King County *State of Washington*

Quantifiable Business Case
Business Case

July 16, 2004

DYE MANAGEMENT GROUP, INC.

King County, State of Washington

Business Case Report

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I. Highlights

The Quantifiable Business Case (QBC) project is the most rigorous evaluation of the county's financial and administrative processes ever conducted. This is the Business Case Report which describes why and how the county needs to improve. It is supported by the more detailed Business Operations Model Report and the Technology Costs Report.

While the previous Financial System Replacement Project (FSRP) focused on systems, the QBC focuses on total business processes. This process analysis is necessary to identify how to achieve efficiency and effectiveness benefits.

The QBC study evaluated processes using experienced subject matter consultants and functional specialists from the county. It compared the county against national standards and best practices for government and produced 1000 pages of analysis.

The study found that while the county is a $3 billion-a-year enterprise, it is woefully lacking in modern processes and systems. It must change to meet the vision and goals approved by the County Council.

The QBC identifies and recommends implementing thirteen high payback improvement opportunities including: consolidating duplicate financial systems and human resource/payroll systems, obtaining new budget systems, implementing practices to improve workforce performance, and implementing processes to improve budget analysis.

Implementing these improvement opportunities could yield over $230 million in benefits over 10 years. This is a target benefit figure that should guide the county in assessing what it can achieve. Even achieving part of these benefits makes for a strong business case.

Preliminary cost estimates for implementing the recommendations are approximately $47 million with an additional $24 million for debt service if the county borrows to cover the costs. These costs are preliminary because the QBC scope did not include reestimating the costs of financial and human resource payroll systems, which needs to be done. The study provides a four year transition plan.

Being successful will require managing key risks including: leadership, governance, project management, and change management. These risks were not well managed during FSRP. If the county cannot address these, and other risks, it will have to consider a different or scaled back plan.

Failure to pursue these improvements will result in foregoing millions of dollars in cost savings, paying too high of a cost for administrative overhead, continuing business processes that fall well short of national standards, lacking proper stewardship of public funds, continuing vulnerability to lawsuits, and losing credibility with taxpayers.

II. Background

This document is the business case for King County to improve its $3 billion dollar-a-year enterprise. The county has nearly $2 billion dollars in fixed assets. It provides vital services including public safety, health, transportation, and environmental quality. Successive years of budget crises have challenged the county's ability to deliver these services. Performing them requires over $80 million per year in business support for budgeting, finance, human resources, and payroll.

King County lacks modern business processes and systems. The county has recognized these deficiencies and has embarked on business improvements. Some of these improvements have been successful, others have not. The Human Resource Unification Project is an improvement that has met with success. The most notable unrealized improvement was the Financial System Replacement Project (FSRP). That project was terminated with only partial systems capability implemented.

> "[In the future,] *King County's financial, human resource, and budget management functions are fully integrated, efficient and effective, and enhance the county's ability to provide essential services to its customers."*
> *-- King County Vision and Goals*

To learn from FSRP challenges, the county had a Critical Assessment and Improvement Plan completed in 2001. Since then, the county has been implementing the recommendations of that plan, including a governance structure and a Vision and Goals document. The Vision and Goals statement was approved by the County Council. This current effort, the Quantifiable Business Case (QBC), analyzes business support and presents an improvement plan consistent with national standards, industry best practice, and the county's vision and goals.

While the FSRP's focus was technology change, the QBC is about business change involving people, processes, and technology.

The QBC consists of three major elements: Business Operations Model, Quantifiable Business Case, and Technology Costs. This document is the Quantifiable Business Case. Details supplementing this document are in the Business Operations Model and Technology Costs documents.

The QBC is referred to as "Accountable Business Transformation" because it recommends not only improvements to business processes but also ways to measure if the improvements are achieved.

III. Methodology

The QBC project was executed by Dye Management Group, Inc. using the following approach.

A. Assessment

The assessment phase of the project included documenting and reviewing current business processes using structured guides. In addition, 27 focus groups were conducted with county personnel from both central and line departments to identify current processes, determine problems with those processes, and begin determining opportunities to improve those processes.

B. Evaluation

The evaluation phase identified high payback opportunities for each business area and analyzed these in detail to determine how improvements could be implemented. The improvements were based upon industry best practice. The evaluation identified three alternative ways of implementing the high payback opportunities. These alternatives were Status Quo, Enhance Current Processes, and Business Transformation. Each alternative was evaluated based upon cost, benefits, and risk.

C. Recommendation

The recommendation phase selected the alternative based upon the evaluation process. It also identified implementation times and other considerations.

D. Oversight and Advice

Throughout the QBC process, perspective was provided by a Policy Advisory Committee comprised of representatives of county elected officials. In addition, the county provided functional leads for each business area that offered insight into county issues, participated in fact finding, and rigorously reviewed all work products.

IV. Business Need

Key findings from the assessment for each business area include:

A. Financials Business Area

The current financial business model supports the basic financial needs of the county. It produces auditable financial statements, makes vendor payments, manages cash, does billing, and performs other functions. Personnel understand the model and processes and enjoy some flexible reporting capability. The model supports many contemporary purchasing practices and effectively schedules payments to maximize discounts and investment opportunities. Problems related to the financial business area include:

I think it an object of great importance…to simplify our system of finance, and to bring it within the comprehension of every member of Congress… The whole system [has been] involved in impenetrable fog.”
-- Thomas Jefferson, 1802

- Labor intensive, cumbersome, and confusing processes with two financial systems.
- Many agency-specific financial systems.
- Redundant processes, redundant data entry, and inconsistent policies and procedures.
- Out-of-date, inadequate management reporting.
- Outdated, inefficient physical inventory process and policies.
- Dispersed, paper-based document storage creating inefficient and inconsistent processes.
- Limited ability to leverage purchasing power because of nonintegrated processes.

