



Urban County Program

Summary of Findings

November 8, 2016



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Ms. Nellie Flores
Accountant
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Alamo, TX 78516

Thank you for taking the time to speak with us regarding your requirements for a new accounting and financial management solution for Urban County Program (UCP). We appreciate that an accounting and ERP solution with strong reporting across dimensions and ease of consolidation capabilities is strategic to the continued growth of your organization. We are confident that establishing a partnership with AcctTwo and Intacct will help you to achieve the positive results that you are seeking.

When evaluating new software, it's important to pick an integration partner whom you can trust, has deep expertise in the software, has happy customers, and has a solid methodology for understanding your requirements and architecting a system that will best meet your needs. This document is one of several deliverables you will be receiving from AcctTwo. Our hope is that as you see the quality of work we put into these deliverables, and the diligence with which we conduct our sales cycles, you will become confident that our organization will help you realize success.

The purpose of this document is to summarize our understanding of your requirements and issues as outlined during our Discovery meetings, and to document an action plan moving forward. If any part of this document is incorrect, or if we are missing any important data, please let us know. Please know that this information is completely confidential and strictly between UCP, AcctTwo and Intacct. If you would like to share this information with anyone outside of your organization, please let us know prior to its distribution.

Thank you again for this opportunity. We look forward to working with you in the very near future.

Best Regards,

John Silver

John Silver
AcctTwo Shared Services, LLC
Vice President of Sales

Tammy Bunting

Tammy Bunting
AcctTwo Shared Services, LLC
Director of Not-for-Profits

Key Functional Requirements

Thanks! With your help, we have worked through a process of learning about your organization, your objectives, your challenges and pain points, and your key requirements for an accounting system. As a result of this detailed Discovery process we believe Intacct and the AcctTwo implementation process will provide a great solution for your finance and accounting needs, helping your team to be a strategic part of business management.

General

The four Program Goals of the County of Hidalgo, Urban County Program Consolidated Plan Strategy (CPS) are:

- **To Provide Decent Housing:** To provide housing opportunities for low-and-moderate income persons, to retain and upgrade affordable housing stock, to provide homelessness support services, and to ensure that housing opportunities and services are provided without discrimination.
- **To Provide a Suitable Living Environment:** To promote a decent, safe, and viable urban environment through the provision of quality of life services, elimination of barriers to the isolation of services and participation in decision-making, to provide adequate infrastructure for community and economic development, and conservation of historically or culturally significant properties and natural resources.
- **To Expand Economic Opportunities:** To expand opportunities for persons of low-and-moderate income to obtain job skills training, to promote job creation, and to provide an environment conducive to job training and new industry.
- **To Form and Strengthen Partnerships:** To form new partnerships and to strengthen existing partnerships between the county, federal and state agencies, local government, and non-profit organizations.

Key Functional Requirements

The County of Hidalgo One Year Action Plan, administered through the Urban County Program, encompasses direct funding from the Community Development Block Grant (CDBG), HOME, and Emergency Solutions Grant (ESG) programs. Indirect funding resources (also referred to as leveraged funds) include the TDHCA Colonia Fund, the Economically Distressed Areas Program (EDAP), and Texas Parks & Wildlife funding. Federal funding is leveraged through the Economic Development Administration (EDA), the Environmental Protection Agency (EPA), USDA Rural Development Agency, loans and grants offered through the North American Development Bank (NAD Bank), and public housing authorities' funding, meals for elderly, and youth programs. Local funding resources are mainly through Municipalities, Hidalgo County Road & Bridge Fund.

Example Program:

Neighborhood Stabilization Program 1 (NSP1)

The Neighborhood Stabilization Program addresses the rising number of foreclosures across the United States. Governmental entities of all types--states, counties and cities--have received an allotment of money from the U.S. Department of Housing and Urban Development based on foreclosure rates.

