

Meeting Minutes

City Council Innovation and Technology Subcommittee Regular Meeting

February 13, 2023 | 3:30 p.m.

City Hall 5th Floor Large Conference Room

175 S. Arizona Ave., Chandler, AZ



Call to Order

The meeting was called to order at 3:32 p.m.

Roll Call

Subcommittee Attendance

Councilmember Angel Encinas

Councilmember Mark Stewart

Absent

Councilmember OD Harris

Public Attendance

Vincent Harris, Jr., Chandler Chamber

Staff Attendance

Joshua Wright, City Manager

Kerstin Nold, IT Chief Technology Officer

Kristi Smith, Financial Services Assistant Director

Rae Lynn Nielsen, Human Resources Director

Sandip Dholakia, Chief Information Officer

Teresa Canjar, HR Management Assistant

Traci Tenkely, IT Project Manager

Discussion

1. Enterprise Resource Planning System

Joshua Wright, City Manager, welcomed everyone and started the meeting by discussing how the recent system breakdown suffered by Southwest Airlines reinforces the need for organizations to invest in technology modernization. He introduced Rae Lynn Nielsen, Human Resources Director.

Rae Lynn Nielsen said we are here to discuss the need to modernize the Financial and Human Resource System (Oracle/ERP). Today, you are going to hear our story about our aging technology. Chandler is the Community of Innovation and updating our ERP allows us to be flexible, better our customer experience, and allow us to move at the speed of business.

History

Traci Tenkely started by giving a brief history of the system. It might be 2023, but professionals managing the City of Chandler's existing ERP software application operate in 1999. This platform is the City's system of record for all financial transactions and human capital management. Oracle support ends December 31, 2033, which prompted the planning efforts to migrate away from this platform before it reaches end of life.

Councilmember Stewart asked if on-prem means services on site and if FTEs mean the number of engagements into the software? Rae Lynn Nielsen responded this is the number of FTEs right now who utilize the system on a daily basis and the number does not include our temporary employee workforce, so there are more utilizing the system. Councilmember Stewart asked if we have 1,000 or 10,000 employees it wouldn't matter, the software can still manage that? Joshua Wright responded this slide just shows what things looked like when we bought the system in 1999 compared to now.

In 1999, a lot of customizations were made, but a lot of the customizations were removed because they couldn't go through the normal upgrade process. The modifications being made now require a lot of work just to continue to utilize the application. The pandemic has changed how we do business and we have had difficulties attracting and retaining talent because of our outdated technology.

Councilmember Stewart asked if this is across all departments or IT specifically? Rae Lynn Nielsen said HR lost two specialists because they struggled with the system and all the extra processes in the last 18 months. Councilmember Stewart asked if we are going to wait 10 years before implementing a new system? Joshua Wright responded no, we have recommendations as part of this subcommittee presentation.

Oracle E-Business Suite

Oracle E-Business Suite (EBS) supports all departments and employees using the following Oracle Modules:

Accounts Payable
Accounts Receivable
Cash Management
Fixed Assets
General Ledger
Human Resources
iExpense
Inventory

iProcurement
Order Management
Payroll
Project Accounting
Purchasing
Self-Service Human Resources
Standard Benefits

There are Citywide dependencies and reliance on Oracle today with an extensive list of imports (information populating Oracle) and exports (information being sent to support external applications). There are several desired interfaces that don't exist due to lack of connectivity or resource time to create them. The systems don't interact seamlessly, and most processes are done manually.

Councilmember Stewart asked if the system is extremely inefficient? Traci Tenkely responded that it is painfully inefficient. Councilmember Stewart asked if these items are going to be prioritized or will the system be shut off and a new one turned on? Sandip Dholakia responded it will be based off business needs and we are looking at some different areas which includes HR.

Upgrades & Maintenance

We completed major upgrades in 2009 and 2011. The recent upgrades were back-end system upgrades with no new business functionality. Each of the upgrades require business testing and participation over several months. The cost, effort, and time spent completing a new implementation warrants looking at new solutions. The upgrade costs and lack of improved functionality have outweighed the existing system benefits. The next upgrade would simply move the application to a new location at a cost of \$10+ million. We have talked with others who have implemented this upgrade and concluded the user experience is the same and several issues haven't been resolved in the new version. This is not a viable solution.