Over $6 million in savings were identified in the finance area. These were estimated using standards and benchmarks from the Government Finance Officers Association, the U.S. General Accounting Office (GAO), and national research organizations such as Gartner and the Hackett Group. For example, the GAO study identified the average cost to produce an accounts payable voucher to be $3.55. It costs the county between $16.78 and $43.33 to produce a similar voucher through its ARMS system.

The complexities of the current accounting process are illustrated in Exhibit IV-1 below. Exhibit IV-2, which follows Exhibit IV-1, illustrates how this process might be streamlined in the future.

Exhibit IV-1: Current Finance Process – Simplified View

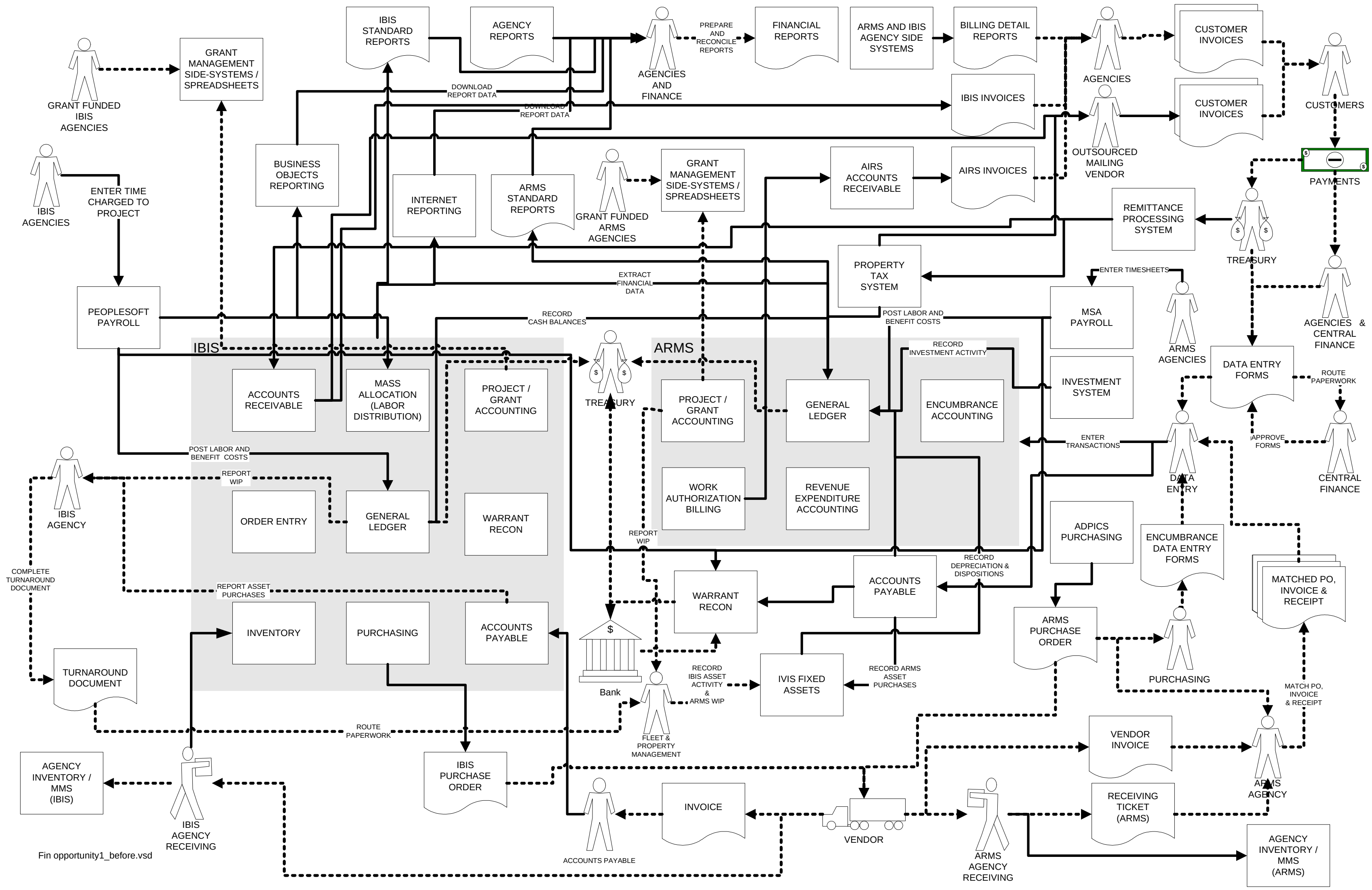
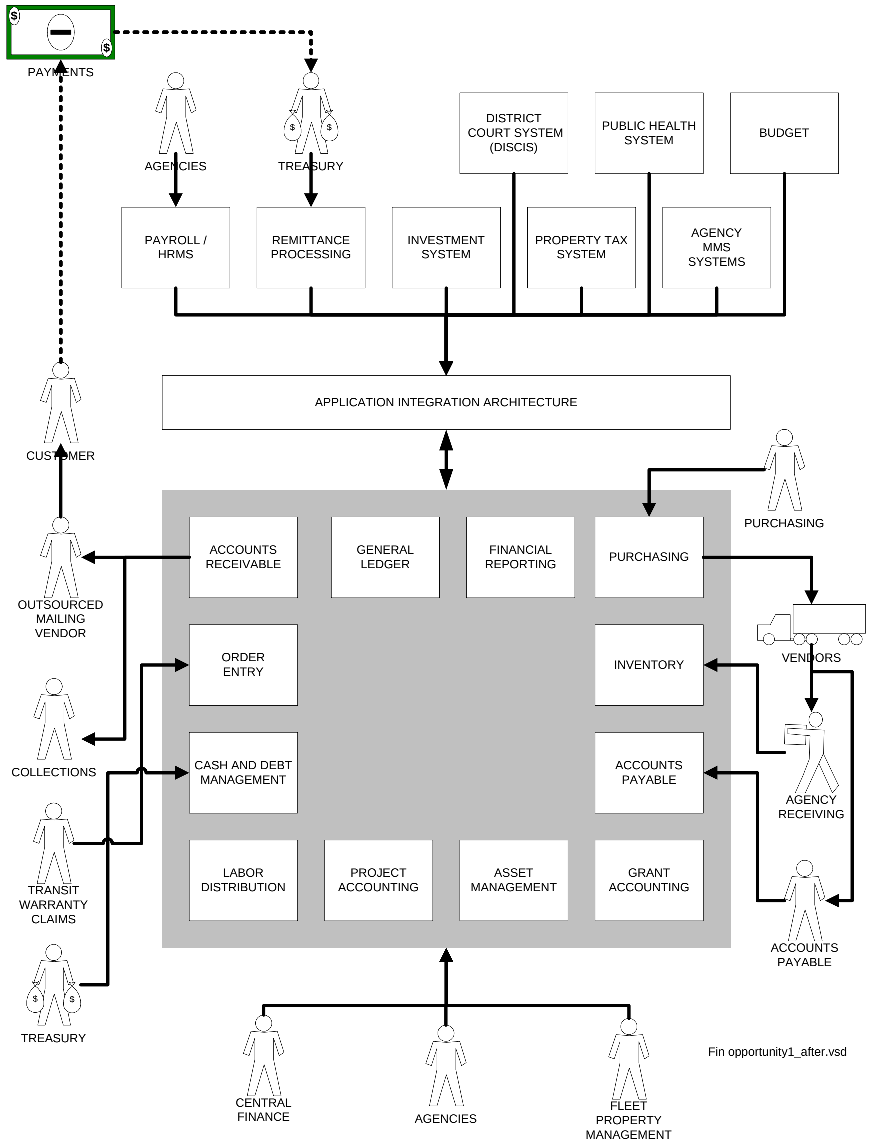


