

Building Municipal Collaboration

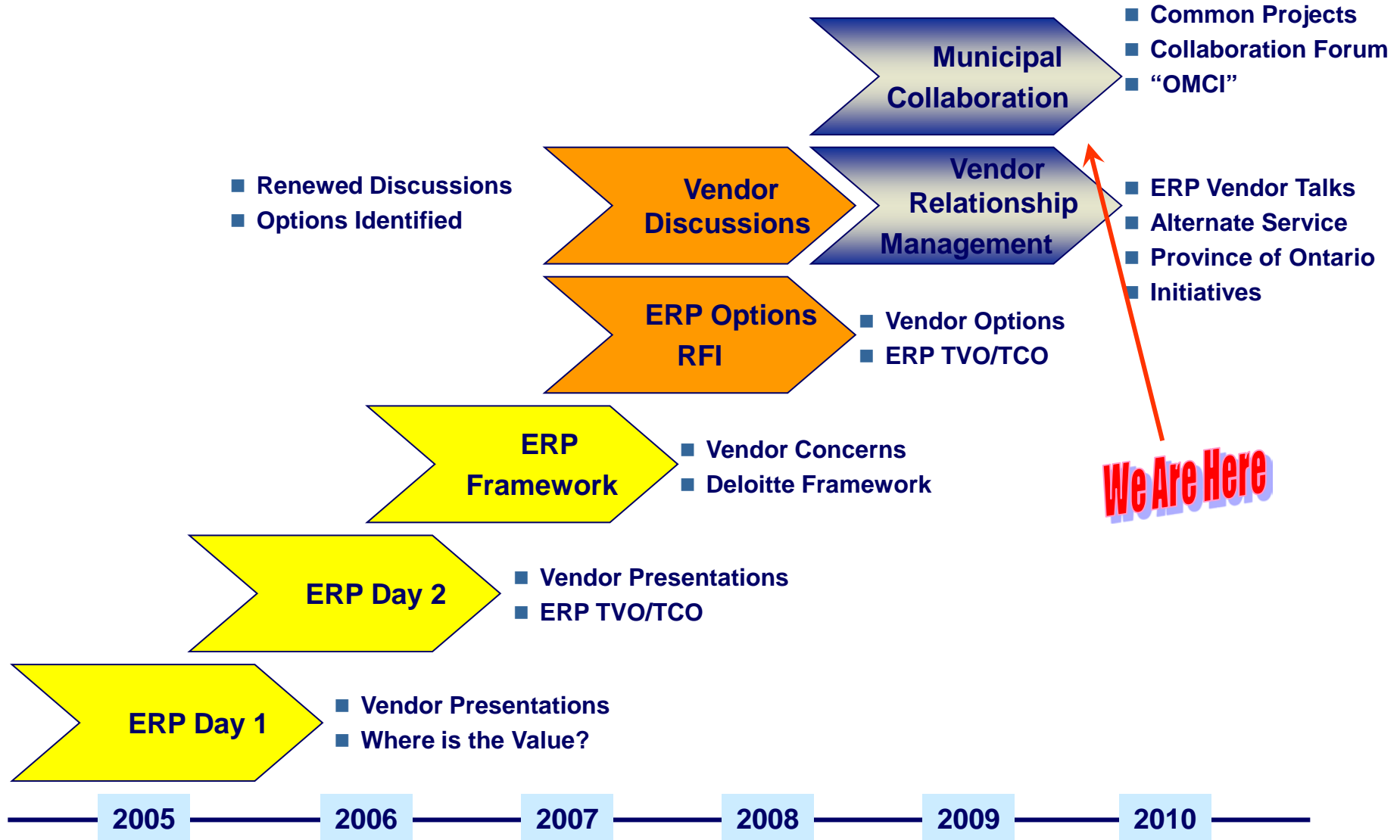
ERP Roadmap Update

MISA 2010 Conference
Niagara Falls, Ontario
Hilton Hotel, Great Lakes Room – Superior
Wednesday, June 16th 10:30-12:00