Challenges

The main challenges of the current system are:

- Inability to Move at the Speed of Business
- (Mobility) Limited End User Accessibility
- Lack of Oracle Support
- Resource Limitations
- Outdated Technology
- System Limitations
- Reporting Complexities

Benefits Administration & Wellness Portal

Rae Lynn Nielsen stated the employee standards benefits module and the wellness portal are our biggest challenges and need to be replaced immediately. Oracle EBS Standard Benefits is no longer supported by Oracle and the current wellness portal, Cerner Wellness, was purchased by Oracle and will be at end of life in 2023. Ideally, we would like both of these to be on one platform.

The current system has issues that impact pay and benefits eligibility which cost the City to monitor and manually correct. We need to make the enrollment process simple with the ability to access pay/benefits information easily and remotely which is the industry standard.

The strategic framework goals are:

- Being the most connected City by allowing employees to access, review, and maintain benefit enrollment and elections outside of work hours and from other locations which would allow them to consult their family and made decisions together.
- Maintaining fiscal sustainability by automating processes (industry standards) and mitigating errors when maintaining coverage for all benefits.
- Allow for innovation in a new system.

Recommendation

Traci Tenkely outlined the Oracle Steering Committee recommendation for the City of Chandler to begin the Enterprise Resource Planning (ERP) replacement analysis to invest in a new or upgraded solution. The goal is to deliver an employee focused experience and provide services and insights to accelerate work that are:

- Easy: seamless experience across systems
- Personal: designed from the employee perspective
- Accessible: content knowledge, data highly available
- Reliable: expertise at any scale
- Evolving: mindset of continuous improvement

Features of Modern ERP Systems:

- Cloud Based/Support
- Real-Time Analytics, Ad-hoc report building
- Business Intelligence
- Central Database
- Scalability/Flexibility
- Workflow Automation
- Mobile/Digital Capabilities
- Data Security/Secure Portal

Why Now?

Today, a holistic and digital workforce experience sets innovative organizations apart. The City has recognized the increasing gap between the experience employees expect and what they

receive. An investment now avoids future expenses, accurate information provides better quality services, and new internal technology provides a better user experience with the City.

Replacement Timeline & Cost Estimate

An RFP has been released for the Benefits Administration and Wellness portal which will be funded through the City's capital program. We will engage with a consultant to build a roadmap for the full system replacement. We are looking at a five-year plan and are asking Council for approval to get the process started.

Councilmember Encinas asked if we have a system picked out yet and the five-year project cost is \$19,000,000? Traci Tenkely responded no, we don't have a system selected yet and yes, the estimated cost would be \$19,000,000.

Councilmember Stewart said he understood the frustration with not being able to access the system remotely. When things are not efficient it creates a lot of extra work and causes frustration within an organization. With these challenges, we need to expedite the timeline. If we alleviate the workload for our staff, what does that mean? Can you provide a cost analysis on how this will save us money in the long-term? Have the analysis include headcount adjustment, saved work hours, repurposed staff, etc. This is what will have meaning to the public and the rest of the Council. Staff responded that they will include that information in future presentations on this topic.

Councilmember Encinas asked if we are looking at one particular system or is there a system being used by another City that would work for us? Kerstin Nold said the Steering Committee has looked at recommendations in the Gartner Study and recently attended a conference to look at different solutions. We want companies to demonstrate their product, so we can evaluate and determine our long-term needs. Councilmember Encinas asked how long are we expecting this product to last? Kerstin Nold, IT Chief Technology Officer, said we are looking at a cloud-based system that will evolve with the times such as a service eccentric model. Sandip Dholakia said we have partners who have done comparative research that will be helpful as we look at these products.

Councilmember Encinas asked if we are talking about the onboarding experience for new employees and said he had some issues with NEOGOV? Kerstin Nold replied NEOGOV is different, but this affects both systems. The new technology is all about experience, so when we talk about the experience platform, this would be for internal and external customers. This will be an all-encompassing system with mobility.

Councilmember Encinas asked if there is an expiration date with Oracle? Kerstin Nold said we pay for Oracle licensing annually. Sandip Dholakia said he will see when the license expires and

get back to the group. Rae Lynn Nielsen said we are not tied into any agreement. Kerstin Nold stated it will take time to implement a new system and there will be some crossover. The costs will increase at first but will level out and eventually decrease.