Exhibit IV-2: Future Finance Process



B. Human Resources Business Area

County employees are the largest county investment. The current human resources approach includes an experienced pool of subject matter experts. They have a detailed plan of action through the Unification Project. There is a willingness to improve. However, there are problems in human resources. For example, the county needs to improve the performance of county workers by systematically conducting performance reviews and taking action to improve employee performance based upon those reviews. This can have a significant impact on the quality of county services and costs.

Other problems include:

The county has experienced costly lawsuits in employment practices – QBC

- Multiple, cumbersome human resource processes and systems.
- Difficulty accessing data impacting productivity and resulting in numerous ad hoc systems.
- Inadequate, inconsistent management information (e.g., retirement and turnover statistics).
- Costly lawsuits.
- Inconsistent policy implementation across multiple systems.
- Lack of performance-based appraisals and compensation.
- Complicated labor agreements.
- Limited succession planning.

C. Payroll Business Area

The current environment for the payroll business area is stable. The county has successfully rolled out PeopleSoft Payroll and Human Resource System to some agencies. There is an understanding of effort, risks, and pitfalls required for the balance of county rollout. However, the county has a number of problems. For example, it is paying a high cost to process pay checks. The QBC project collected the cost of the staff, technology, and operations for payroll processing. Using this data, it was determined that the cost per paycheck was approximately $22. This figure compares to the average cost per paycheck of $6 from a national study by Arthur Andersen. Assuming that the county can reduce costs by merely 30 percent, this would save the county $3 million per year.

Other problems include:

- Multiple, cumbersome payroll processes and systems.
- Inconsistent pay policy.
- Labor-intensive semimonthly cycle.
- Inefficient processes for time and employee data entry, approval, validation, and correction.
- Difficult system access.
- Many manual processes (report distribution, manual checks).

Nationally, it costs an average of $6 to issue a paycheck; it costs King County $22 – QBC

D. Budget Business Area

The current budget process meets basic budget needs. The environment is stable and it provides tools that meet OMB requirements. In budgeting, the county is not using analysis techniques such as activity-based costing that have resulted elsewhere in reducing costs and reallocating large portions of government resources. The State of Washington has used this approach to shift over 8 percent of its current-level budget to higher priority activities. Further, the county does not have adequate performance measures to determine the efficiency and effectiveness of programs. Consequently, it lacks basic information to analyze budgets and set priorities. Other problems include:

- Not meeting the budget system needs of the County Council.
- Difficulty accessing data for policy initiatives.
- Inconsistent automation and lack of data integration.
- Inability to assess the cost of services and set priorities.
- Limited evaluation of current budget levels.
- Limited time for budget analysis.
- Little countywide capital planning.
- Limited attention to asset preservation.
- No countywide project status reporting.

Further, the focus groups identified the need to capture information distinguishing between local and county-side revenues and expenditures.

Additional details on the business need are presented in Chapter II: Assessment of the Business Operations Model Report.

V. Alternative Solutions

Three alternatives were considered to address the needs for contemporary business processes. These are as follows:

A. Alternative 1 - Status Quo

The Status Quo alternative keeps the current processes and systems that support them. No investment would be made to improve the business processes or the systems.