Agenda

- ERP Roadmap Journey
 - Activities and Accomplishments
- Project Update: 3rd-party ERP Support Feasibility Study
- Moving Forward – Developing Collaboration
 - Building on the MISA Strategy
- Open Discussion
- Next Steps

The ERP Roadmap Journey



The Need for Change – Beginning the Journey

- Application support costs and maintenance fees make up for majority of the TCO Costs and are forecasted to increase over the next 5 years
 - Overall, no direct correlation between thresholds (budget/ employee) and the license or maintenance fees
 - The lowest/highest fee structures are not necessarily by smallest/largest municipality
 - Municipalities are paying for On-shelf Modules with no annual benefits in return
- Original ERP expectations have not generally been realized
 - Primary concerns were to mitigate Y2K risks and de-commission legacy systems
 - CIO's often challenged to justify ever-increasing TCO of ERP.

* (Taken from the TCO Findings of the Developing an ERP Roadmap for Municipalities Report)

Engaging the Vendors – 11 Item Action Plan

Map maintenance levels to market realities:

1. Develop an Industry based Pricing Model for License and Maintenance contracts
2. Develop a Bulk Purchase Model for software products
3. Develop a Shared service delivery model for municipalities to evaluate
4. Develop a framework to allow License exchange – module for module
5. Develop a framework to direct a portion of maintenance to develop required features and products
6. Develop a framework to drop unused modules to reduce maintenance costs
7. Develop a framework to reinstate products that had been dropped from maintenance

Engaging the Vendors - 11 Item Action Plan

Develop mechanisms for building value:

8. Increase training options for Canadian clients
9. Develop implementation tools/scripts to reduce delivery time for modules and functions
 - Pre-built configuration examples
 - Scripted configuration for basic implementations of functions and workflows
10. Develop extended solutions along business processes
 - Work with clients to design solutions to common problems (e.g. PSAB)
 - Leverage core and partner systems to build integrated processes
11. Establish a collaboration environment for exchange of customizations, knowledge
 - Open forum to trade customizations, reports and bolt-on's
 - Non-supported, but adopted functions licensed for all

3rd-Party Maintenance Feasibility Study

- Objective:
 - Analyze options for employing 3rd-party services for ERP application support
 - Identify potential risks and opportunities
 - Demonstrate feasibility to freeze existing version
 - Assess cost savings to finance future investment in alternate product and/or service delivery model
- Summary of Findings:
 - The risks associated with pursuing the use of a 3rd party to provide PeopleSoft, or other ERP, maintenance and support are considered high.
 - Vulnerability of 3rd party support vendors to legal action from the ERP vendors
 - As demonstrated by the recent law suit filed by Oracle against Rimini Street
 - The financial benefits from this approach do not seem to be of sufficient magnitude to outweigh that risk
 - Supported by TCO Cost Model developed using York Region data

Change the Value Equation by Reducing the Value Gap.