Councilmember Stewart asked if this could be bond funded under infrastructure (hardware/software)? Joshua Wright responded the Bond Committee decided not to move forward with an IT bond so it will be general fund funded.

Adjourn

The meeting was adjourned at 4:20 p.m.



Recording Secretary



 **CHANDLER**
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**Financial and Human
Resource System
Modernization**

Innovation and Technology
Subcommittee

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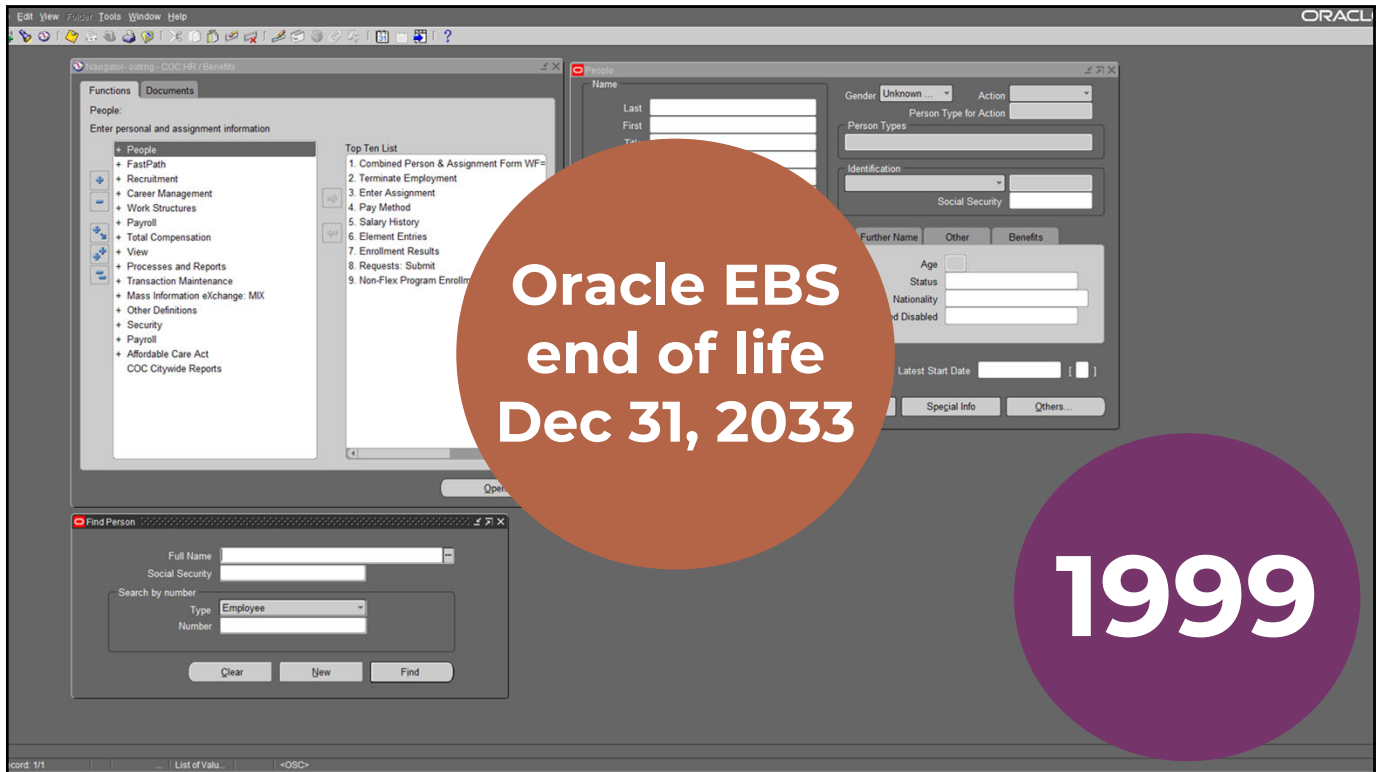
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It's 2023 Outside of Work.

What year is it inside?

