DATE: JANUARY 15, 2021

FROM: INFORMATION TECHNOLOGY

SUBJECT: ORACLE ERP CLOUD MIGRATION - NEW PROJECT

SUMMARY:

On December 2, 2020, staff received approval from the Project Development Committee (PDC) to initiate a new project for an Oracle Enterprise Resource Planning (ERP) Cloud financial system. The Oracle ERP Cloud will replace the Harbor Department's existing on-premise ERP system. The Oracle ERP Cloud will upgrade the department's finance and procurement technology platform, providing a modern experience to users; streamlining procurement processes with simplified approvals and standardized workflows; and automating invoice processing as well as reporting and analytic dashboards for more insights and strategic planning. The Oracle ERP Cloud will reduce manual processes, enhance Travel Expense Authorization via a mobile application, and streamlining processes for software updates and overall system maintenance.

The total project cost is $14,310,641, of which $10,341,766 will be capitalized while $3,968,875 will be included as operating expenses within the annual operating budget. The capitalized portions of the project are anticipated to be completed by October 2022.

DISCUSSION:

Project Need:

The Oracle on-premise ERP E-Business Suite applications (EBS) is the Harbor Department's core business information system. It provides mission critical financial and purchasing functionality required to support departmental operations, decision making, and other information needs for twenty five business areas, including but not limited to: general ledger, accounts payable, accounts receivable, cash management, fixed assets, budgeting, projects, grants, purchasing and inventory. It is interfaced to internal and external systems, including the City of Los Angeles' Financial Management System and the department's banking partners. Without the ERP, the Harbor Department would not be able to meet the needs of a modern enterprise in terms of timely monthly and annual financial closing and reporting, and overall process integration and controls. The system, through its associated database and reports, processed approximately 17,000 payments and 12,000 purchase orders for fiscal year 2020. The ERP has been in use since October 1, 2012 and the current software version R12.1 will be at its end-of-life by December 2021.

Starting in 2019, staff has conducted thorough research and engaged Subject Matter Experts (SMEs) from cross-functional divisions to validate the Oracle ERP Cloud capabilities, including multiple onsite demos. The

evaluation was focused on two options; which included upgrading the on-premise EBS to a new version (R12.2) and migrating to Oracle ERP Cloud. In August 2019 and February 2020 , presentations were provided to the project's Steering Committee (which includes management staff from the Executive, Engineering, Finance and IT divisions). During the presentation the costs and benefits for the two options were detailed by the project managers, and the Steering Committee approved the recommendation to migrate the current EBS system to Oracle ERP Cloud.

The Oracle ERP Cloud system will address the challenges of current on-premise EBS system such as lack of user-friendly reporting capabilities, a cumbersome user interface, labor intensive software maintenance, and inflexibility to accommodate the Port's business process changes. The new system is designed to create a workbench/landing page for each user that facilities expedited access to modules, reports, and forms that a user utilizes. This customized workbench will also allow for the creation of customized dashboards and visualizations specific to each user's unique demands.   Another System enhancement is the availability of "Smartview," which creates a connection directly between the ERP system and Microsoft Office products such as Excel, allowing for forms and reports to be updated and opened directly through these familiar Microsoft products. With authorized and secure authentication, the Oracle ERP Cloud system allows data to be accessed from any device with an internet connection and a web browser. The software vendors host and maintain the security of the servers, databases, and the code that makes up an application.

Project Scope:

The proposed project is to migrate the Department's Oracle EBS financial system to a new Oracle ERP Cloud system. The Debt & Treasury (D&T) module will be transferred to a separate cloud system called SymPro, as the Oracle ERP Cloud does not currently offer a module for this functionality. These new cloud systems will allow for new, enhanced, and improved functionalities for various modules as outlined below:

- New Analytical, Reporting and Dashboards functionality; including the ability to use SmartView (MS Office integration) throughout the system;

- Streamlining monthly and annual close processes, including automated accruals;

- Leveraging Best Practices in SLA rules and validations;

- Automating budget book and other document creation through collaboration and workflow assignment for budget books and the annual CAFR, which is facilitated by direct connections of reports and narratives to source data within ERP and the budget system