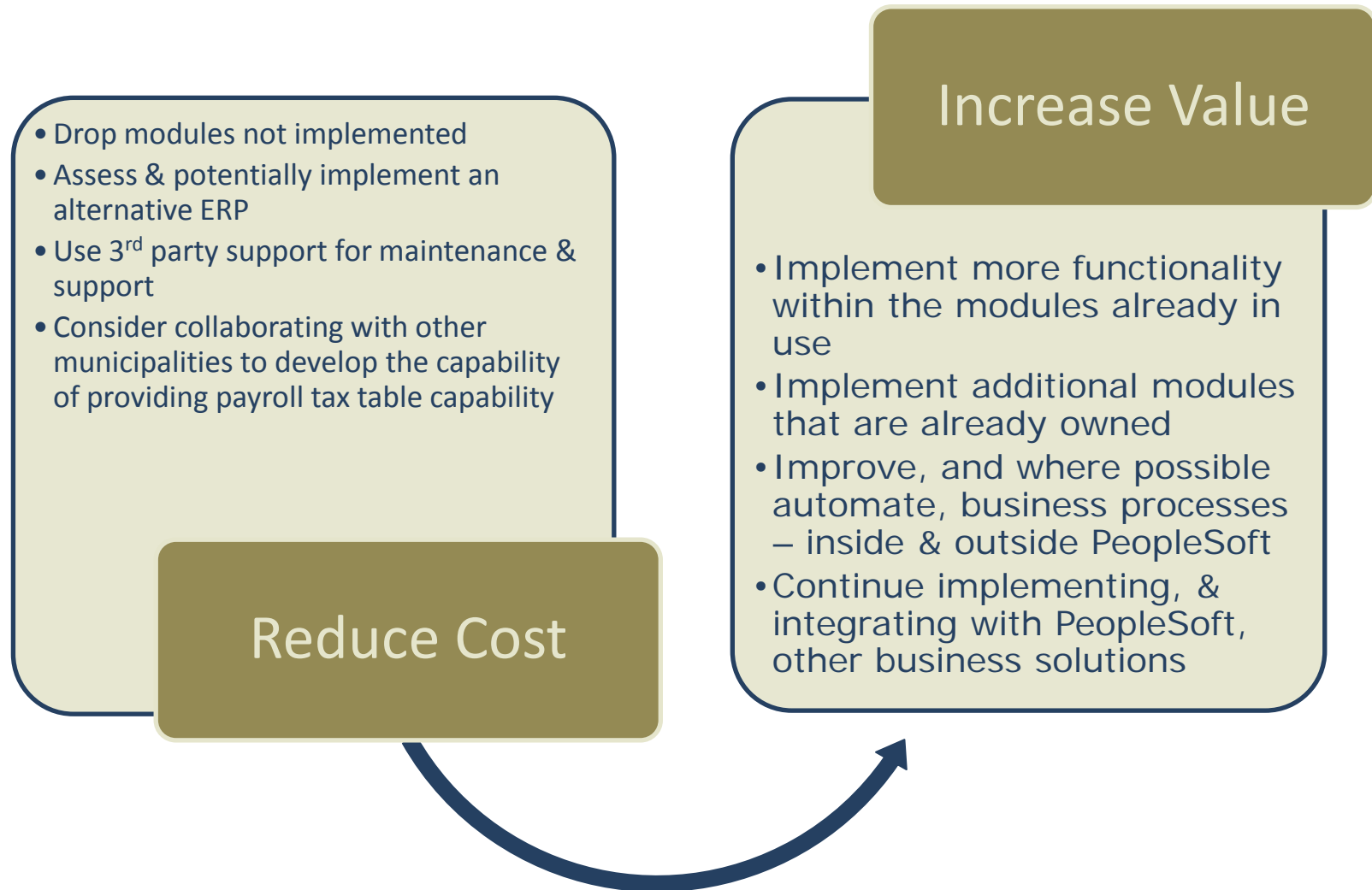


Therefore there are 2 paths to improving the net value:

- 1.Reduce the cost
- 2.Increase the business value

* Please note that no attempt was made during the course of this project to quantify the business value currently being received. The focus was on how the options under consideration might have an impact on Net Value.

Reduce Costs and Increase Value



Your Current PeopleSoft Contracts Should Allow You to Drop Unused Modules from Maintenance.

- We have reviewed the current PeopleSoft contracts and can find no reference to disallowing the dropping of modules from maintenance
- In your discussions with Oracle to-date, they may have implied that this is not possible by talking about having to repurchase the modules and pay back maintenance
- If you clearly do not intend to implement any of the modules that you bought but haven't implemented within the near term, then this does not apply and would be an excellent cost saving measure
- We are aware of at least one government body that has dropped modules from their maintenance schedule in the past
- Our layman's analysis of the contract should not be acted upon without taking legal advice from a contract lawyer
- If it is not clear whether you can legally remove modules from the maintenance schedule consider legal arbitration
- If it is discovered that you cannot legally remove modules from the maintenance schedule then you will need to negotiate with Oracle

Local, Regional, or National Oracle Representatives Do Not Have the Power to Alter Maintenance and Support Costs.

