



County of Marin

Information Services & Technology Department

David Hill, Director

August 24, 2010

Marin County Board of Supervisors
Civic Center
San Rafael, CA 94903

SUBJECT: Long-term Direction of Administrative Software System

Dear Board Members:

RECOMMENDATION: Approval of long-term direction to evaluate other system options to replace SAP and phase-in a new system over the next two to four years

SUMMARY: The County of Marin implemented SAP in 2006 and 2007 with the goal of improving our business processes to increase management accountability and transparency. While the system is working to get the basics done, it was poorly and improperly implemented and has resulted in numerous deficiencies.

As part of our long-term restructuring process, IST staff began a review of the current state of SAP and explored the gaps where the system is not completely functional or has not been implemented. This analysis is attached to this report. The review found that there are still serious process and functionality issues and significant deficiencies associated with the design and implementation of the SAP system. While staff has corrected some of those deficiencies and, in other instances, made significant attempts to create "workarounds" etc., the cost to fix the remaining shortcomings is significant, as is the cost to maintain the SAP system on an ongoing basis. Considerable consultant expenditures would be required to perform an extensive reconfiguration of the system.

Other system options that were designed for the public sector were not as widely available when the County first looked at SAP six years ago; they are now and used by other counties.

The IST study identified four options for the County of Marin at this juncture:

1. SAP Status Quo: Make no changes to SAP and operate in a "run-only" mode that does not support continual improvement or accommodate future changes;
2. Fix SAP and Support Continual Improvement: Make the necessary repairs to SAP to bring it to full functionality and increase the size of the support staff to support continual improvement related to legal requirements, changes in business practice, and the execution of the Board of Supervisors' policies;
3. Fix SAP and Run Only: Make the necessary repairs to SAP to bring it to full functionality but decrease the size of the support staff to maintain the implemented functionality only and not accommodate future changes; and
4. Replace SAP with a New ERP: Replace SAP with a public sector Enterprise Resource Planning system more appropriate to Marin County's size and needs.

Options	10-year Estimated Cost
1) SAP Status Quo	\$34.7 m
2) Fix SAP and Support Continual Improvement	\$49.8 m
3) Fix SAP and Run Only	\$34.1 m
4) New ERP System	\$26.2 m

For about the same amount of investment needed to fix SAP, the County could move to a new system and have significantly lower ongoing operating costs. The reduced operating costs plus initial cost of a new ERP system (#4 above) could save \$8 million compared to the status quo option (#1 above).

At this stage, staff is recommending that we look at other system options and recommend the following approach:

- 1) An incremental, phased approach to the replacement of SAP, rather than the "big bang" approach that was intentionally followed in the SAP implementation, as was advised by the outside consultants;
- 2) IST involvement up front to guide the steering committee of employees from key departments in recommending a system and leading its implementation;
- 3) Less reliance on outside consultants and more on County staff, who have a greater, vested interest in the outcome and success of the implementation; and
- 4) Routine communication with employees, the public and Board of Supervisors in the form of regular status reports and meetings, including meetings with an oversight subcommittee of the Board for the project.

With your approval, our next goal will be to develop a set plans to replace SAP, working with departments and various employee groups. These plans would include a Strategic Plan that would identify reasonable checkpoints for the project as a whole, would factor in opportunities to make adjustments, and would have a County-wide scope; an ERP Legacy Support and Transition Plan for the current MERIT team; a Research Plan to evaluate alternative software systems to SAP; and an Implementation Assessment Plan to determine timing and considerations for the system changes based on departmental readiness and priorities. In the next year, much of the work will be focused on reviewing and clarifying our business processes and objectives in preparation of evaluating alternative systems. We will also be involving our employees. Several employee groups, such as the fiscal officers (MSUG), MERIT staff, Management Council, and Marin Advisory Group, have discussed this project and given us their concerns and suggestions, a summary of which is attached. More discussion with departments and direct users of the system will continue as we move forward.

FISCAL IMPACT: Over a ten-year period, implementing a Public Sector ERP would save the County of Marin between \$8 million - \$23 million. The initial, one-time, cost is estimated to be \$ 4 million to \$6 million. Of these funds, \$1.5 million has previously designated funds for SAP improvements. The remainder of the funds will need to be generated from savings from the IST and other general fund budgets. Since this will be a two to four year project, no procurement is planned in the next year and purchases may be phased over time.

Reviewed by:

<input checked="" type="checkbox"/>	Department of Finance	NA ()
<input checked="" type="checkbox"/>	County Counsel	NA ()
<input type="checkbox"/>	Human Resources	NA (X)
<input checked="" type="checkbox"/>	County Administrator's Office	NA ()

Thank you for your consideration of this matter.

D R Hill

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Mark Walsh

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