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DEPARTMENT OF  
FINANCE

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CALIFORNIA

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September 15, 1987  
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City Council  
Sacramento, California

CITY MANAGER'S OFFICE  
**RECEIVED**  
SEP 21 1987

Honorable Members in Session

**SUBJECT:** Status of Local Government Financial System (LGFS) Implementation

**SUMMARY**

This report which was presented to the Budget and Finance Committee on September 23rd, describes the highly successful citywide implementation of Phase I of the Local Government Financial System (LGFS). It also describes the additional functions soon to be implemented as part of Phase II of the project. Funding for Phase II is available within the resources remaining in the 1986 COP as supplemented by the City Employees Retirement Fund. Phase II City requirements related to Cash Accountability and Investment Management have been identified, resulting in recommendations that the City Council, by Resolution:

1. Authorize execution of an agreement with American Management Systems (AMS) and their designated subcontractor (ADS) for Cash Accountability/Investment Management information system software and required local area network hardware, and services for an amount not to exceed \$264,600.
2. Execute an agreement with Touche Ross & Co. for implementation support for Cash Accountability and Investment Management in an amount not to exceed \$73,000.
3. Authorize the purchase of additional terminals/microcomputers and associated communication equipment in an amount not to exceed \$179,000. This equipment will facilitate better access to the system by the various user departments.
4. Authorize the purchase of one disk drive to facilitate mainframe support of the LGFS system, acquisition not to exceed \$50,000.

The overall status of the LGFS program budget and the impact of the above recommendations on the Certificate of Participation (COP) contingency and the

Sacramento City Employees Retirement System (SCERS) Fund are detailed. Total additional project costs are estimated to be \$598,610 and can be accommodated within the identified funding sources.

#### BACKGROUND: PHASE I IMPLEMENTATION

Immediately upon City Council approval of the LGFS project on March 4, 1986, the project team began implementation activities. By early April, the computer site had been prepared and new computer equipment was installed. A few days later, the core LGFS software packages (General Ledger, Accounts Payable, Accounts Receivable, Budget, Grant and Project Accounting, and Purchasing) were loaded on the computer. During the next three months City staff, consultants, and vendors revised the chart of accounts, loaded and converted numerous files, developed coding schemes for capital projects, prepared automated interfaces to other City systems, designed on-line communication networks, trained users, and tested the new system. These prodigious and concerted efforts resulted in one of the fastest successful financial system implementations ever achieved by a city of similar size.

On July 1, 1986, the City began using the new system productively to record the financial transactions of the City. For the first time, users citywide were able to review yesterday's budget status and other timely financial information using on-line terminals. The integrated purchasing/accounts payable functions facilitated the requisition, purchase order, and invoice matching processes. Improved cost accounting tools provided City staff better management information on which to base decisions.

As City staff developed expertise in using the basic functions of the system, staff also achieved the following milestones:

- o The advanced budget module was used for the first time during the preparation of the 1987-88 budget. This was a full year earlier than originally scheduled.
- o A Sacramento user's manual tailored to the needs of both regular and infrequent LGFS users was prepared and distributed to all City departments in December 1986.
- o During May, 1987, the City acted as the test site for the new release of LGFS (Release 9.0) and became the first user nationwide to fully implement LGFS Release 9.0, the latest annual enhanced version of the LGFS software.
- o Citywide hands-on training courses were developed and conducted by Finance department staff during April and May 1987. One course was focused toward beginning users while another course provided advanced training for regular users. Approximately 200 City staff attended at least one of the 20-25 sessions conducted.

- o During the weeks following the LGFS training sessions, selected users were trained in the use of Focus/Tabletalk, a sophisticated report-writing tool that provides easy ad-hoc access to LGFS information.
- o The LGFS accounts receivable system replaced the manually maintained systems that various City departments were utilizing. This has improved accountability for receivables.
- o The first transition from old-year (FY 87) to new-year (FY 88) using the new system was successfully conducted at the end of June, 1987.
- o During August, 1987, an integrated cashiering system was installed in the Revenue Division. This system enhances the City's ability to accurately and timely process all cash receipts. During the balance of the fiscal year, other City cashiering operations will be added to the LGFS which will significantly improve cash handling controls.

