

Moffatt, Anne

To: Dixon, Bob
Cc: Georgeff, Lynn; Chase, Susan
Subject: Council Extract - June 24, 2002 Item 38 Finance and Corporate Services Report 2002-31
Financial Information System and Related Technologies

File: 4.5.1

Town Council Electronic Extract - Date: June 24, 2002

**38. COMMITTEE OF THE WHOLE - JUNE 17, 2002 - ITEM 32
FINANCE AND CORPORATE SERVICES REPORT 2002-31
A FINANCIAL INFORMATION SYSTEM AND RELATED TECHNOLOGIES**

THAT Finance and Corporate Services Report 2002-31 dated June 11, 2002 and Corporate Services Report 2002-31a regarding a Financial Information System and Related Technologies be adopted, as follows:

- 1. THAT subject to a satisfactory negotiated Agreement, the Town purchase a Corporate and Financial Software solution from J.D. Edwards Canada Ltd.;**
- 2. AND THAT the project of implementing the required modules be phased in over a two-year period with implementation of Phase I targeted for January 1, 2003.**
- 3. THAT the financing of this project be as per the 2002 Budget with the balance of the financing of the project be a loan from the reserve fund and such loan be paid back over a five (5) year period at the rate of interest equivalent to the prime rate of interest at the Town's Bank.**
- 4. THAT a Project Manager be contracted to assist with the implementation of this project.**

File: 4.5.1



TOWN OF NEWMARKET CORPORATE SERVICES

Robert K. Dixon, CMA, AMCT
Director of Finance / Treasurer
bdixon@town.newmarket.on.ca

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June 11, 2002

FINANCE AND CORPORATE SERVICES REPORT 2002-31

TO: Mayor Tom Taylor and Members of Council
Committee of the Whole

SUBJECT: Financial Information System (FIS) and Related Technologies

ORIGIN: Director of Finance/Treasurer/Manager of IT

RECOMMENDATIONS:

THAT Finance and Corporate Services Report 2002-31 dated June 11, 2002 regarding a Financial Information System and Related Technologies be adopted, as follows:

- 1. THAT subject to a satisfactory negotiated Agreement, the Town purchase a Corporate and Financial Software solution from J.D. Edwards Canada Ltd.;**
- 2. AND THAT the project of implementing the required modules be phased in over a two-year period with implementation of Phase I targeted for January 1, 2003;**
- 3. THAT the financing of this project be as per the 2002 Budget with additional funding from the growth fund.**

COMMENTS:

The Finance Department has been using a software product from Cayenta (formerly SFG) since 1988 for its General Accounting, Payroll, Accounts Payable, Accounts Receivable, and Financial Reporting functions. This product has become quite outdated as Cayenta has not provided regular upgrades – it is not yet even windows based. Finance staff have believed for some time that we need to upgrade our financial software in order to provide improved financial services to Council, staff and customers.

Also, Cayenta has advised that they will not continue to support our current product after June 30, 2003 but they are offering an upgraded product.

In late 2001, Finance staff participated in the preparation and issuance of a joint RFP with the Town of Whitchurch-Stouffville, the Town of Aurora, the Township of King, and the Town of Innisfil (Township of Essa joined this group later) for a Financial Information System. At the same time, Finance staff were asked to consider not just a Finance solution but a "Corporate" solution, one that would include some form of Maintenance Management System and/or Asset Management System.

A total of seven (7) responses to the RFP were received and the group met to review and discuss these responses to determine what vendor presentations should be viewed. The group agreed to a short list of two vendors, being CompuPower Systems Ltd. and Vadim Computer Management Group. We, the Town of Newmarket, insisted on a third vendor being included for a presentation, being J.D. Edwards Canada Ltd. The Town of Aurora, after the first two presentations were seen, added Vailtech Inc. to the presentation list.

In late March and April 2002, Finance staff and members of our IT area, along with the other municipalities, attended the presentations from these four (4) vendors. For a proper comparison of these products, we also invited our current supplier, Cayenta, to make a presentation of their "new" upgraded product (for Newmarket staff only). Our Manager of IT also arranged a presentation from Oracle for our staff only.

