

Awards for Excellence in Government Finance

Title of Entry: Enterprise Business Solution for the City of Portland, Oregon

Category (Select only one): Subcategory (Select only one):

- Accounting, Auditing, and Financial Reporting Policies and Procedures
- Budgeting and Financial Planning Management and Policy Studies
- Cash Management and Investing Communications and Reporting
- Capital Financing and Debt Administration Training and Technical Guides
- Economic Development Other
- E-Government and Technology
- ERP and Financial Systems
- Management and Service Delivery
- Pensions and Benefits

Name of government submitting entry: City of Portland, Oregon

Population served ~560,000 within city and ~2million in metropolitan area__

Number of employees 7,000_____

Name of person submitting entry: Jennifer Sims

Title of person submitting entry: Chief Financial Officer, City of Portland, Oregon

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If the person submitting the entry is not an active member of GFOA, an active member must sponsor the entry.

If applicable, provide sponsor information below.

Name of sponsor: _____

Title: _____

Government: _____ Telephone: _____

Mailing address: _____

Awards for Excellence in Government Finance

2009 APPLICATION

Government Finance Officers Association

Please provide simple and direct answers to each of the questions below. If necessary, use additional pages.

A Local Significance and Value (Background)

1. Please give a brief general description of the project or program being submitted.

The City of Portland, Oregon has a distinguished reputation and track record as a national leader and innovator for government financial management effectiveness and efficiency. This type of leadership led the City to embark on one of the most progressive modernization efforts the City has ever seen with a project (i.e. Enterprise Business Solution) focused on replacing aged and out of date computer systems that support the financial, procurement and human resources functions responsible for paying 7,000 employees and managing a \$3B capital and operating budget. In some cases functions have never been fully automated.

The City begins 2009 having accomplished a very significant milestone. Phase One of the City's two phase ERP implementation went live on November 26th, 2008. Financial and procurement business operations city-wide (26 Bureaus operating in over 75 locations across 145 square miles by approximately 7,000 employees serving a population of 560,000 the metro area) began operating on a new, SAP environment.

Mission

The mission of the Enterprise Business System (EBS) project is to implement an Enterprise Resource Planning (ERP) software solution using SAP software, to incorporate citywide, standardized, business processes, and to create a single repository and source for data. This ERP software solution will provide best business practice functionality to eliminate current stand-alone systems for the implemented functional areas.

2. Describe the local events and/or problems that led to the undertaking of this project/program.

Portland recognized the need to replace its financial, procurement and human resource/payroll systems because of the following factors:

- Legacy systems were over 18 years old and unable to keep up with the City's information needs;
- More than 300 "shadow" systems had been developed to meet needs not provided by the core legacy applications;
- Portland's leadership focus on improving operations efficiency and effectiveness was limited by the old systems technology limits (e.g. true e-procurement was simply not possible with the legacy systems);
- Because the legacy system was not integrated, many of the City's business processes were paper intensive and manually intensive.
- Dated functionality made reporting and analysis difficult and time consuming
- There was no single repository or source for key financial and human resources data

3. Describe the role the finance office/finance officers played in this project/program.

Success for Portland's Enterprise Business Solution (EBS) started with and was centered on very active leadership of the City's finance office and finance officers (Chief Administrative Officer, Chief Financial Officer and City Controller).

Specific roles played by the City's key finance officers (aka "Executive Team") included the following:

- Chief Administrative Officer, Ken Rust. Ken serves as the executive sponsor for the City's SAP Program. As the sponsor, Ken performed the following roles:
 - Program Executive for City Council/Mayor.

- o Chair, Executive Steering Committee.
- Chief Financial Officer, Jennifer Sims
 - o SAP Project Sponsor. Jennifer assumed overall accountability for the successful delivery of the EBS project. She led and met with the City/SAP project management team on a weekly basis, attended team lead meetings and communicated with all City Bureaus as the City's lead executive for the project.
 - o Chair, Project Advisory Committee. Jennifer chaired this critical group of business process owners to ensure that all EBS designs fully met the City's business needs – and most importantly – positioned the City to make strong improvements in terms of effectiveness and efficiency.
- City Controller, Marty Scott
 - o Financial Team Lead. Marty assumed primary and day-to-day responsibility for leading the financial team of approximately 20 professionals. She also was the overall architect for the design of the new financial and procurement solution making sure it advanced the City's operations in finance and procurement.

Their leadership manifested itself in the following ways:

- a) **Unprecedented Consensus and Stakeholder Building.** Replacing the City's entire administrative systems infrastructure was one of the most complex undertakings to date. Portland's operational complexity rivals conglomerates often seen in the 1970's; 7,000 employees work within 26 Bureaus (each with separate core missions), in over 75 locations across 145 square miles serving over 560,000 constituents – all managed and operated by a very unique, commission form of government.