About \$4 billion was appropriated under Title III-Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes in the "Housing and Economic Recovery Act of 2008" for the CDBG Neighborhood Stabilization Program. Hidalgo County is the only jurisdiction south of San Antonio to receive a portion of these funds. The largest allocations in the state are going to Harris County (\$14.9 million) and Houston (\$13.5 million). In addition to the allocations for specific governments, the state of Texas received \$101.9 million to allocate to entitlement areas.

Key Functional Requirements

Hidalgo County received \$2.8 million to address the rising number of foreclosures. The funds can be used for the following eligible activities:

- To create financing mechanisms to purchase and redevelop abandoned and foreclosed properties through soft-second loans, loan loss reserves, and shared-equity loans;
- To purchase and rehabilitate abandoned and foreclosed homes to re-sell, rent or redevelop;
- To establish land banks of foreclosed homes;
- To demolish blighted structures;
- To redevelop or demolish vacant properties;
- To make public facility improvements;
- To provide counseling for those benefitting from Neighborhood Stabilization Program funds;
- To provide direct homeownership assistance;
- And to construct and rehabilitate commercial and industrial buildings.

Key Functional Requirements

Organizational Structure

- One (1) legal entity
- Fiscal Year – Ends June 30
- Operates 18 entitlements

Current Situation

- Urban County Program experiences a dependency on excel
- Fundware is the current platform used for all accounting with the exception of the loan management
 - Loans are managed using an excel worksheet
- Urban County Program needs to reduce the dependency on excel in order to manage the diverse funding requirements and reporting

Issues and Challenges

While the current accounting system configuration is capable of supporting basic financial management capabilities for the Urban County Program, the lack of integration across the organization limits scalability in support of growth, flexibility in working with each city, and consistency in that data from a variety of unconnected systems is manually compiled. Due to the fact that Fundware is ending support next year, Urban County Program must find a more suitable accounting platform. The new system must improve UCP's ability to efficiently track and report by grant, location, HUD code and GL account which would enable UCP to better manage expenses and reporting.

Urban County Program relies heavily on manual workarounds and processes that prohibit the organization from scaling without adding significant labor resources and associated costs. Today, UCP has a heavy dependence on 3rd party worksheets (Excel), manual and multiple reconciliations among data sources.

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Key Functional Requirements

Ideal Situation

Urban County Program would like a system with multi-fund capabilities along with unique field identifiers in order to report easily at any given level.

The new system must be scalable and flexible to accommodate compliance codes along with budget performance. Grant balances must be reported to the city comparing budget and activity code. As projects get approved through the commissioners court, budget dollars are created for encumbrance tracking. Transactions must be fully detailed with grant, location and activity number, to name a few.

Loan Management is currently tracked inside of Excel. Loans are awarded to families interest free. Urban County Program would like to track dollars awarded to families, families that are behind in their payments, dollars behind, and number of payments behind. Statistical transactions can be used to track the number of payments.

The system should provide the following functions:

- Reporting and Dashboards
 - See operational statistics alongside financial metrics
 - Drill down to source transactions
 - Real-time availability of information
 - See trends and exceptions with powerful reports and chart/graph visualizations
 - Limitation of reliance on external reporting tools
 - Provide reports and charts in financial dashboards
 - Performance Cards to quickly see trends in key metrics
- Digital Board Book / Metrics
 - Delivered via dashboard as performance cards, reports, charts, and graphs
 - Metrics by attributes: departments, initiatives, to name a few

Key Functional Requirements

- General Ledger
 - Simplified Chart of Accounts
 - Dimensions to provide context for organizational drivers at the transaction level
 - Budget information available at same levels (dimensions) as actuals
- Accounts Payable and Purchasing
 - Automated accounts payable processes and streamlined workflows
 - Configurable approvals process
 - See accounts payable liabilities, vendor aging reports, and bill and check register reports in real time.
 - Streamline procurement and payments with tailored transaction and approval workflows
 - Attach files to transactions for recordkeeping with instant access to supporting documents
- Budget
 - Relevant comparisons of actuals versus budget
 - Easy to maintain, manage and edit budget at the program level
 - Real time access to data for better organizational management
- Cash Management
 - See transactions across all checking and savings accounts and credit cards
 - Real-time picture of money flows
 - Automated reconciliations
 - Import statements from financial institutions and automatically reconcile checking, savings, and credit card accounts

