OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: February 2, 2007   **IBA Report Number:** 07-23

City Council Docket Date: February 5, 2007

Item Number: 201

Subject: Enterprise Resource Planning Core System Project

OVERVIEW

The City Council is being requested to approve the conceptual plan for the Enterprise Resource Planning (ERP) Core System Project. The ERP Project is proposed to replace the major software systems currently in use by the City's Department of Finance and Business and Support Services. "Core" refers to the initial implementation of ERP system capabilities, and additional ERP projects are likely to follow. Total project costs are currently estimated at $36.5 million, and it is anticipated that the City will pursue multi-year financing of up to $29.5 million. The Core project is expected to take two years to fully implement.

FISCAL/POLICY DISCUSSION

The ERP project is the largest City information technology project ever undertaken, and is proposed to enable responsible financial management and improve overall City efficiency. It is designed to meet the objectives of the City's remediation efforts, and is expected to establish the City's information technology architecture for the next 15 years and beyond, and lead to a long-term reduction in information technology costs.

On January 5, 2007, the San Diego Data Processing Corporation (SDDPC) issued a Request for Proposal (RFP) for the software vendor, and the City's Debt Management Department issued a financing RFP for possible multi-year financing for the bulk of the ERP project costs.

The City Council is now being requested to approve this plan "in concept". The City Council is being requested to provide its support at this time before the City or the San Diego Data Processing Corporation (SDDPC) makes a significant investment in the project. Following this action, the selected software vendor and the systems integrator contracts are expected to be awarded by SDDPC in the months ahead, representing approximately 80% of the project's total costs, and would not need further City Council action. However, it is anticipated that funding requests or proposals to initiate a multi-year financing will require additional actions by the City Council.

Requests to approve items "in concept" may lead some to believe that future actions would be requested or required at a later date, once more specific information is available and provided. In this case, however, the plan is designed so that the City Council will have no additional requirements to be involved in or act upon the selection of the software vendor or system integrator, or to impact the plan, except for the financing element. While this may accelerate or simplify the process for those involved, the IBA recommends additional City Council involvement and opportunities for public review at critical steps, especially given the importance and magnitude of this project to the City and in its efforts to regain public trust in its processes, procedures, and financial controls, of which this project will contribute significantly.

CONCLUSION

The IBA fully supports efforts to replace the City's aging software and computer systems with a single integrated environment designed to increase overall City efficiency. The IBA recommends that periodic reports be provided to the City Council as major steps are taken or as milestones are achieved for the ERP project. In addition, it is recommended that a comprehensive update on the Request for Proposal (RFP) process, including information related to proposals received, be provided at the time the proposed financing plan is submitted to the City Council for review and approval.

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Elaine DuVal   APPROVED: Andrea Tevlin
Fiscal & Policy Analyst   Independent Budget Analyst