers Street and our secondary is located at Police & Fire Training Center.

Q4)

David Howard: Question about the learning curve and productivity impacts. Has there been any money for overtime set aside for the learning curve? I would hope that we would accommodate people when they have to stay over. Is that part of the ERP budget Mr. Manager?

Ron Carlee: When you get into the actual operations it is going to be highly variable not just from department to department but from one program to another and I expect they will accommodate that within those departments. People have to learn new systems and unlearn old systems so there will be some staff frustration in the initial period.

David Howard: That's fine but please make sure the employees are compensated when we are asking them to do stuff beyond what they've been doing. I understand the learning curve but I just want to make sure that employees are compensated for doing extra and we control the pay stuff.

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Q5)

David Howard: There is one place where we may get dinged from a communication standpoint and that is vendors complaining of the slowing down of payment due to the extra work. Is there a communication plan in place in case we run into a catastrophic situation?

Jeff Stovall: The Procurement department has been working hard from the very onset of the project to make sure it understands where all things have to land and we expect any identification of issues (if any arise) will come primarily through the department and then escalate to Procurement as necessary. So plans are set in place when invoices aren't addressed the way we expect. Procurement and AP (Finance) have plans set in place for those situations and how to cut checks when the invoices aren't coming in the way we expect. We have plans for addressing those issues.

David Howard: My question is more importantly about internal communications versus external communications. Internal just because I think I saw an article in Crown magazine.

Bob Hagemann: If you hear any complaints just let us know because we have made this matter a high priority.

City Manager's Evaluation Survey Results

Councilman David Howard transitioned into the next segment of the meeting where Councilwoman Kinsey motioned to close the session by reading the following action: Adopt a motion to go into closed session pursuant to G.S. 143.318.11(a)(6) to consider the competence, performance, character, fitness, compensation, and other conditions of employment of the City Manager.

All in attendance agreed by saying "I". The meeting was officially closed to discuss the City Manager's Evaluation Survey Results at 12:40.

*Meeting (officially) adjourned at 1:20 p.m.

ERP Project Update

July 21, 2014

ERP...

Enterprise Resource Planning



Need for Change

- The City's financial system was installed in 1979.
- The City does not have integrated, robust systems in support of these key business functions today:
 - Procurement
 - Grant Accounting
 - Project Cost Accounting
- Common themes for today's City processes:
 - Lack of system integration
 - Manual and paper-based processes
 - High use of side “shadow” systems

ERP...

Enterprise Resource Planning



Project Scope & Status

- July 2013
 - Aviation contract and billing
- July 2014
 - Core financials
 - Core purchasing and procurement
 - Project and grant accounting
 - Vendor certification tracking
- Future
 - Automated vendor certification
 - Procurement solicitations system
 - Employee reimbursement
 - Accounts receivable, Billing

Complete

Go-Live in
Progress

Under Review

ERP...

Enterprise Resource Planning

Project Budget

Source of Funds

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Benefits

- Provides a modern, fully supported financial system
 - Eliminates near-term obsolescence threat
 - Provides greater consistency, detail and transparency
- Better vendor support
 - Enables vendor self-service
 - Establishes processes for Charlotte Business Inclusion
- Future flexibility
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ERP...

Enterprise Resource Planning



Risks

- Department readiness
- Learning curve productivity impacts
- Ability to procure and pay in a timely manner
- Vendor concerns and responsiveness
- Capacity to handle the unknown event, issues
- Inability to fallback to mainframe after July

ERP...

Enterprise Resource Planning

Q&A

ERP...

Enterprise Resource Planning



Governance & Accountability 2014 Meeting Schedule

**4th Monday from 12:00 p.m. to 1:30 p.m. in Room 280
Unless otherwise noted**

February 24

March 24

April 28

Tues., May 27*

June 23 @ 2:00 p.m. ** - *CANCELED*

July 21

August 18

September 22

October 27

November 24

December 22

Notes:

* May 26 is Memorial Day, moving meeting to Tuesday

** June 23 at noon is City Manager's Quarterly Briefing – adjusting time