Under the commission structure, the mayor and four commissioners serve as both the City's legislative body and as bureau administrators. The mayor holds the power to assign bureau responsibilities. Commissioners assume day to day management for those assigned. The dual legislative and administrative roles and fragmented management create operational silos and unique challenges to establishing consistent business practices.

The EBS Executive team (comprised of the CAO and CFO) understood the magnitude of business process and technology change facing the City would require ground-breaking consensus and stakeholder building. The team's response was to spearhead a governance model that managed consensus and stakeholder building at the following levels:

- City Council. The CAO established frequent briefings with each of the Commissioners to make sure they were well briefed and had an opportunity to provide input on key decisions as appropriate. This deliberate focus ensured strong, visible executive support from the highest levels of the City which set a critically needed tone of strong support required to get City employees to embrace change.
- Bureau Directors. The CFO and CAO established an Executive Committee comprised of the Bureau Directors in order to make sure they were on-board and supportive of business process changes and were supportive of using the ERP project as an opportunity to bring more efficiency and effectiveness to the City's business operations. Most importantly, the CAO/CFO challenged the Directors to consider and support business changes that were more standardized and had the best interest of the City as a whole in mind.
- Business Process Owners. The CFO convened a special group of business professionals from across the bureaus and met with them on a bi-weekly basis to make sure that the ERP design decisions were practical and adoptable in the Bureaus (i.e. we needed to confirm that Bureaus could "do their business").

The end result of this governance model was effective consensus and stakeholder management because careful focus and attention was made at varying levels of business leadership within the City of Portland.

- b) **Business-Driven Focus.** The Executive Team has a vision to make Portland City Hall one of the most effective and responsive governments in the United States. To support and help facilitate accomplishing this vision, the Executive Team understood from the beginning that EBS needed to maintain a business-driven focus. Where Portland distinguishes itself is its consistent and persistent focus on keeping the City's business objectives visible and relevant. Once business objectives were established, the CFO initiated communications with Bureau Directors sharing the progress and promise that EBS will deliver for City operations. The results to date have been impressive and SAP recently named the EBS Project Team as "Project Team of the Quarter" from all projects in the United States across all industries because of Portland's results to date.
- c) **Proactive Risk Management.** Highly successful project deliveries of the scale and complexity of Portland requires world-class leadership that can proactively anticipate and mitigate risk. The Executive Team not only kept a "top 10" risk list active at all times, they also took an active role in making sure all critical risks were mitigated well in advance.
- d) **Assembling the Right Team.** Perhaps the hallmark of the CAO and CFO's leadership was exhibited by the high quality team they assembled for the project. They understood that this team would be defining how the City would operate its administrative business functions for the next 15-20 years. They insisted on (and received) the very best talent from the City staff and the project consultant SAP. Both teams (City and SAP) were individually interviewed to confirm skill sets and project fit. Additionally, a full 8% of the workforce of the Technology, Financial Services and Human Resources Bureaus was placed on the team.
- e) **Clear and focused team structure.** In pulling together dozens of people, both consultants and City staff, it was important that reporting relationships were clear and accountability for work was set. The project structure provided 4 teams collaborating to ensure the success of Phase One. Each team had a consultant and City lead paired to coordinate work. The fast pace of the project required good communication which was facilitated by the team structure.
- f) **Emphasis on Change Management.** The City's form of government and organizational culture called for extra effort in supporting bureaus throughout the implementation. The Change Management Team assisted bureaus at every step through bureau readiness plans and intensive outreach and communications. Five project Change Captains worked with 26 bureau Change Agents to prepare for and execute the changes brought with the new system. A myriad of support tools were employed after go-live to aid bureaus as they adapted to the many business process changes implemented.

4. How much time did each participant devote to this program/project? Were outside consultants engaged?

Portland's overall commitment was extensive and far-reaching. Below are the key participants and their respective time commitments to the EBS Project:

- **Executive Team**
 - CAO, Ken Rust – 16 hours each month for 2+ years
 - CFO, Jennifer Sims – 40 hours per week for 12 months
 - City Controller, Marty Scott – 40+ hours per week for 2+ years
- **Executive Steering Committee** (Directors of Bureaus) – 4 hours per month for 2 years
- **Project Advisory Committee** (Business Process Owners) – 12 hours per month for 12 months
- **Project Team** – 40+ hours per week for 2+ years (approximately 70 project team members)
- **Implementation Consulting** – 40 hours per week for 2 years (25-50 personnel)

B Technical Significance

1. What financial concepts, standards, or techniques are displayed or advanced by this entry? Why is this important to the public finance profession?