Computer Equipment. Phase I of the LGFS implementation also included the purchase of the basic hardware and software necessary to run the system, including the 4381 IBM mainframe and terminals for departmental users to access LGFS. The original Phase I purchases were scheduled over an 18 month period beginning in the spring of 1986. The final acquisitions of this phase were recently approved by City Council on September 1, 1987. All Phase I equipment was fully funded in the 1986 Certificate of Participation (COP).

Several other functions are scheduled as part of Phase II LGFS implementation during the next year as described in the next section.

#### PROPOSED: PHASE II IMPLEMENTATION

Cash Accountability and Investment Management. Phase I of the Local Government Financial System provided the "front-end" foundation required to ultimately integrate the financial transactions of both Treasury and Finance and thereby automate the cash accountability process. Currently, substantial staff time from both departments is required to maintain accountability. Furthermore, the City Treasurer's current Investment Management software (Moneymax) is not interfaced with LGFS, nor does it accommodate the full range of investment instruments utilized by the Treasurer in behalf of the Sacramento City Employees Retirement System (SCERS). In fact, due to the benefit that would accrue to SCERS as a result of an upgraded investment management package the Administration, Investment and Financial Management (AIFM) board authorized an expenditure of retirement funds up to \$150,000 to support the upgrade (See Exhibit C). The actual contribution being requested from the retirement system is only \$125,000. The total cost of the Investment Management Module is about \$208,000 which includes software, hardware and implementation.

Beginning in January, 1987, City staff began reviewing previously defined investment management and cash accountability requirements with American Management Systems (AMS) staff preparatory to implementing these functions. During the process, additional City requirements were identified and the

capabilities of the AMS investment management module were reviewed. City staff determined that the existing AMS investment management module would not satisfy the City's requirements and that further detailed definition of requirements was warranted. A \$20,000 contract with AMS was authorized by the City Manager to prepare a detailed requirements document.

In the resulting requirements analysis document (dated April 4, 1987), AMS suggested that some of the City's investment management requirements could be cost-effectively satisfied using existing investment packages available on personal computers rather than custom designing programs on the City's mainframe computer to provide those functions. After careful consideration, City staff agreed that investment inventory and portfolio management functions could be cost effectively provided using existing packages, but that cash accountability requirements would be more effectively satisfied with enhancements to the LGFS programs on the mainframe.

In addition, because of the necessity for close integration between cash accountability, investment inventory and portfolio management, City staff believes that AMS should continue to be responsible for a complete turnkey solution. This means that any personal computer investment software package providers must act as subcontractors to AMS when providing software, personal computer equipment, or services to the City.

ADS, providers of one of the leading personal computer investment management software packages, has agreed to subcontract with AMS for this purpose. After a review of other investment packages on the market, the City Treasurer's staff conducted a detailed analysis of the software provided by ADS. This included a visit to company headquarters for hands-on training and phone interviews with ADS clients. They have determined that the ADS system will cost-effectively satisfy the City's investment inventory and portfolio management requirements.

City staff is preparing a proposed revised contract with AMS to provide additional investment management software and services and a contract with Touche Ross to provide implementation services. Implementation of the investment management and cash accountability functions are expected to take up to one year. Financial implications of the expanded scope of the investment management project are described in detail in the Budget Status section of this report.

Indirect Cost Allocation. Preliminary discussions have been held with AMS to review the functions provided by the Cost Allocation module. This software module has already been installed on the City mainframe computer, but due to other priorities it has not yet been implemented. As resources permit, initial testing of functions will be conducted. This module is scheduled to be ready for production use within six months. This module can be used in conjunction with the results of the Fee and Charge Study to allow for full assessment of fees for service.

Computer Equipment. The computer equipment required for Phase II will provide additional terminals, work stations and printers for the expanding number of LGFS users in the City including a local area network configuration for the City Treasurer to utilize the Investment Management package. The Budget

Office is currently in the process of reviewing specific departmental requests for terminals and micro computers. These requests will be accommodated on a priority basis up to the recommended funding level of \$179,000. In addition, one disk drive for data storage will be required to support management decisions to keep 18 months of financial information available for on-line access by users as well as other unanticipated growth on the IBM mainframe.

Phase III computer equipment capacity requirements are currently being defined and will evaluate ongoing requirements. Whereas the requirements for Phase I were developed based on assumptions and estimates developed before the computer was installed, Phase II requirements to support LGFS are based on nearly two years of experience of running the computer in the City's environment. Phase III requirements will consider the impact of the soon to be acquired utility billing system and other recent management decisions on computer capacity requirements.