A summary of the products demonstrated is:

Cayenta, Incorporated:

The "new" product as demonstrated by Cayenta was extremely disappointing as all they really have done is take the current product and add a window. The functionality of the product is still very limited and it was obvious to all of us that it would not meet the needs of our staff in Finance never mind being a Corporate solution.

The cost for this upgrade was quoted as \$160,914.50 plus travel and living expenses (staff may be coming from Burnaby, B.C.), for an estimated total of around \$200,000. In addition, Cayenta does not have a proper budgeting tool but have suggested to us that they have an agreement with an American firm that has a product that can be integrated with their system. The cost for this budgeting tool was quoted (verbally) at \$150,000 U.S. There would also be some other costs incurred. Since the new Cayenta product is on the Oracle database, there would be a cost for Oracle licences of about \$10,000 and implementation costs of the upgrade are estimated at \$50-75,000.

Therefore, for an investment of about \$500,000-550,000 plus a cost for a Purchasing module, we would have an improved budgeting tool and a windows environment for the other financial products with a limited increase in functionality, but no solution for the Town's other corporate requirements such as an Asset Management System. We will

be able to create more reports but as for business use functions, nothing really changes.

CompuPower and Vadim:

Staff were not overly impressed with the presentations from these two firms. Their property tax software products are not as well developed as our current product. Although the financials in both cases looked better than our current product, neither one of them were a significant improvement.

Also, both products use a database known as SQL and our IT staff have indicated that the direction the Town is going is to an Oracle database that is more stable and more technically advanced.

Oracle:

Oracle offers a financial package but, unfortunately, the presentation was very poorly done and apparently Oracle actually presented the wrong product to us. Needless to say we were not impressed.

Vailtech Inc.

We are currently using the Vailtech property tax product which is considered in the municipal market to be one of the better property tax solutions available. Vailtech does offer a slate of financial software products, except for a budgeting tool for which they are prepared to develop in cooperation with a municipality.

We have considered ranking Vailtech as number two on our list; however, their product line is very limited and we do not see a long-term solution with them. They also do not have any form of an Asset Management System. We would probably be issuing another RFP in 3-5 years as the needs of the Town as a whole will not be met with their solution.

J.D. Edwards:

It was apparent from the presentation from J.D. Edwards that their solution is far ahead of any of the others. It is a Corporate solution not just a Financial solution; it will allow all departments to use the one shared and common database. Its products are fully integrated and it is a complete end-to-end solution that will be a solid foundation for future growth.

Summary of Evaluations:

Enclosed is Schedule "A" that outlines our evaluation of the products presented to us and why we feel J.D. Edwards has to be considered the Corporate solution.

Schedule "B" is our evaluation of the products as to how they would meet the requirements set out in the LMIH report. Again, J.D. Edwards is far ahead of the others.

J.D. Edwards – Additional Information:

According to the J.D. Edwards brochure, they believe collaboration is the next wave of business.

"When you collaborate, you share critical information, processes, and workflows with your citizens, employees, suppliers, and vendors, as well as other government entities. When your systems can't talk to other systems, you can't effectively collaborate. It's as simple as that."

Besides the usual financial software modules, J.D. Edwards has solutions for Procurement (Purchasing), Fixed Assets, Job Cost/Project Management, Inventory, Human Resources and Enterprise Asset Management. This firm is the only one that has the integrated solutions to the recommendations contained in the L.M.I.H. Report such as adopting an Activity Based Costing philosophy and methodology, acceleration of an Asset Management Program, acceleration of an Inventory tracking system, etc. J.D. Edwards do not have a Property Tax product but do have a link with the Vailtech product that is currently being used by our tax staff.

