

Municipality of Lakeshore – Report to Council

Chief Administrative Officer

Chief Information Officer



To: Mayor and Members of Council

From: Michael Martin – Chief Information Officer
Kate Rowe – Interim Chief Financial Officer
Justin Rousseau – Interim Chief Administrative Officer

Date: May 17, 2024

Subject: ERP Implementation Plan and Award

Recommendation

Direct Administration to proceed with the Enterprise Resource Planning (ERP) Implementation Plan and award the implementation to BDO Canada and Microsoft Dynamics 365 with implementation cost of \$800,000; and

Preapprove a one-time 2025 Digital Transformation and Cloud Services (DTCS) operating budget increase of \$120,000 entering into an annual software service agreement with Microsoft; and

Approve temporary project staff for project team backfill with costs of \$350,000; and

Approve a budget variance of \$365,940 to be funded from the working capital reserve; and

Preapprove a \$128,000 2026 DTCS operating budget increase, all as presented at the September 24, 2024 Council meeting.

Strategic Objectives

3b) Modernizing and Enhancing Municipal Functions - Revise business processes to establish and employ a risk management framework, improved workflow management, and financial modelling to inform management of reserves

3c) Modernizing and Enhancing Municipal Functions - Continue investment in modernized services, including the integration of current best practices and automation, by engaging in service transformation and process mapping

5a) Modernize Citizen-Centered Services - Conceiving/implementing a plan for resident-service standards (including establishing a response policy for all inquiries to the municipality, IT solutions/apps/portals, phone protocols, virtual enablement, etc)

Background

Council's strategic objectives set a goal to Modernize and Enhance our services while becoming a Citizen-Centered municipality. Supported by Council in the 2024 capital budget, a major step towards achieving that goal is the replacement of our legacy finance system, Vailtech, with a modern Financial, Tax and Utility billing system.

Council supported a financial system overall in past budget, unfortunately, that project was not well scoped or executed despite going to RFP and reviewed, Administration was forced to regroup and reassess how we would deliver key outcomes. Council supported a new fit for purpose approach, one where best-in-class solutions would be deployed rather than a "one-stop-shop". Council directed Administration to implement a best-in-class payroll and HR information system. Administration has relied on Section 3.3, 3.09 and 3.11 of the procurement policy which reviews Single/Sole Sourcing, Non-Competitive Purchase and Direct Negotiations.

Administration now must complete the Financial system replacement to achieve the strategic objective of Council.

Comments

Through 2023, Administration dedicated a significant amount of time addressing our ongoing Payroll challenges and HR Information System. Council supported Administration's recommendation to move forward with a best-in-class solution from Dayforce in which the municipality partnered with BDO Canada to deliver this project in an aggressive timeline and on budget.

After successfully completing our HRIS project, Administration quickly turned its attention to the outstanding deliverable of the strategic objective, Tax, Utility and Core Finance. Administration contacted three firms to assist in performing detailed requirements gathering and business process review to prepare for an RFP. Of the three firms, BDO Canada offered the most cost-effective engagement along with high degree of confidence in their ability to deliver such an engagement.

As our engagement completed, it became clear that the software solutions available were substandard. Over the course of the previous two decades, the Public Sector hasn't invested in technology and as a result there has been very little innovation in solving technology challenges related to Tax & Utility billing. "Out of the box" software solutions marketed to municipal government are considered "End-of-life" and risks needing to be replaced again in 5 years. In partnership with BDO, Administration sought to find an innovative solution that would serve the municipality for 20+ years.

We identified three possible solutions. The evaluation team contacted all three suppliers for detailed functional requirement discussions and to arrange demonstrations. Throughout the process, front line staff and leadership were involved to ensure we had all relevant parties at the table for feedback, questions and concerns.

Two rounds of demonstrations were performed. Initially, remote sessions were conducted that did not provide Administration with enough confidence to support a recommendation to Council. We elected to invite all parties on-site for full day workshops to ensure our decision and recommendations were sound.

Administration has concluded those required workshops and evaluations and recommends moving forward with a Microsoft Dynamics based Tax, Water and Core Finance ERP with a citizen-portal provided by PayIT. Administration equally recommends that BDO be retained to support implementation of this system including but not limited to configuration, customizations and internal process change management. Throughout our requirements engagement, BDO has developed a strong understanding of our challenges and goals and is uniquely positioned to support us through a very challenging process.

Administration understands that the road ahead is challenging and demanding. Our implementation of Dayforce, while highly successful, stretched internal resourcing. Understanding that this new system will create organization efficiencies that mitigate some future staffing increases with our current systems, we recommend that Council support temporary project staff that will ensure key department operations continue at required service levels while key staff dedicate the needed attention to the delivery of our new ERP. Upon completion of this project, seconded project staff will return to their home departments with no changes to staffing levels. Administration expects to require project backfill for sixteen (16) months, beginning with pre-project onboarding and through to go-live in 2026.

This project is key to the long-term financial health of the Municipality. As illustrated in the 2022 year-end report, the municipality is operating at a significant risk level with its current financial software. This software has been end-of-life and has numerous software defects that result in balancing errors. It is holding the municipality back in its strategic objectives as we aim to modernize our service delivery and be Citizen Centered. In 2022, the municipality has hundreds of thousands of dollars in adjustments due to database errors in our current system.

Furthermore, our existing ERP / Finance system has reached end-of-life and has not in many years been code maintained for cyber security. Architecturally, the system was designed with best practices of the past that do not adequately protect it in our modern-day threat landscape. Failure to replace it in the timely manner could expose the municipality to not only financial reporting issues, but also unnecessary cyber risk.

This modern ERP will be designed with our residents at the center of the story. Aligned with the strategic objectives of Council, Administration will deliver a solution that provides a new digital platform with access to tax and utility records via web browser or mobile device. Providing modern payment methods, residents will have full control of their accounts. Furthermore, it will provide Lakeshore with a strong foundation for future technological advancement as we add to this portal over the years to follow to create an end-to-end resident centered experience.

Administration will commence this project once the Chief Administrative Officer recruitment completes. The municipality is currently operating in an interim model that has disrupted project resource allocation. Administration recommends that Council support the project strategy and once key resources are finalized Administration will quickly mobilize the final project team. Proceeding with implementation without final human resources poses an unnecessary project risk.

However, Administration recommends to proceed with project approval and contracting to secure the necessary 3rd party resources along with ample contract review period. Delaying these activities risks further project delays and loss of previously secured key implementation team members.

Others Consulted

BDO Canada

Financial Impacts

Implementation

	Cost	Budget
First Year Licensing	\$120,000	
Implementation	\$800,000	
Administrative Backfill	\$300,000	
Project Cost	\$1,270,000	
Total Approved Budget		<u>\$854,060</u>
Over Budget		<u>\$365,940</u>

Ongoing Operating Costs

	Cost
Annual Licensing	\$120,000
Annual Support	\$50,000
Vailtech Support cancellation	(\$30,000)
Oracle Cloud cancellation	<u>(\$12,000)</u>
2026+ DTCS Operating increase	<u>\$128,000</u>

Report Approval Details

Document Title:	ERP Implementation Plan and Award.docx
Attachments:	
Final Approval Date:	Sep 17, 2024

This report and all of its attachments were approved and signed as outlined below:

Prepared by Michael Martin, Kate Rowe and Justin Rousseau

Approved by the Corporate Leadership Team