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Agenda

- History
- Oracle E-Business Suite
- Upgrades & Efforts
- Challenges
- Benefits Administration & Wellness Portal
- Recommendation
- Why Now?
- Replacement Timeline & Cost Estimate
- Q&A

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Background



Then (1999)

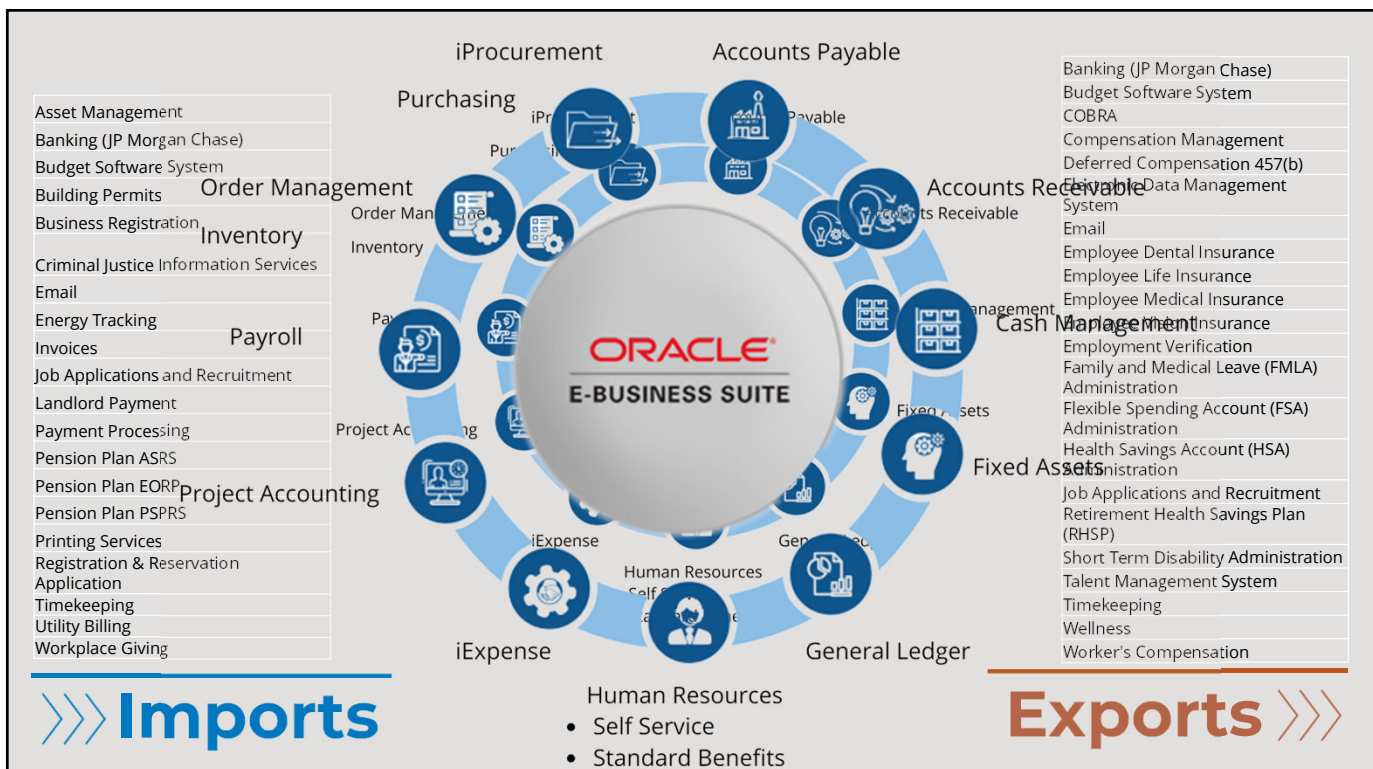
- Employee Population: 1186 FTE
 - Large/robust system for city size to support growth
 - Bought more than needed at the time to prepare for the future and enable the city to grow
- Technology Standards
 - Security - on-prem applications
 - Customizations – maintenance and upgrades complex (increased cost of support)
 - Modifications require redeployment
 - Business reliant on IT
- Business Standards
 - Pushing paper was the norm
 - Inflexibility – keeping up with mandates and legal requirements

Now (2023)

- Employee Population: 1767 FTE
 - Outgrown the application's usefulness
- Technology Standards
 - Security – cloud solutions
 - Move at the speed of business
 - Accessibility – mobile; anytime/anywhere
 - Mobility – desktop to laptop
 - Business reliant on business
- Business Standards
 - Pandemic has changed how we do business
 - Nature of work has changed substantially
 - Increased expectation to work where you are
 - Quick, accessible information
 - Attract and Retain Talent difficult with outdated technology