B. Alternative 2 - Enhance Current Processes

The Enhance Current Processes alternative would improve business processes without replacing the current systems. Changes to business processes would focus on those changes that are not system dependent and can be implemented with minimal system enhancements.

There would be significant benefits in the human resource area because these are not dependent on systems. There would be minimal benefits in finance, payroll, and budgeting.

C. Alternative 3 - Business Transformation

The Business Transformation alternative would fully implement the high payback opportunities using industry best practices. It would leverage contemporary cost technology that the county has partially implemented including the PeopleSoft HR/Payroll system and the IBIS (Oracle) financial system. There would be significant benefits for the county in all business areas.

Additional details on the alternatives are presented in Chapter III: Evaluation, Section C: Alternatives of the Business Operations Model Report.

VI. Recommendation

Dye Management Group, Inc. recommends that the county proceed with Alternative 3 – Business Transformation. This solution will bring contemporary financial and human resource best practices to King County. It can result in almost a $237 million net benefit over 10 years. The upfront investment will be $71.5 million. It offers an estimated 230 percent return on investment. However, to be successful, the county must manage high risk factors related to governance, leadership, project management, and change management. These were key factors that were not in place during the FSRP Project. The county will have to consider a different, or scaled back alternative if it cannot address these and other risk factors.

Alternative 1, Status Quo offers no new benefits. It leaves the county with two financial systems, two payroll/HR systems, and inefficient processes and lack of accountability for taxpayer resources. It does not meet the vision and goals established by the county. It leaves the county at risk for employment-related lawsuits with diminished credibility due to inefficient, ineffective business practices.

Alternative 2, Enhance Current Processes, would move the county forward in the human resources area, consistent with the Human Resource Unification Project. However, unlike Alternative 3, it leaves the county with duplicate financial and payroll/HR systems, inefficient processes, and lack of accountability for the taxpayer resources. It only meets a small part of the vision and goals established by the county. It has most of the same risks as Alternative 1 but also has governance and project management risks.

There are other factors that support the recommendations for Alternative 3. The PeopleSoft Payroll/HR system has been stabilized in the last few years and already supports one-third of county employees. This permits the county to lower risk by using a solution that has proven to work in county departments. Also, the technology has been upgraded so it provides a contemporary county platform for payroll/HR processes.

Alternative 3 also lowers risks and costs by implementing the IBIS system countywide in conjunction with an incremental implementation of PeopleSoft for payroll and human resources. An agency-by-agency IBIS rollout has the lowest risks and costs and the greatest potential for realizing tangible benefits. The county already knows how to use, manage, and upgrade IBIS financials. Also, IBIS is a modern system that supports industry best practices. We do not recommend implementing IBIS as is; instead, it should be reconfigured to address the broader range of needs of different county departments.

Alternative 3 also moves the county forward in budgeting by acquiring automated budget systems and new analytical capabilities for the Council, executive, and judicial branch personnel. The sections that follow further explain the costs, benefits, and risks of the various alternatives.

Additional details on the recommendation are presented in Chapter IV: Recommendation of the Business Operations Model Report.

VII. Consequences of No Action

The QBC identifies a fundamental improvement plan for county business processes. Following are implications of not improving. The county will:

- In an era of tight budgets, not implement improvements that can result in millions of dollars of cost savings.

- Pay too much for administrative overhead.
- Lack financial modern business processes and continue systems that fall well short of accepted standards and best practices.
- Not provide the County Council with the necessary information to exercise proper stewardship over public funds.
- Lack the information to ensure productivity of its largest investment, its workforce.
- Be unnecessarily vulnerable to employment-related lawsuits and damages.
- Lack performance information to really understand the impacts of budget decisions and how these align with public priorities.
- Suffer a continuing loss of credibility with taxpayers.

VIII. Costs

This section identifies the costs to the county to implement the various alternatives. The tables below identify estimated costs for the alternatives. These costs are estimates developed using industry standard techniques. The estimates will change based upon factors such as specific bids from contractors to perform projects and the specific timing of when the county decides to move forward with the projects. The cost estimates should be considered as +/- 20% in accuracy.

These costs need to be further refined based upon the recommendation in this report to the county to use the IBIS system countywide. Initial estimates for the financial system strategy were made by Dye Management Group, Inc. and Moss Adams in the past three years. These costs are now out of date.

Exhibit VIII-1 below presents the implementation costs for each alternative. These are presented in the form of costs over and above what the county is currently spending on financial systems and processes.

Exhibit VIII-1: Implementation Costs

Estimated Implementation Costs	Alternative I	Alternative 2	Alternative 3
	$0	$5.75 million	$71.5 million

In addition to the implementation costs, there will be additional operating costs as indicated in Exhibit VIII-2. These costs will be incurred over a ten-year period to provide technology and staff support.

Exhibit VIII-2: 10-Year Operating Costs

Estimated Operating Costs	Alternative I	Alternative 2	Alternative 3
	$0	$30.7 million	$34.5 million

The operating costs include the cost of periodic upgrades. This cost does not materially diminish the net benefit of the Business Case. Additional details on the cost are presented in Appendix A and in Chapter III: Evaluation of the Business Operations Model Report. In addition, Excel spreadsheets with the detail calculations are available through OIRM.

IX. Benefits

Based upon national standards, industry best practices, and county subject matter input, this project identified opportunities for large-scale improvement. Tangible, quantified benefits were estimated where possible. Intangible or non-quantified benefits were also identified. We believe these estimates are reasonable based on industry experience. These were calculated by subject matter experts who were asked to use conservative assumptions. They were reviewed and discussed extensively with the county functional leads. They were available for county review for two months. However, there will be, and should be, vigorous debate about the ability of the county to achieve them. Some are related to business process change alone, others require technology. The benefits are large and even achieving a fraction of them makes for a strong business case. Even without them, there is a strong business case. These should be viewed as targets, not absolutes. The real issue is whether the county is willing to make the business changes identified. King County's actual benefits will vary and depend on a number of factors including whether all of the recommendations in this report are properly implemented. These factors include establishing a proper governance structure and hiring private contractors to provide project management systems, business process improvement, and systems implementation. In order to identify actual benefits, the county needs to develop a performance measurement process and benchmark these over time.