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Key Functional Requirements

Benefits

The benefits of a new integrated financial management system include the following:

- Reduced manual efforts due to greater process efficiency and automation
- Reduced risk of errors from manual compilation of data
- Greater visibility into reporting for compliance purposes with a multi-dimensional platform
- Greater flexibility to add or change processes as the county programs grow and change
- Ability to gain greater insights into the performance of projects through more robust analytics
- Strengthened security and controls over financial reporting, positioning the organization for growth in the future

Revenue

Revenue is drawn from grants as payments are processed. A distribution file is produced with the activity #, grant and other identifiers. This information is populated in the HUD system and then posted in the general ledger.

Procurement - Purchasing and Accounts Payable

Currently, purchase requests are pre-approved via a paper process. UCP wants to keep this manual approval process. Once approved, data will be entered into Purchase Invoice manually by the finance staff. Transactions must have full details, grant, FA, location, PO number, activity number, etc. There is a potential of 100 request for payments at one time. Customized documentation will be generated from the purchase invoices.

Workflows for purchase invoice to vendor bills and for projects under the HUD codes must be easily automated. Encumbered dollars must be tracked within project assignments. Approved AP Bills are sent to the auditor dept on a weekly basis. The auditor prints the checks on a separate financial platform. Once paid, a file will be created and sent to finance department. The finance department will update the AP bill with a check number and show the bill as paid. Payable reports must be generated in order to create draws.

Key Functional Requirements

Cash Management / Bill payment / ACH / Receipts

No payments will be made directly from Intacct. Payments will be recorded after they are created in another financial system

Payroll and Human Resources

No payroll will be entered into Intacct

Project Accounting / Job Costing / Employee time collection

Grant balances will be tracked in a dimension by location

Fixed Assets

For Urban County, approximately 4,000 Fixed Assets will be maintained inside of Intacct for management tracking. The assets will not be depreciated and there will be no GL impact. Related data such of date of acquisition and asset location will be part of the project tracking. Intacct provides this functionality inside of statistical accounts. User defined reports will be created to pull out relevant data.

Consolidations & Reporting

Key functional requirement to eliminate the use of manually reentering data into Excel. There is a strong need for business metric reports and management reports, such as a Monthly Expenditure report.

Budgeting & Forecasting

Ability to maintain budgets in the financial system and report on actual versus budget and variance reporting directly in the system. Actual vs. Budget reports will need to include encumbrance dollars. Client has requested ability to record original budget and amended budgets inside Intacct. The budgets will be maintained by 3 Finance office users.

There was a request to have documentation of rationale behind budget changes. This will be done at a higher level, but not at the transaction level.

Key Functional Requirements

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Preliminary Return on Investment

We have not completed our Return on Investment (ROI) analysis, which is scheduled for a later date. However, third-party ROI benchmarking data for Intacct implementations is available from Nucleus Research. Based on ROI analyses' conducted for several actual Intacct implementations, Nucleus determined that companies implementing Intacct realize an average increase in productivity in the Finance & Accounting department of 8 – 35%.

In addition to the benefits realized in the finance and accounting group, Nucleus found many organizations realized a 1 to 3% average overall gain in employee productivity due to access to real time reporting and self-service capabilities such as online purchase requisition and expense report creation and approval. These capabilities improved overall employee productivity, reduced the time to find information, shortened regular financial cycles, and provided information for better decision making.

The most common benefit realized from cloud solutions is the reduction in workload for the information technology department. In particular, maintaining mission-critical applications often requires a level of expertise that is difficult and expensive to maintain. Nucleus case studies of Intacct customers found many organizations saved more than 90% of the resources required to maintain and operate their current financial systems.