Overseen by the Oracle Steering Committee

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Upgrades and Maintenance



Major Upgrades

- 2009: i11
- 2011: r12
 - Citywide effort and an enormous undertaking for IT and departments
 - Added three modules: iExpense, iProcurement, Projects & Training
 - Removed customizations
- 2021: 12.2.9
 - Back-end system upgrade for supportability; no new business functionality
- 2022: 12.10.10 (latest EBS version)
 - City on latest version; no new business functionality

Business Cycle Maintenance

Patches & Upgrades

- Annual patch cycles
- Year End/Open Enrollment

Efforts to make the most out of the system

- Fix what can be fixed
- 3rd party solutions
- Oracle Contractors
- Purchasing additional licenses

Upgrades and workarounds cannot meet city needs

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Oracle Upgrades

Oracle EBS On-Prem to Oracle Cloud

- Move existing Oracle EBS from on-premise application to Oracle Cloud Infrastructure (OCI)

Engagement: 12 months

Cost: Est. \$2.6+- million plus annual support costs

Oracle EBS to Oracle Fusion on OCI

- Implement Oracle Fusion for HR & Financials
- Inclusion of Fusion SaaS, OCI for data retention, OCI integration and analytics, 2+ years of Oracle support, training and other internal costs

Engagement: 18 months

Cost: Est. \$10+ million plus annual support costs

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Challenges

Shortcomings of Current ERP

- ① Inability to Move at the Speed of Business
- ② Immobility & Limited End User Accessibility
- ③ Lack of Oracle Support
- ④ Resource Limitations
- ⑤ Outdated Technology
- ⑥ System Limitations
- ⑦ Reporting Complexities

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Challenges

Shortcomings of Current ERP

- ① **Inability to Move at the Speed of Business**

The need for organizational speed has never been greater. Digital technology should help manage infrastructure and processes however Oracle has proven to be a hindrance and remains inflexible to the city's changing needs and the future of work.

Examples:

- FLSA – Federal Labor Law changes
- Change Leave Schedules
- Update allowances
- Observing a new holiday
- Two Week Payroll Cycle
- MOU Negotiations & Changes

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Challenges

Shortcomings of Current ERP

2 Immobility & Limited end user accessibility

This enterprise resource application is currently on premises making it in-accessible to employees outside of the network or VPN access.

No out of network browser access or mobile access.

Completely Inaccessible to:

- Employee Out of Office
- Employees on any type of leave including military leave or FMLA
- Retirees
- Surviving family members of employees who passed in duty,
- COBRA participants

Not intuitive or user friendly for employees, supervisors or administrators.

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Challenges

Shortcomings of Current ERP

3 Lack of Oracle support

Oracle requires extensive technical support to maintain existing configurations.

There is concern with Oracle supporting the product as implemented in Chandler.

Oracle support services have recently reduced their support hours slowing the response time.

Requires contracted services to continue to support existing configurations.

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Challenges

Shortcomings of Current ERP

4 Resource limitations

Internal and external resource limitations make it challenging to maintain existing processes and limit the ability to implement enhancements or improvements.

- Annual business cycles patching is time intensive
- Internally, the same business teams are stretched across multiple projects while supporting daily activity
- Contracted services are becoming difficult to find and more expensive

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Challenges

Shortcomings of Current ERP


5 Outdated technology

Maintaining an outdated system has resulted in manual efforts, additional systems and workarounds.

There are several projects currently underway to fix what can be fixed totaling approximately \$1.5 million.

- Report Security
- Position Control
- Budget System Replacement
- Compensation Management
- HR Production Support
 - Support Open Enrollment and Standard Benefit limitations
 - Support the required system changes needed due to the Classification and Compensation Study

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Challenges

Shortcomings of Current ERP


6 System limitations

Oracle EBS was originally configured for City of Chandler's use in 1999 with customizations to support existing business processes.

Third party applications have been purchased and implemented to supplement system limitations.

- Time and Attendance – Intellitime & TeleStaff
- Talent Management - LEAF
- Recruitment - NeoGov
- Wellness Portal - Cerner
- Reporting - Oracle Business Intelligence
- Payroll Reporting - KBACE

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Challenges

Shortcomings of Current ERP

6 System limitations

Today, there is missing functionality, components still not configured correctly and a need for business process change. \$2.2 million in projects have been identified to address specific issues a new ERP solution could resolve collectively.