It should be noted that many of the benefits will result from eliminating unnecessary processes as depicted in the business process diagrams in Chapter III: Evaluation in the Business Operations Model section.

The following table presents a comparison of the net benefits of each alternative. (These are the benefits after the cost of each alternative is subtracted.) This indicates the highest net benefit by far is provided by Alternative 3.

Exhibit IX-1: 10-Year Net Benefit Comparison

Alternative 1	Alternative 2	Alternative 3
$0	$153.2 million	$236.9 million

Following is a description of improvement opportunities and their benefits for Alternative 3, the recommended alternative. The assumptions behind these benefits are described in Appendix A.

A. Financials Business Area

The analysis of the financial business area resulted in five high payback areas with the potential to significantly increase the effectiveness and efficiency of King County. The four recommended high payback areas for the financials business area are:

- **Automate, integrate, and consolidate business processes**. **(Annual benefit $6.2 million.)** By implementing contemporary technology and best practices in financial accounting and reporting, the county can more efficiently monitor its financial activity while improving the management decision process.
- **Implement electronic document imaging management**. **(Annual benefit $2.5 million.)** Implementing an electronic document process will standardize how documents are stored and retained and allow anyone needing to review the document to quickly and efficiently access it.
- **Implement procurement best practices**. **(Annual benefit $5.5 million.)** Continuing savings and expanding the initiatives for records and online catalogues will reduce processing costs related to purchases and reduce the purchase cost of procuring commodities.
- **Implement capital asset accounting best practices**. **(Annual benefit $0.1 million.)** Changing the capital asset process will provide better tracking of assets at a lower cost.

B. Human Resources Business Area

The analysis of the human resources business area resulted in five high payback areas with the potential to significantly increase the effectiveness and efficiency of King County. The five high payback areas for the human resources business area are:

- **Implement performance management best practices**. **(Annual benefit $14.1 million.)** This allows training investment to be focused on higher priority needs and encourages quality employees to stay at the county.
- **Refine and standardize the collective bargaining process**. **(Annual benefit $0.2 million.)** This will create efficiencies in the negotiation process and make contract terms easier to understand and implement.
- **Develop and implement succession planning practices**. **(Annual benefit $1.3 million.)** This will provide a clear plan to address the inevitable retirement or turnover of employees in key positions.
- **Automate, integrate, and consolidate business processes**. **(See Payroll Business Area.)** Moving all employees to a single HR system will provide the ability to standardize practices and to review and analyze countywide trends and statistics.
- **Implement quality assurance strategies**. **(Annual benefit $1.4 million.)** This will maximize process efficiencies using best practices. A quality assurance program combined with improved communications will improve the performance and satisfaction of county staff.

C. Payroll Business Area

The analysis of the payroll business area resulted in one high payback area with the potential to significantly increase the effectiveness and efficiency of King County. The high payback area for the payroll business area is:

- **Automate, integrate, and consolidate business processes. (Annual benefit $3.2 million.)** Migrating the county to a single pay cycle and Human Resource/Payroll system will significantly reduce the county's cost to produce a payment and bring it more in line with national averages.

D. Budget Business Area

The budget business area analysis resulted in three high payback areas with the potential to significantly increase effectiveness and efficiency. These are:

- **Automate, integrate, and consolidate business process. (Annual benefit not quantified.)** By improving the efficiency of submitting and analyzing budget data, the focus can be on key decisions rather than transaction processing.
- **Increase analytical capability. (Annual benefit not quantified.)** By implementing activity-based costing and integrating performance measures, the budgets can focus on the highest priority activities, reallocate current level expenditures, and improve performance.

- **Improve capital planning and monitoring**. **(Annual benefit not quantified.)** By doing countywide capital planning and focusing on asset management, the county can extend the life of its assets and avoid paying enormous reconstruction costs. By implementing robust CIP project monitoring, the cost of CIP projects can be reduced, allowing the county to reduce the CIP budget or refocus the savings to other priority projects.

Additional details on the benefits are presented in Chapter III: Evaluation, Section B: High Payback Opportunities of the Business Operations Model Report.

X. Risks

Any major project has inherent risks. There are also risks in doing nothing or maintaining the status quo. This section summarizes the risk for each alternative and presents a summary of implementation risks. Key implementation risks are:

- **Governance and Organizational** risk includes the leadership, sponsorship, governance committee(s), internal organizational structure, capacity, culture, and structure of the supporting organizations.
- **Project management** risks are those arising from the assignment of authority and accountability for the project, and the organization’s planning, coordination, and direction of project resources. There are three risks in this area dealing with inadequate project management practices, project status tracking, and software contracts.
- **Functional** risk includes the scope of business requirements and the required technical capacity of network and systems.
- **Stakeholder** risk includes resistance to changing business practices, systems, and communication issues around involving customers and interested parties in the project.
- **Complexity** risk includes the relative complexity of business and technical requirements, changing business practices, and system implementation.
- **Project resource** risk includes issues related to the availability of technical skills and commitment of both internal and contract personnel for the project.

Overall, each of the alternatives has a moderate risk. However, there are high risk aspects of each that should be understood.