- Automate the entire process from creating purchasing requisitions to cutting checks;

- Improve internal process of ordering goods from the warehouse managed by the Contracts & Purchasing Division;

- Enhancements to the Inventory and Contracts & Purchasing Modules;

- Automation of procurement process (electronic signature);

- Contract Management - MBE/WBE Tracking;

- Streamline invoice processing through invoice optical recognition functionality within AP module;

- Implement Oracle Digital Assistant to make it easy to submit expense items;

- Utilize application reporting tools to build out the SEFA;

- Automatically accumulate project/grant-related transactions;

- Full project and grant reporting (e.g. inception to date reporting);

- Integration with Mainstar - C&M's Computerized Maintenance Management System (CMMS) to support the division's legacy, current, and future operations; and

- Data archive solution to ensure continuous access to historical/legacy finance data.

Project Budget:

The Capital project budget is $10,341,766. Of this amount, $7,975,237 is for consulting service costs; $2,336,877 is for POLA labor mainly within the Accounting, Contracts and Purchasing, IT, Financial Analysis & Planning, and Debt and Treasury Divisions; and $29,652 is for office equipment.

Engineering In-House	$
Construction In-House	$
Environmental In-House	$
Construction & Maintenance In-House	$
Design Consultant	$
Environmental Consultant	$
Construction Management Consultant	$
Miscellaneous Professional Services	$
Construction Costs	$
Materials	$
Other	$10,341,766
Project Total	**$10,341,766**

Consultant Services Cost Breakdown:

Item	Estimated Cost
Oracle ERP Cloud Implementation	$ 3,588,000
Staff Augmentation	$ 4,266,937
D&T SymPro	$ 120,300
TOTAL ESTIMATED CONSULTANT SERVICES COST	**$ 7,975,237**

Project Schedule:
The schedule below shows the proposed finish dates needed to complete the project. The capitalized portions of the project are anticipated to be completed by October 2022.

	Start	Finish
Planning	01/02/2021	06/30/2021
Environmental	12/02/2020	12/02/2020
Design	07/01/2021	10/01/2021
Bid and Award	10/02/2021	10/02/2021
Construction	10/03/2021	10/03/2022

Project Resources:

The project resources will be:
- Information Technology Division staff
- Other Division staff, part-time as needed from Finance, C&M Divisions. Awarded Oracle ERP Cloud implementation vendor
- Awarded Business Analysts staff augmentation

ENVIRONMENTAL CONSIDERATIONS:

Based on the preliminary review of the information provided, it is anticipated that this project could be exempt from CEQA.

FINANCIAL IMPACT:

Approval of this project will authorize the creation of a new project number, with budgeted cost of $10,341,766 for the capital portion of this project. This capital portion includes $8,004,890 for external costs, and $2,336,877 for POLA employee costs. The project will also include operating expenses that cannot be capitalized, for a total of $3,968,875. This operation expense portion includes $2,798,034 for external software, support, consulting, and other costs; and $1,170,841 for POLA employee costs.

Funds are expected to be spent as follows:

	Capital Budget	Operating Budget	Total Project Budget
Fiscal Year 2020/2021	$ 0	$ 0	$ 0
Fiscal Year 2021/2022	$8,137,252	$1,042,900	$9,180,152
Fiscal Year 2022/2023	$2,204,514	$2,925,975	$5,130,489
Total Budget Cost	**$10,341,766**	**$3,968,875**	**$14,310,641**

Expenses from the Operating Budget for the project include the following:

Item	Estimated Cost
ERP and SymPro - Software Licenses, Support, Hosting	$ 1,450,800
Training & Learning Software and Support	$ 430,000
Staff Augmentation	$ 917,234
Internal Labor	$ 1,170,841
TOTAL ESTIMATED CONSULTANT SERVICES COST	**$ 3,968,875**

Following the completion of the entire projection, annual operating expenses for ERP software and support will be about $1,135,400, which includes software licenses and hosting, consulting support, and storage for legacy systems.

TRANSMITTALS:
None

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