Portland's Executive Team believes there are multiple financial concepts, standards and techniques that have been advanced through the City's EBS initiative. For example,

- a) Improved Revenue Recognition and enhanced revenue data. The EBS project facilitated revenues being recorded when billed (legacy system didn't record until receipt) so Bureaus are now working in accordance with Generally Accepted Accounting Principles (GAAP) and are recognizing revenue faster. Furthermore, EBS allows more receivable information to be entered so the City has much greater insight in the receipt of funds.
- b) Improved Collections Rate. Past due amounts are now available in a single system. This improves the City's ability to follow-up on past due accounts, review status of customers across bureaus and refer them to collections in a more timely manner.
- c) Automated procurement controls. City leadership used the EBS project opportunity to institute and implement increased contract compliance. This heightened focus tightened controls and allowed the City to identify and address approximately 160 contracts that did not meet the SAP purchasing control requirements.
- d) Segregation of Duties. Appropriate role mapping for generation of transactions and execution of approvals has ensured that duties are segregated to prevent fraud and misuse of public funds.
- e) Automated interest allocations. The EBS features automated interest allocations and electronic bank statements with an automated matching of deposits to the statement.
- f) Financial reporting based on monthly reporting periods instead of 13 non-standard reporting periods. Managers can now integrate their monthly performance measures with their financial reports.
- g) "Real-Time" Funds Management. EBS now provides access to real-time budget information. Before EBS, budget decision-making was challenging because of the lag time between purchasing decisions and when the funds are shown as encumbered. Providing access to real-time budget information allows decision-makers to eliminate internal tracking systems and spend more time on direct services.
- h) Fixed Asset Management. Portland's infrastructure is now easier to manage because the integrated system replaced the separate database.

C Transferability

1. How can this project/program be adapted for use by other organizations? Who else might benefit by its adoption?

Portland has already taken the initiative to network and share key tenets of the EBS program with other local governments that could benefit from Portland's progress to date. For example, the City of San Diego, California has already adopted major aspects of Portland's governance model as they work to complete their ERP initiative.

In addition to sharing the governance model for managing success, the following are also elements and concepts of the EBS ERP initiative that could be adapted and used by other organizations:

- **Value Realization.** Where most ERP initiatives fall short is a primary focus on schedule and budget. While these are extremely important, Portland also placed focus on identifying and accomplishing objectives that deliver tangible value to the organization.
- **Team Structure and Organization.** Portland established a well-defined, well structured organization for the implementation and for post-production support. Key team organization is certainly something that can be leveraged by other like organizations proceeding with an ERP initiative.
- **Methodology and Approach.** ERP products and vendors have methodologies for implementing software. However, Portland tailored their approach to carefully consider comprehensive integration testing and infrastructure testing that can be leveraged and shared with other like organizations (e.g. key financial concept testing). Additionally, Portland understands how to best stagger implementation of an ERP to mitigate risk (e.g. financials and procurement first along with the required interim integration required to make this work well).
- **Change Management.** Portland's focus on change management has been a critical success factor. The City's enlistment of "change captains" has helped ensure that Bureaus are truly informed and being "brought along" effectively for rapid adoption.

- Training and Support. Portland established a repeatable approach for training Bureau staff and then supporting them through the stabilization effort. Other like organizations can clearly benefit from the City's experiences in this area.

Would significant modifications be required for implementation?

Each government environment, while similar, is also quite unique. The concepts identified above would need to be tailored for each environment. However, the concepts above are mature enough to provide a very solid foundation for these organizations as they complete their ERP initiatives.

D Documentation

1. What documentation describes the entry (e.g., reports, forms, memoranda, software, audio-visual materials, etc.)? All materials must be provided, preferably in electronic format.

The following documentation has been provided to help provide a sampling of key documents developed during Portland's EBS Project:

- Bureau Communications. We've added memorandums provided to Bureau Directors in order to provide a sense of the communication that has occurred with and among the City's leadership
- Project Charter. While only one of the major deliverables, this document defines the project, scope, schedule and overall mission.

E Cost/Benefit

1. Quantify the total resources (money and time) devoted to this project/program and identify the value added (tangible and/or intangible) as a result of its undertaking.

Because Phase One has been live for only two months as of this writing, quantifiable benefits are still being assessed. Some the readily identified value added points include:

- Contracts Controls – prevented expenditures against 160 invalid contracts
- Purchase orders no longer done via paper
- Purchase documentation stored electronically, saving paper, storage space and retrieval time
- Retirement of 10 shadow systems for maintenance and elimination of reconciliation processes
- Single point of vendor information
- Purchasing card detail available on-line

See the attached letter dated November 4, 2008 to City Bureau Directors for much more information the benefits derived from this phase of the implementation.