Alternative 1 has high risks in the functional and stakeholder areas. By continuing current processes and systems, county personnel will not have the tools and processes for contemporary management. Likewise, there is risk of loss of credibility with internal stakeholders, such as the County Council, and external stakeholders, including citizens, who expect the county to be efficient and accountable.

Alternative 2 has the same high risks associated with Alternative 1, except for the human resource area where process improvements are introduced. It also has high risk elements including governance where the county needs to develop a focused, effective decision-making process involving key stakeholders. Project management is high risk because the county does not have the expertise to manage a project of this nature.

Alternative 3 addresses the functional risk identified above; however, governance and project management remain high risks. Stakeholder risk is an issue here because of the need to involve stakeholders in a meaningful way.

The key issue for the county is whether it will take the necessary steps to mitigate these risks. Risk mitigation strategies for Alternative 3, the recommended alternative, are presented in Exhibit X-1.

Exhibit X-1: Ranking of Implementation Risks

Risks	Mitigation Strategies
Governance and Organizational	• Implement the governance structure recommended in the July 16, 2001 Implementation Plan recommended by Dye Management Group, Inc. • Select a program sponsor who will accept the leadership responsibility to ensure policy matters are addressed and resolved in a timely fashion, and who has the political authority and organizational power to sustain the program through implementation. The sponsor is accountable for program success. • Develop a governance authority structure including a Policy Committee that represents elected officials, line departments, and other key stakeholders for the program that is sufficient to promote policy decisions to a level where they will receive attention and resolution. The program sponsor will chair the Policy Committee. • Educate the Policy Committee representatives in their proper program role and responsibilities. Provide them with training in project oversight techniques. • Prepare elected officials to make key policy decisions that impact the legal framework within which the county organizations must operate. • Identify legal, contractual, and other changes external to the county administration and relevant stakeholders early.
Project Management	• Outsource program management and delivery to an experienced firm with a fixed-price, deliverable-based contract. • Furnish a county program director with a background in successful ERP program delivery. • Acquire independent oversight to review all program aspects throughout the program's life cycle. • Ensure that end-users are given a strong voice in the business process analysis and change process.
Functional	• Re-validate end-user requirements and properly set end-user expectations regarding what will and what will not be in the final implemented solution. • Inventory the business processes to be aligned and/or redesigned early in the program and obtain agreement on the priorities, conceptual approach, practice, and workflow by impacted end-users. • Develop an ongoing monitoring program to ensure the county continues to receive benefits from its technical implementations.

Risks	Mitigation Strategies
Stakeholder	• Form a Technical Committee that represents each enterprise business area affected by the program and that clearly understands the impact of program related changes, and has authority over the allocation and management of end-user resources. • Structure teams to involve people from both the old “county” and “Metro” organizations to overcome the cultural differences inherited from the merger of these two organizations. • Construct and implement a well-conceived, structured business change management process to ensure that end-users have the appropriate incentive and resources for planning and preparation. • Conduct a Change Management Readiness review to assess the county’s capacity for and receptivity to implement the business process changes that are critical to the success of the program. • Implement a communications program that clearly articulates the program goals and objectives with a focus on educating and building commitment for change early in the program. • Provide thorough training on organizational aspects of the system. • Develop an assessment and certification tool to ensure that the proper level of training necessary to function in the new system environment has been provided.
Complexity	• Acquire standard, commercially available software that is proven and vendor supported. • Limit software customization to an absolute minimum. • Utilize standard system architecture — Hardware, software, databases, query tools, desktop tools, and network infrastructure.
Project Resource	• Consider outsourcing legacy system support during the implementation period to allow in-house staff to focus on the implementation program. • Develop resource-loaded project work plans at a level of detail that will enable the county to more accurately forecast resource needs and to support acquiring sufficient personnel and other resources, including “back fill” staffing. • Communicate the nature of technical and functional expertise needed from end-user departments to ensure availability of an adequate number and mix of human resources from county organizations. • Undertake a staff re-education program to mitigate the demoralization over the way the previous program ended, as well as the lack of momentum and the diminishing familiarity with the software applications gained during the previous efforts due to the time lapse since program suspension.

Additional details on the risks are presented in Chapter IV: Recommendation of the Business Operations Model report.

XI. Key Performance Indicators

Performance measures provide a means to determine the level of success implementing new business processes and technology. Exhibit XI-1 presents examples of key performance measures for each business area.

Exhibit XI-1: Selected Performance Indicators

Business Area	Performance Indicators
Financials	General Ledger cost as a percent of operating revenue. Cost per voucher. Average time to collect accounts receivables. Labor costs recaptured. Number of purchase orders issued. Requisition process costs.
Human Resources	Customer service satisfaction percent. Number of annual performance appraisals completed. Number of grievances after language standardization process occurs. Applicant processing response time.
Payroll	Payroll personnel per thousand employees. Total payroll cost per paycheck. Average number of paychecks processed per FTE.
Budget	Operational savings as a result of enhanced automation. Dollar value of budget reallocations. Dollar amount of total capital needed over the six years. Dollar amount of required maintenance and preservation funding required over the six-year plan. Dollar amount of deferred maintenance/preservation. Dollar amount of impact of not funding deferred maintenance/preservation on downstream capital costs and on programs/cost savings from timely fund.

Additional details on the key performance indicators are presented in chapter III: Evaluation, section B: High Payback Opportunities of the Business Operations Model report.

XII. Transition Strategy and Plan

The transition plan assumes that a series of phases will be done to incrementally implement the county's vision. The core of the phases provide for the transition to the new human resources/payroll and financial processes and systems. Additional phases can be done in parallel to these to provide for integration of subsidiary processes and systems such as fixed assets, inventory, project accounting, budget preparation, activity-based costing, and the like.