- Benefits Administration
- Accounts Payable Portal
- iReceivables
- Oracle Mobility
- Tax and License Data Repository
- Utility Services Data Repository
- Citywide Central Cashiering
- Replace 3rd Party Payment Processor

Not intuitive or user friendly.

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Challenges

Shortcomings of Current ERP

7 Reporting complexities

The inability to produce accurate, timely, and useful reports is a detriment to the organization.

Poor reporting leads to less productivity, poor decision making, and missed opportunities.

The inability to access real-time data leads to decision making based on knowledge and not true data or leaves departments without the information needed for better decision making.

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Benefits Admin & Wellness Portal

Oracle Standard Benefits out of support

Cerner Wellness end of life 2023

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Comprehensive Benefits Program

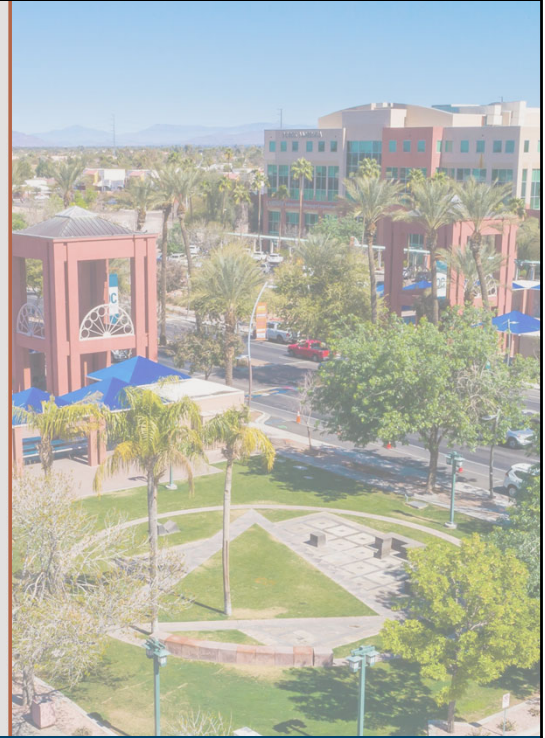
Chandler's Investment

- \$24 million in annual costs for the medical plan
- \$2 million in annual costs for the dental plan

All employee related benefits including retirement, life Insurance, health savings accounts, etc.

Employees' Needs

- Simple enrollment process to take advantage of the city's investments
- Allow employees the opportunity to consult with their family and make decisions together
- Automate processes that should be automated by industry standards
- Mitigate errors when maintaining critical coverage for all benefits.
- Retirees unable to access system; all actions are completed manually



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Recommendation

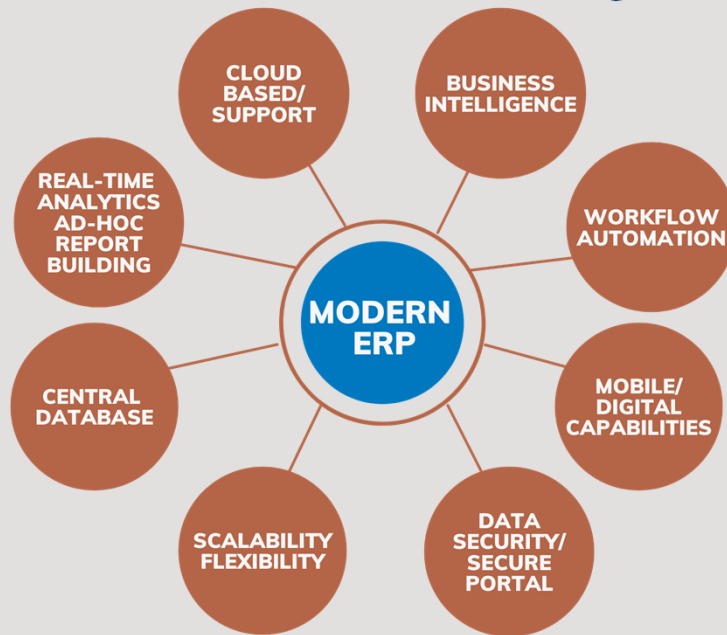
The Oracle Steering Committee recommends the City of Chandler begin the Enterprise Resource Planning (ERP) Replacement Analysis to invest in a new solution.