The J.D. Edwards product is known as an Enterprise Resource Planning (ERP) solution. There are many drivers encouraging municipalities to consider implementing an Enterprise Resource Planning (ERP) solution. An effective solution will integrate business functions across the organization through a single entity, being the ERP. Municipal restructuring and downloading has forced municipalities to review and change their business processes to do more for less, while still improving on the overall level of customer service provided. ERP's can provide the room for an organization to grow. They provide access to relevant and important data to many different workgroups, not just the originators or custodians of the information. ERP's can integrate the different data modules in a meaningful and value-added way. Municipalities need to have a means for effective asset management to ensure effective service delivery and then to report on this service delivery through performance measurements.

By providing access to integrated data sources, a municipality should see benefits such as operational effectiveness, integrated processes and improved planning that should result in financial payback or a return on the investment. Besides, our customers, the residents and business clients, expect their local government to operate as effectively

and efficiently as possible. We are expected to be a "smart" business, utilizing the technology and tools available to us to streamline our business and service delivery, thereby reducing the overall tax burden.

An enterprise system is one that is used by the corporation rather than just addressing a specific business unit or function. An enterprise system can be defined as a set of applications, data and business processes for the organization. There are different types of enterprise solutions, the most common are financial, geographic or spatial, electronic services and customer service. Enterprise solutions provide many benefits due to the wide reaching nature of the systems. These benefits include:

- Accessibility
- Flexibility
- Visibility
- Scalability

An effective enterprise solution can integrate business functions across the organization. Consider the budgeting task. Every department requires access to appropriate data, the need to prepare the data in the way that best suits their business function, then deliver the data back in a format to be consolidated.

Risks:

1. Any system that crosses all departmental boundaries becomes complex and cumbersome simply due to the different business areas involved in the project.
2. The business processes that are well entrenched likely need to be changed.
3. The need to have key decision-making staff available for duration of project implementation.
4. Acceptance of the changes – effective management and understanding of the value to the organization as a whole.
5. Commitment of staff, especially senior/executive level acceptance of learning curve and initial costs.
6. More complex technical environment.
7. Need to manage project "scope creep." Projects of this size tend to have functionality added during implementation causing costs and risks to increase.

Benefits:

1. Provides a foundation for providing "one-stop service" for customers.
2. Provides necessary information easily to whoever requires it, at the time it is required.
3. Standardizes processes.
4. Enabler for E-Commerce and E-Government.
5. Improves accountability.

-
6. Knowledge sharing.
 7. Provides a framework for growth.
 8. Enables the organization to become more customer-centric.

Key elements of success:

- ✓ Senior management leadership and commitment
- ✓ Willingness to pursue change
- ✓ Committed resources from the business areas
- ✓ Participants with a strong business knowledge
- ✓ Focus on major business processes and their management
- ✓ Minimizing automated interfaces
- ✓ Acknowledgment that implementation depends on extensive change management
- ✓ Acceptance of the requirement for process re-design as opposed to system modifications
- ✓ Training, training and training

An ERP solution cannot solve all the problems of an organization's data accessibility. It can, however, enable a municipality to become more customer-centric. By having important data integrated and accessible through different channels, staff are able to better serve customers and assess this service. ERP implementations can provide a framework for growth. The products are built to be enhanced and to be expanded. By having data and information accessible through a single entity, a readiness is created for the future of service delivery including portals and E-commerce.

Summary:

To properly implement the J.D. Edwards solution will require a significant investment of staff time. As part of the LMIH recommendations, the former IT Steering Committee is being re-established and overseeing this project could be one of its first responsibilities. This Steering Committee would set project goals and objectives, approve project strategy and monitor the project's progress.

J.D. Edwards and the Town Auditors both have recommended that the Town provide a full time Project Manager. This Project Manager would be responsible for the scheduling and implementation of what will be established as Phase I of the project. It will be necessary to backfill this person's regular position as the project is expected to take six (6) months with a target implementation of Phase I being January 1, 2003. Other staff will also have to be involved such as the Manager of Purchasing, the Supervisor of Payroll, the Senior Financial Analyst, and other Finance staff as well as IT staff for anywhere from 20% to 50% of their time and other backfilling may be necessary.