The Human Resources phases are primarily business process oriented with some system support required to optimize the benefits. These phases can also be conducted in parallel to the core transition projects.

The following phases have been defined for the transition:

- **Initial Planning** – This phase includes defining the initial scope of the phases, developing an RFP, and selecting a vendor to assist in the Preparatory Analysis and System Requirements phases.
- **Process Tasks Required Before Implementation** – This phase addresses key decisions that must be made for the county to structure the transition for success. This will set the standard for implementing policy and business processes as the phases proceed. Key issues that should be addressed before proceeding are:
  - Determine Activity Based Costing Strategy.
  - Develop Cost Allocations Plan.
  - Develop Labor Distribution Methodology.
  - Develop Accounting Structure.
  - Determine Payroll Schedule.
  - Identify Areas that Require Resolutions to Labor Agreements.
  - Determine Implementation Strategy.

  Addressing these issues early will allow the requirements definition and implementation phases to proceed with reduced risk. Early decisions on these policy issues will allow contracts for labor agreements, grant reimbursement, and services to cities and other jurisdictions to be negotiated before the affected agencies convert.

During this phase, the requirements for the core functionality as well as additional functionality that will be added will be defined. Key areas for which requirements are needed include:

- Human Resources/Payroll Requirements.
- Financial Requirements.
- Functional Requirements.

In addition, the hardware requirements for implementation of IBIS and PeopleSoft countywide need to be evaluated. This review should include hardware, licensing, and support model analysis.

Organizational alignment to provide functional and technical support for the implemented functionality should also be addressed in this phase. Defining the make-up of the Competency Center and allocating the budget and FTE's to implement it in parallel to the agency implementations should be considered.

- **Select Software and System Integrator –** The purpose of this phase is to select a system integrator to support the remaining implementation efforts. The phase assumes that new accounting software will not be purchased and that a single system integrator will be selected that can address PeopleSoft and Oracle configuration, best practices, and integration. New software may be purchased to address specific functional requirements such as activity-based accounting, budgeting, or asset management if it is determined during the requirements definition that the existing systems cannot meet the need.
- **Perform Phased Agency Implementation –** This is a series of phases to convert a few agencies at a time to Oracle and to PeopleSoft. For planning purposes, we are assuming that the first group of agencies will include updates to the Oracle/PeopleSoft configuration or reimplementation of the current IBIS agencies along with the associated straddle agencies.

  We also assume that subsequent agencies can be done in three additional phases, converting them to Oracle at the same time that they convert to PeopleSoft. Issues concerning the agency contracts (labor, grant, and services) should be resolved prior to the scheduled start of that agency's conversion. Major tasks that will be addressed for each group of agencies include:

- Define Agency Specific Configuration, where appropriate.
- Develop Agency Interfaces.
- Develop Conversions.
- Conduct Training.
- Conduct System Test.
- Conduct Acceptance Test.
- Convert.
- Provide Post-Implementation Support.

Note: As the agencies are selected, they should be grouped so as not to fragment the general fund. Consideration should be given to migration of the entire CX to Oracle at the same time to avoid fragmentating the CX into separate systems.

- **Perform Phased Functional Implementation** – These phases address additional business processes and functionality. These implementations occur in parallel to the shared agency implementations. The assumption is that, as the new functionality is implemented, it will be first implemented for agencies that have been converted to the new systems. The priority and sequence of these processes should be determined during the Initial Planning phase. The phase includes:
  - Integrated Budget.
  - Activity Basis Costing and Performance Measures.
  - P-Card.
  - E-Procurement.
  - Document Imaging.
- **Process Changes Possible Before System Implementation** – These phases address those opportunities that are not technology driven. These tasks will achieve maximum benefit with the technology implementation but can achieve substantial benefits before the supporting technology becomes available. These tasks are:
  - Asset Management Policy.
  - Capital Planning and Monitoring.
  - Performance Management (HR).
  - Union Contracts.
  - Succession Planning.
  - Quality Assurance.

1. Implementation/Transition Cost

The transition costs presented here present the approximate implementation costs over the four-year timeframe. These costs do not track by year with the detail spreadsheets used to develop the Business Operations Model because the transition timeline reflects the new implementation approach that we recommend. Costs were developed only as a potential tool for the county to use should the county elect to approach funding in the recommended phases. These numbers must be updated to reflect market changes such as system costs and the new, phased transition approach.

The summary implementation and transition costs for the four business areas are presented in Exhibit XII-1:

Exhibit XII-1: Approximate Transition Plan Costs by Phase

	Year 1 (000)	Year 2 (000)	Year 3 (000)	Year 4 (000)	Total Implementation Costs (000)	Debt Service (000)	Total Cost (000)
Initial Planning	$200				$200	$100	$300
Process Tasks Required Before Implementation	$5,450	$10			$5,460	$2,740	$8,200
Select Software and System Integrator	$955				$955	$505	$1,460
Perform Phased Agency Implementation		$17,700	$11,375	$3,400	$32,475	$16,250	$48,725
Perform Phased Functional Implementation	$2,000	$4,000	$1,200		$7,200	$3,600	$10,800
Process Changes Possible Before System Implementation	$300	$500	$380	$30	$1,210	$607	$1,817
Total	**$8,905**	**$22,210**	**$12,955**	**$3,430**	**$47,500**	**$23,802**	**$71,302**