- Experience of other Oracle clients has shown that local, or even Canadian national representatives from Oracle can reduce the cost of initial software license costs, but do not have the authority to change the equation used to calculate maintenance & support costs.
- This was confirmed in recent meetings between York and other municipalities with Oracle representatives. The message from Oracle during those meetings was that existing contracts could only be opened for negotiation when extensions to the client's Oracle software portfolio was being discussed.
- Maintenance & support revenues are Oracle's holy grail and changes can only be sanctioned at the very highest level of the Oracle organization.

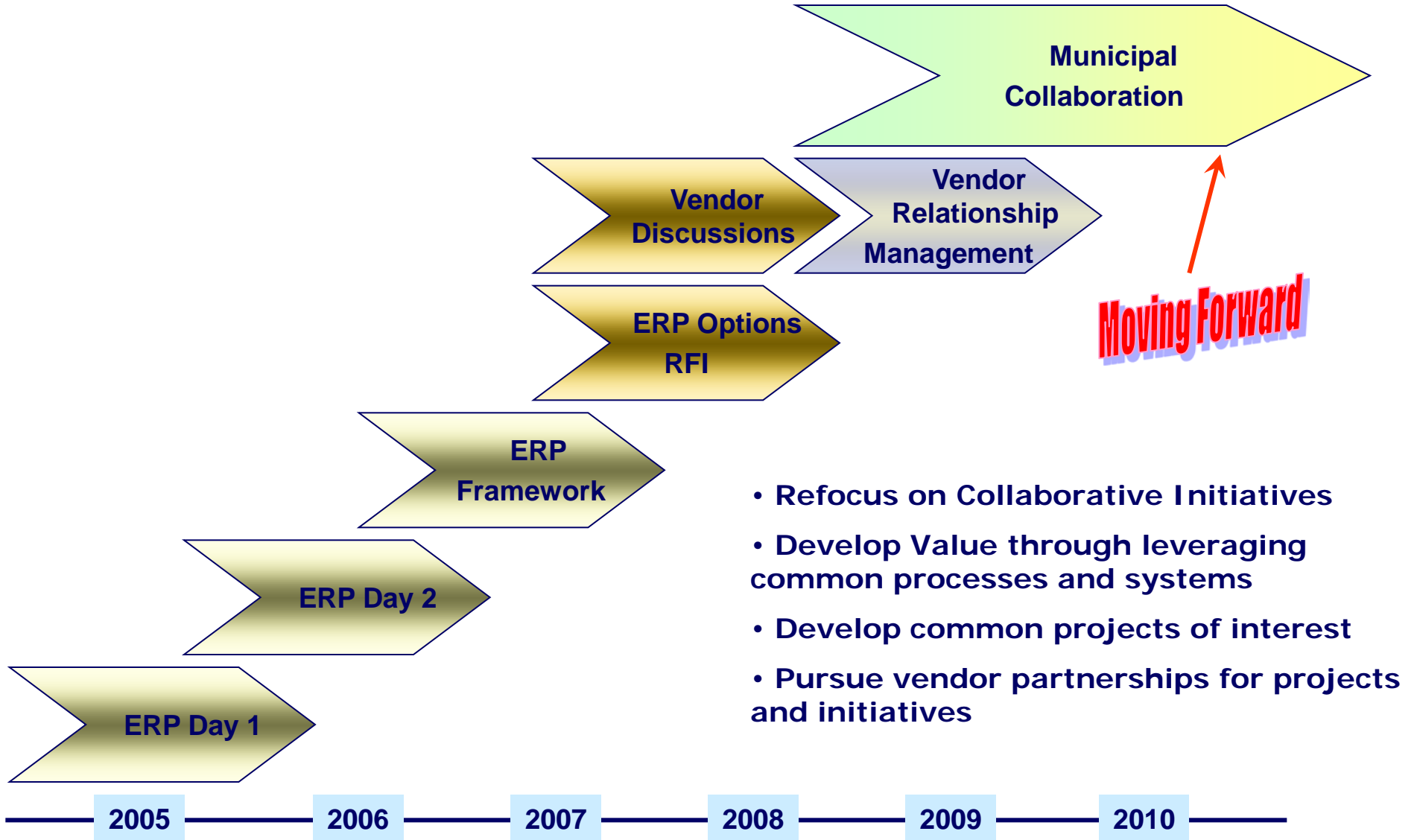
Seriously Assess Other ERP Solutions that May Be More in Line With your Business Complexity and Cost Criteria.