The entire project will be implemented in a phased manner, with Phase I starting in 2002 and implementation for January 1, 2003 and with Phases 2 and 3 starting in 2003 with implementation to be determined, as follows:

- Phase 1 - General Accounting, Accounts Payable, Accounts Receivable, Financial Reporting, Procurement (Purchasing), Inventory Management, Payroll
- Phase 2 - Budgeting, Job Costing, Fixed Assets, Work Orders, Equipment Plant Maintenance, Human Resources (subject to H.R. evaluation) (NOTE: J.D. Edwards has recommended that the Human Resources project be moved to Phase I in order to leverage synergies with the Payroll implementation and realize some implementation costs savings.)
- Phase 3 - Enterprise Asset Management (subject to PWES evaluation)

The cost to purchase the J.D. Edwards solution is considerably more than we anticipated; however, when compared to the costs to upgrade our current product with Cayenta to receive a much inferior solution, the cost is not unreasonable. We have estimated the cost for Phase 1 to be \$703,367 plus \$70,000 for new hardware, plus staff back-filling costs (\$25-\$50,000), plus a contingency of 10% for a total of \$880,000. The cost for Phase 2 is estimated to be \$225,000 and for Phase 3, the estimate is \$175,000. The Budget for Phase 1 is only \$250,000 and for Phases 2 and 3 is only \$135,000 for a total of \$385,000. It is suggested that since some of the products to be received from J.D. Edwards are not replacement products but are new to the Corporation, such as Purchasing and Asset Management, the balance of the funding be from the growth fund (lot levies).

BUDGET IMPACT:

This project exceeds the budget by a significant amount. However, if the Town is to develop a solution for today and tomorrow, it has to be prepared to invest in a product such as offered by J.D. Edwards.



Director of Finance/Treasurer



Director of Corporate Services

RKD:pm
attachment

copy: Councillor Ray Snow, Finance Liaison
Jim Carey, MBA, CMA, Deputy Treasurer
Chris Cruttwell, Supervisor of Accounting
Mike Mayes, Senior Financial Analyst
Susan Chase, Manager of IT

SCHEDULE "A"

| Requirements from RFP | J.D. Edwards | Vailtech | Cayenta/SFG | CompuPower | Vadim |
|--|--------------|------------|------------------------|------------|------------|
| | | | Did not respond to RFP | | |
| General - 12 | 12 | 12 | ? | 12 | 12 |
| Accounts payable - 27 | 27 | 25 | ? | 27 | 26 |
| General ledger - 27 | 27 | 26 | ? | 25 | 24 |
| Budget - 19 | 19 | 0 | ? | 18 | 19 |
| Cash receipt/ general receivables - 14 | 13 | 14 | ? | 14 | 14 |
| Payroll/human resources - 10 | 10 | 10 | ? | 10 | 10 |
| Accounts receivable - 18 | 18 | 18 | ? | 18 | 18 |
| Total - 127 | 126 | 105 | ? | 114 | 115 |
| Modules not required by Newmarket | | | | | |
| Taxation - 75 | 0 | 71 | ? | 65 | 67 |
| Water/sewer billing - 33 | 31 | 30 | ? | 32 | 31 |

| Selection criteria added during the process | J.D. Edwards | Vailtech | Cayenta/SFG | CompuPower | Vadim |
|---|---------------------------------------|---------------|----------------------------------|-----------------------------------|-------------------------|
| Clients | Vaughan, Ajax, Guelph, London, Sarnia | King Township | Richmond Hill, Markham, Oakville | Orangeville, Orillia, Parry Sound | Simcoe County, Kingston |
| Nearest office | Don Mills | Ottawa | Burnaby BC | Paris ON | Sault Ste. Marie |
| Database | Oracle | Oracle | Oracle | Microsoft SQL | Microsoft SQL |
| Modules: | | | | | |
| --Purchasing | Yes | Yes | Yes | Yes | Yes |
| --Budget | Yes | No | No | Yes | Yes |
| --Asset management | Yes | No | No | Yes | Yes |
| --Inventory | Yes | No | No | Yes | Yes |
| --Human resources | Yes | Yes | No | Yes | Yes |
| E-government capability | Yes | No | Yes | Yes | Yes |
| Integration of component modules | Excellent | Limited | Limited | Very good | Good |
| Interface with our existing software | With Class, Vailtech and Cityview | With Class | With Vailtech | With Class and Vailtech | With Class and Vailtech |
| Timely access to information | Excellent | Good | Poor | Very good | Good |
| Reporting capabilities | Excellent | Very good | Poor | Adequate | Good |
| Data import/export | Very easy | Poor | Requires a separate tool | Adequate | Adequate |