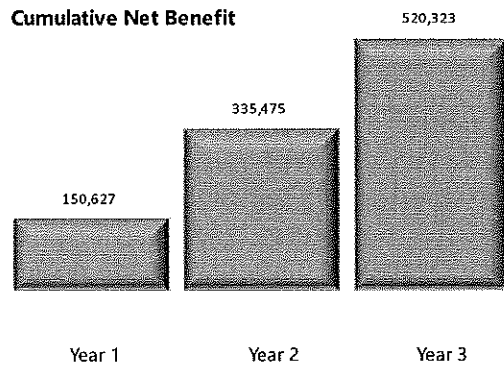
Based on the above third-party benchmarks, and our own experience, we have prepared the following preliminary ROI estimates for the Intacct implementation:

Preliminary Return on Investment

Intacct Financial Results

Payback Period	0.2 years
Annual ROI	540%
Net Present Value	247,983
Internal Rate of Return (IRR)	538%
Average Annual Net Benefit	173,441

Cumulative Net Benefit

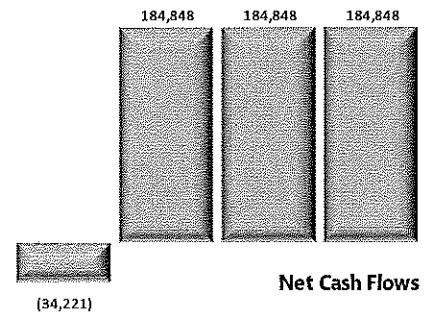


Types of Benefits



Total Benefits	Up Front	Year 1	Year 2	Year 3
Direct	0	41,300	41,300	41,300
Indirect	0	160,000	160,000	160,000
Total Costs				
CAPEX	0	0	0	0
OPEX	34,221	16,452	16,452	16,452
Net Cash Flows	(34,221)	184,848	184,848	184,848

Cost : Benefit Ratio | 1 : 7.2



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Preliminary Return on Investment

In order to generate this information, we used the following assumptions:

- 5 Business Users
- 2 Employee 10-Pack
- 1 Business entities
- The following modules
 - Core System
 - Fixed Assets
 - Project Dimension
 - Web Services Standard
 - Platform Services Standard
- \$30,375 implementation

Based on the above analysis, the investment in Intacct will pay for itself in just three (3) months, with an average Annual net benefit of approximately \$173,441 and a cumulative net benefit for three (3) years of \$520,343. Also, we would be happy to discuss the assumptions we made in preparing this ROI analysis.

AcctTwo will revise this information during our ROI & TCO meeting, which happens after our demonstration, and apply additional information as needed. This information will be included as part of the proposal.

Estimated Five-Year TCO

The following chart is a rough five year total cost of ownership (TCO) for UCP.

<u>Item</u>	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>	<u>Year Five</u>	<u>Five Year Total</u>
Intacct Products & Modules	\$22,140	\$22,140	\$22,140	\$22,140	\$22,140	\$110,700
NFP Discount	(\$4,428)	(\$4,428)	(\$4,428)	(\$4,428)	(\$4,428)	(\$22,140)
Total Module Cost	<u>\$17,712</u>	<u>\$17,712</u>	<u>\$17,712</u>	<u>\$17,712</u>	<u>\$17,712</u>	<u>\$88,560</u>
One-Time Fixed Implementation Fee	\$24,975	\$0	\$0	\$0	\$0	\$24,975
One-Time Estimated Variable Implementation Fee	\$5,400	\$0	\$0	\$0	\$0	\$5,400
Intacct Fundamentals Course	\$1,600	\$0	\$0	\$0	\$0	\$1,600
Total One-Time Implementation Fees	<u>\$31,975</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$31,975</u>
Total Yearly Fee	<u>\$49,687</u>	<u>\$17,712</u>	<u>\$17,712</u>	<u>\$17,712</u>	<u>\$17,712</u>	<u>\$120,535</u>

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