City of Long Beach
Working Together to Serve

Memorandum

Date: February 25, 2015

To: Patrick H. West, City Manager

From: John Gross, Director of Financial Management
Chris Wilding, Interim Director of Technology and Innovation

For: Mayor and Members of the City Council

Subject: **Enterprise Resource Planning (ERP) System Update**

An update on the City's ERP System Project, which is essentially all the Financial and Human Resources (HR) systems, was requested by the City Council at its February 17, 2015 meeting. In summary, the ERP system project is well underway, on budget, and it currently is, and will remain, a top priority with a substantial use of internal resources. The objective is to select, design and implement replacements for all the City's main financial and HR systems with a closely integrated, modern set of systems. These existing systems, critical to business operations of the City, are based on antiquated mainframe technology from the 1970s that are at risk from not being able to be maintained and supported in the future - effectively they are at end of life.

This is a joint project managed by Departments of Technology and Innovation, Human Resources, Financial Management, Water, and Harbor; however, the project involves all departments. The new systems will give the City capabilities in this area well beyond what we currently have, including more open government access and more online access capabilities.

The ERP system was authorized and funded by the City Council in 2014 and is by far the largest system replacement project the City has done. The budgeted cost is $30 million. Enterprise funds and other City funds are being used to leverage General Fund (GF) costs on a 2 to 1 basis. As a result, the GF investment is only $10 million for a $30 million system.

Much effort has already been put into the ERP system project. We have spent a year with many City staff, including help from an expert consultant team reviewing systems and system needs. An RFP was developed and released with about 4,000 specifications covering 20 subsystems. Ten vendors responded to the RFP at the end of 2014. The City is currently reviewing the RFP responses, with detailed software demonstrations scheduled over the next several weeks, and will then do site visits of the top systems to see them in use and to talk with users.

Based on the information we have received so far from the vendors during the RFP process, we believe the project can be completed within the budgeted amount.

Because we are one of the largest cities in the country and will be putting in very complex systems, implementation is expected to take two to three years. During the implementation phase of the project, the City will design processes for the new systems, train staff, and make the systems operational. We expect the implementation phase to require an even greater demand of internal resources (staff time) than that now being used. Because of the importance of the ERP systems to City operations, and the current systems' antiquated status, the project is critical and needs to remain a very high priority.

Staff expects to recommend a vendor to the City Council by the end of the summer. Staff will prepare a detailed report for the City Council's consideration, which will discuss the rationale for the selection of the recommended vendor, provide additional information about the new ERP systems being proposed, and more detail regarding the implementation approach and timeline.

JG:JM
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