| Selection criteria added during the process | J.D. Edwards | Vailtech | Cayenta/SFG | CompuPower | Vadim |
|---|--|---|--------------------------------------|---|--|
| Software partnerships | Requires a tax program | Requires a budgeting module | Requires a budgeting module | Uses Microsoft Great Plains and Excel | Requires Crystal Reports and a Magic Licence |
| Program structure | "Off the shelf" product but is very customizable | Requires customization | Update of existing program | Almost an "off the shelf" product | Requires customization |
| Support | 24/7 | Adequate | Bad experience | 24/7 | 12 hours/day |
| Presentation | Good | Good | Poor | Good | Poor |
| Municipal knowledge | Good | Adequate | Adequate | Excellent | Poor |
| Overall impression | Far superior to the other products | Their commitment to the future is not clear | Same functionality with a new window | Has some questionable marketing practices | Probably the choice for smaller towns |

| Cost | J.D. Edwards | Vailtech | Cayenta/SFG | CompuPower | Vadim |
|-------------------------|------------------|------------------|------------------|------------------|------------------|
| Software | \$175,777 | \$78,000 | \$425,000 | \$200,050 | \$174,000 |
| Equipment | | | | | \$7,500 |
| Installation | \$527,590 | \$158,000 | \$75,000 | \$63,100 | \$159,200 |
| Total investment | \$703,367 | \$228,000 | \$500,000 | \$263,150 | \$335,700 |
| Annual fees | \$39,550 | \$23,460 | \$41,232 | \$8,475 | \$29,160 |

For price comparison purposes, similar packages are being compared – financial, budgeting, accounts payable and receivable, purchasing, excluding taxation, water/sewer billing, and asset management – with the following exceptions:

- Cayenta/SFG pricing does not include a purchasing module. One is available but the cost is not known.
- J.D. Edwards pricing does not include conversion costs.
- Vailtech conversion costs have been estimated.
- Cayenta/SFG is our current system and does not require conversion.
- CompuPower and Vadim have conversions costs included in their pricing

SCHEDULE "B"

| LMIH recommendations | J.D. Edwards | Vailtech | Cayenta/SFG | CompuPower | Vadim |
|---|--------------|----------|-------------|------------|-------|
| IM19ii - assist HR in monitoring to ensure annual staff performance reviews | Yes | Yes | No | No | No |
| CS1vi - support a centralized Customer Service Centre | Yes | No | No | Yes | No |
| CS4ii - Performance Management Program | Yes | Yes | No | No | No |
| I17i - Activity Based Costing (ABC) | Yes | No | No | No | No |
| I19j - Maintenance Management System | Yes | No | No | Yes | Yes |
| I21i - Asset Management Program | Yes | No | No | Yes | Yes |
| I21ii - inventory tracking system | Yes | No | No | Yes | Yes |
| CS3vi - Oracle database | Yes | Yes | Yes | No | No |

| LMIH recommendations | J.D. Edwards | Vailtech | Cayenta/SFG | CompuPower | Vadim |
|--|----------------------------|-----------------|--------------------|-------------------|--------------|
| SS7i - Shared information | One database | Limited | Limited | One database | Limited |
| CS3v - Cityview implementation | Interfaces | | | | |
| I5ii - fleet maintenance | Yes | No | No | No | No |
| SS8j - computerized purchasing system | Yes | Yes | Yes | Yes | Yes |
| SS8ii - computerized inventory system | Yes | No | No | Yes | Yes |
| CS1i - support a centralized payment/purchase function | Yes | No | No | Yes | No |
| CS5viii - all town applications/forms in electronic format | Can interface with program | | | | |