#### BUDGET STATUS

Phase I Budget Status. The total budget for Phase I is currently \$2,666,662. Of this amount \$2,593,522 was funded from the 1986 COP project funds and \$73,140 was later appropriated from the 1986 COP Contingency. At this point all project funds have been either expended or encumbered. All acquisitions proposed for Phase I of the LGFS budget have been accommodated within the budgeted amounts. Phase I implementation is on schedule.

Phase II Budget Status. The total proposed budget for Phase II is \$598,610. Funding will be provided from the COP Contingency (\$473,610) and the Sacramento City Employees Retirement Fund (\$125,000). The costs involved with Phase II are for additional software, hardware, and consulting services. The software is needed to automate Cash Accountability and to replace the Treasurer's existing Investment Management package with an upgraded package which will be integrated with LGFS. The hardware component includes terminals, personal computers and communication equipment to increase departmental access to LGFS, a local area micro computer network for the Treasurer's Investment Management package and one disk drive for the mainframe to accommodate the growing size of the LGFS files. A supplemental contract is also being requested to provide Touche Ross consulting services to help with the implementation of the new software.

The following table highlights the various components of the Phase II costs. Detail cost information is provided in Exhibits A and B.

**LGFS PHASE II  
BUDGET**

AMS Cash Accountability Software (Exhibit A)	\$ 94,100
ADS Investment Management Software (Exhibit B)	118,500
Local Area Network Equipment for Investment Management	52,000
Additional Terminals/Personal Computers/ Communication Equipment	179,000
One 3380 Disk Drive	50,000
Touche Ross Consulting Contract	73,000
Project Contingency	<u>32,010</u>
	<u>\$598,610</u>

**LGFS PHASE II  
FUNDING**

1986 COP Contingency	\$473,610
Sacramento City Employees Retirement System	<u>125,000</u>
	<u>\$598,610</u>

The 1986 COP was structured such that in addition to fully funding each of the designated project amounts a Contingency fund was also established. Funding for the COP Contingency comes from interest earnings on the borrowed funds. As of July 31, 1987 the COP Contingency was estimated at \$1,091,188. Of this amount a total of \$238,140 has been appropriated to the Public Safety and the LGFS systems. Remaining projected contingency is \$853,048, of which staff recommends \$473,610 be appropriated to Phase II of the LGFS project. In addition, \$125,000 is being requested from the SCERS fund. The following table summarizes the status of the 1986 COP Contingency as well as its proposed uses.

STATUS OF  
1986 COP CONTINGENCY  
AS OF 7-31-87

1986 COP Contingency Projection	\$1,091,188
LESS: Appropriations	
o Public Safety Project	(165,000)
o LGFS Phase I	(73,140)
	<u>\$ 853,048</u>
Projected Use of Contingency	
o LGFS Phase II	\$ 473,610
o Additional 90-Gallon Containers	150,000
o Stockton Boulevard Library Contingency	229,438
	<u>\$ 853,048</u>

On going costs related to Phase II consist of software maintenance. These costs, estimated to be \$8,000 - \$9,000 per year will begin in 1988-89 and will be included in Data Management's operating budget.

RECOMMENDATION

It is recommended that the City Council approve the attached resolutions to:

1. Authorize the City Manager to negotiate a contract with AMS for Investment Management and Cash Accountability software and peripherals not to exceed \$264,600. This amount includes funding for the Local Area Network which the City may, at its option exclude from this specific contract. If excluded, this equipment will be purchased separately.
2. Authorize the City Manager to negotiate a contract with Touche Ross for continued implementation support not to exceed \$73,000.
3. Authorize purchase of additional terminals/microcomputers and associated computer equipment to increase accessibility to LGFS not to exceed \$179,000.
4. Authorize the appropriation of \$473,610 from the 1986 COP Contingency to the LGFS budget. (AA01)

- 5. Authorize the appropriation of \$125,000 from the Sacramento City Employees Retirement System Fund to the LGFS budget. (AA01)

Respectfully Submitted,

*Betty Masuoka*

BETTY MASUOKA  
Director of Finance

RECOMMENDATION APPROVED:

*for: [Signature] Walter J. Slipe, Jr.*  
 WALTER J. SLIPE  
 City Manager

Attachment

September 29, 1987  
All Districts