- It should be noted that, over recent years, Tier 2 ERPs, such as Microsoft's Dynamics Navision & AX systems, Agresso, and J.D. Edwards have made progress in closing the functionality gap between their products and those of other Tier 1 systems such as PeopleSoft.
- Furthermore SAP is said to be intending to release a pre-configured municipality targeted solution in the near future.
- Kingston is in the process of evaluating alternative ERP, Fleet, Tax Roll & other systems, results due February 2010, and we would suggest that, although they are different in size to York, you collaborate with them with a view to making use of their analysis.
- Other municipalities in the area either have chosen to or are considering going to an alternative ERP solution. Collaborate with these organizations to assess whether this is an good option.
- Consider best-of-breed solutions. For example retain PeopleSoft HR/Payroll but look at replacing the Financial systems with an alternative.

ERP Roadmap Taskforce Accomplishments

- Deloitte Study: Developing and ERP Roadmap for Municipalities
 - Report and Executive Summary for ERP Investments
 - Decision Tools: Total Cost Assessment; Value Assessment; Strategic Option Assessment
- RFI for Common Business Systems
 - Evaluated key product offerings for 26 Business Application areas
- Survey of Municipalities – 3 year IT Programs
 - Inventory of IT project portfolios for 3 year outlook
 - Identified potential areas of collaboration
- 3rd-Party ERP Maintenance Feasibility Study
 - Evaluated the viability and risks associated with 3rd-party offerings
 - Decision Tool: Total Cost Assessment for ERP Strategic Options

Moving Forward: Developing Collaboration



Moving Forward: Developing Collaboration

- ERP Roadmap Taskforce has enabled municipalities to take a fresh look at their IT investments
 - Developed tools for comparing and evaluating costs
 - Investigated product options in the municipal space
 - Evaluating strategic options for enterprise applications
 - Assessed the risks and costs of alternatives
 - Identified common IT priorities and projects
- Key accomplishment has been to demonstrate the need and willingness for municipalities to collaborate on common interests

Common Collaborative Initiatives

- Key Municipal Initiatives for potential collaboration:
 1. Enterprise Architecture
 2. Asset Management
 3. Disaster Recovery/Business Continuity
 4. Content Management/Information Management
 5. Financial Capital Management
 6. Human Capital Management
 7. Reporting/Business Intelligence
 8. Security/Privacy

Building on the MISA Strategy

- Collaboration opportunities extend beyond the scope of the ERP Taskforce
 - To develop effectively, the push for collaboration must be led from the MISA organization
- The new MISA Strategic Plan already contains the key elements for developing collaboration:
 - Focused leadership – the creation of a full-time Executive Director
 - Active Projects – call for projects in 2010
 - Forum for Members – building communities of interest

“Ontario Municipal Collaboration Initiative”

- Similar to OMBI; Focused on Collaboration
- Imagine the Possibilities of OMCI for municipalities
 1. A ‘Purchasing Co-operative’ to maximize incentives and benefits.
 2. Shared or ‘templated’ configuration and implementation
 3. Standard volume discounts on software
 4. Simple Hosting Service to peer organizations
 5. Hosted and Managed services
- Evolution toward an OMCI:
 - Initiate among 2-3 municipal partners
 - Expand scope over time as a full service offering of MISA through OMCI

Open Discussion

- How can MISA build on what the ERP Taskforce has begun?
- What resources will MISA need to build effective collaboration?
 - People
 - Technology
 - Partners/Vendors
- How can we engage our members effectively?

Next Steps

- Engage the MISA Board to take on the collaboration initiative
- Develop an ERP Community of Interest
- Ad Hoc Activities for ERP Taskforce:
 - Continue to exchange information on products and projects
 - Provide support during procurement and vendor negotiations
 - Continue to lobby vendors for changes in license and support models
 - Continue to explore shared service opportunities