The total project budget for both phases including all initial planning studies, software, hardware, consulting services, office space, overhead and backfilled City staff is \$48.15 million. Due to the overlapping work of the two phases, the cost of each phase has not been broken out.

Initial planning began in 2004 and software selection activities were conducted in 2005 and 2006. Kick-off for implementation was December 4, 2006. Phase Two is scheduled to go live on April 1, 2009.

The project staff ranged from 100 to 145 FTE over the course of the project with an average ratio of two City employees to one consultant.

One of the unexpected intangible results of this effort is the sense of pride and accomplishment among all participants in achieving a successful go-live. As previously noted, the City's silo structure and fragmented management has made a citywide undertaking of this magnitude especially demanding and difficult. Staff across the 26 bureaus have proven to themselves and the elected

officials that we really can work as one united team and achieve something that will benefit the public for many years.

F Complexity

1. Describe the complexity of the project/program. How much training and technical skill is required for employees to make use of this solution?

While ERP implementations are very complex, Portland has realized tremendous success to date in large part because the EBS leadership understood their complexities and established strategies for handling each of these areas.

Training and technical skills are required for any new solution. Portland began the project with the "end in mind" because they used the project implementation as a training ground for their core support personnel and it has proven to be quite effective. From an end-user perspective, training curriculum was developed to train approximately 700 personnel. Portland chose to require training as a prerequisite for system access in order to better assure success.

The following were some of the key complexities identified and addressed by the EBS leadership:

a) Rescue and Recovery by City Leadership. When Portland began its EBS Project, it selected a vendor that ultimately could not deliver the project successfully for the City. The Executive Team had the insight and courage to make a change by making SAP accountable to completing the project with them. Portland knew a change was needed when they did not see rigorous project management and a disciplined approach. The end result has been extremely successful to date with the City having realized its first major milestone with the implementation of financials and procurement.

b) Geographic complexity - 145 square miles and over 75 separate locations. Successful business change requires a well-planned, well thought-out approach for supporting employees as they perform critical City business with new business processes and new technology. With only 20 project team members, the EBS Project Finance Team crafted a strategic support approach that allowed them to virtually "grow" their team through the establishment of deeply trained "champions" across each of the City bureaus.

c) Commitment of senior City leaders. Governance was a hallmark achievement for the EBS program. Under the CAO and CFO's guidance, Bureaus actively met to resolve critical business decisions. Additionally, each bureau's business operation managers actively participated on the Project Advisory Committee. Unlike most Advisory Committees, this working group made major investments of time to help guide the project (e.g. bi-weekly meetings for 2 years).

d) Diversity of department missions. EBS established a goal at the outset to standardize business processes across City bureaus to better enable the City to become one of the most efficient and responsive local governments in the nation. Collaboration between bureaus with completely different missions presented major challenges for the City. Fragmented, non-integrated legacy systems further compounded the problem.

e) City technology project history. Of concern in planning this project was the City's previous experience in implementing a failed utility billing project. Also, accounts from other jurisdictions regarding the complexity and challenges of their ERP implementations resulted in hiring quality assurance oversight. This consultant service provided very close monitoring of all aspects of the project work. The consultants attended meetings of the team leads, Project Advisory Committee and Executive Steering Committee on a regular basis.

Monthly written reports were provided to the CAO and CFO with stoplight ratings on various aspects of the project. When final, this was also shared with project leadership and the City Council. This gave added confidence in achieving success. In addition, special bureau readiness reports were provided before go-live. Again, the extra oversight gave assurance that nothing was

overlooked in the press to implement. This heavily involved independent third party participation is extraordinary in the level of oversight and engagement in the project.

G Originality, Creativity, and Innovation

1. To your knowledge, is this the first time this type of project/program has been implemented by a government entity? If not, identify previous work in this area and explain the uniqueness of your approach.

While there have been a number of governments implement ERP projects, Portland is unique in the following ways:

- Priority and Leadership on Financial Concepts/Improvement. As listed in section B above, Portland identified and pursued dramatic improvement in significant operational areas.
- Governance Model. Portland established a model that has already been adopted by another local government because of the model's effectiveness and success.
- Value Realization focus. The City of Portland understood that getting the project done per a schedule and budget was important, but most importantly, the City leadership knew that the investment of time, effort and money would only be worth it if the City could qualify and quantify value achieved for the City.

H Other Distinguishing Features (Optional)

1. Highlight any other noteworthy features about your project/program.