The goal is to deliver an employee focused experience to the workforce, providing services and insights to accelerate work that are easy, personal, accessible, reliable and evolving.



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Features of Modern ERP Systems



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Today, a holistic and digital workforce experience sets innovative organizations apart.

The City of Chandler has recognized the increasing gap between the experience employees expect and what they actually receive.



“We need to think about the employee experience the way we think about the consumer experience. Information must be available as needed, people are efficiently guided to the right systems and departments, and employees can get relevant help at any time.”

– Josh Bersin, Global Industry Analyst

Taxpayer Perspective

Updating our aging technology that cares for our financial and human resources, while increasing the customer experience will position us for ongoing innovation. It is the right thing to do since taxpayers entrust us to manage these resources.

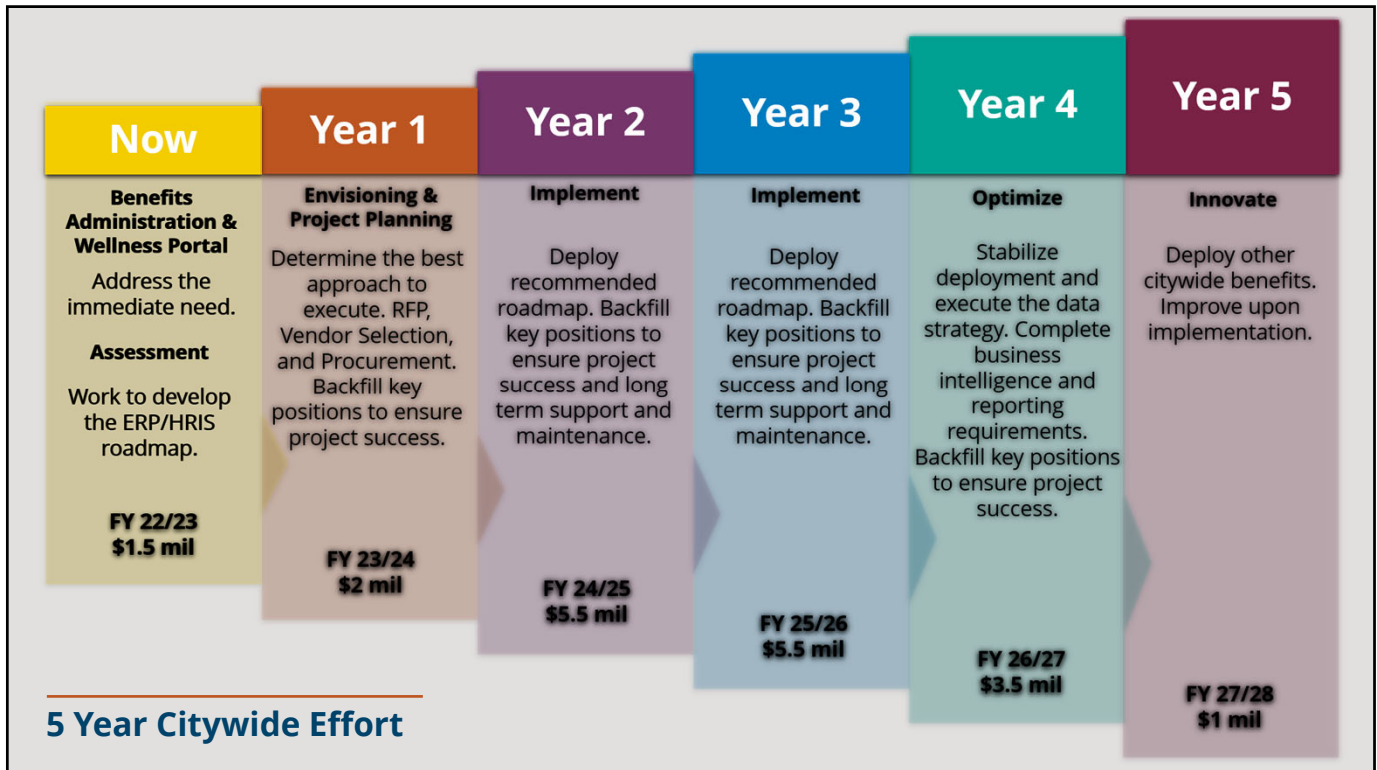
Employer & Employee Perspective

There is a need to take care of the people who take care of our residents by providing seamless technology.

Why Now?



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