2. Project Schedule

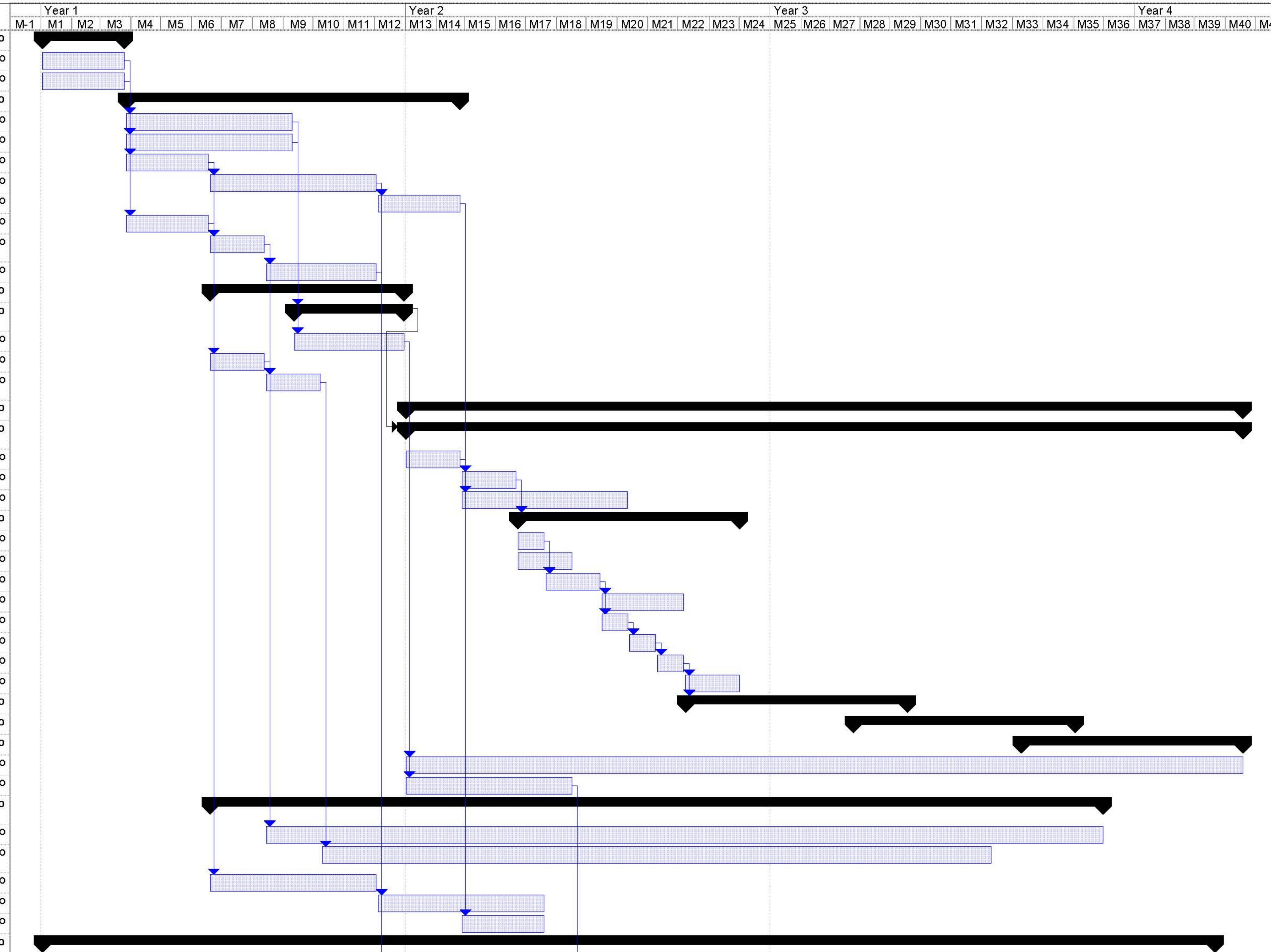
The attached schedule presents a four-year transition plan. The dates and durations are approximate. They should be reevaluated as the projects proceed and adjusted to address priorities and resource constraints. See Exhibit XII-2.

Additional details on the transition plan are presented in Chapter IV: Recommendation of the Business Operations Model report.

Exhibit XII-2: Transition Schedule

King County Quantifiable Business Case
Transition Plan

ID	Task Name	Duration
1	**Initial Planning**	**3 mo**
2	Integrated Financials	3 mo
3	Integrated HR/Payroll	3 mo
4	**Process Tasks Required Before Implementatio**	**12 mo**
5	Integrated Financials	6 mo
6	Integrated HR/Payroll	6 mo
7	P-card	3 mo
8	E-Procurement	6 mo
9	Document Imaging	3 mo
10	Integrated Budget	3 mo
11	Activity Based Costing & Performance Measures	2 mo
12	Capital Planning & Asset Management	4 mo
13	**Select Software & System Integrator**	**7 mo**
14	**Integrated Financials Software Evaluation**	**4 mo**
19	Integrated HR/Payroll	4 mo
20	Integrated Budget	2 mo
21	Activity Based Costing & Performance Measures	2 mo
22	**Perform Phased Agency Implementation**	**30 mo**
23	**Integrated Financials Software Implementation**	**30 mo**
24	Install Software	2 mo
25	Configure System	2 mo
26	Write Countywide Interfaces	6 mo
27	**Implement Agency Group 1**	**8 mo**
28	Define Agency Specific Configuratio	1 mo
29	Develop Agency Interfaces	2 mo
30	Develop Conversions	2 mo
31	Conduct Training	3 mo
32	Conduct System Test	1 mo
33	Conduct Acceptance test	1 mo
34	Convert	1 mo
35	Provide Post-implementation Suppo	2 mo
36	**Implement Agency Group 2**	**8 mo**
45	**Implement Agency Group 3**	**8 mo**
54	**Implement Agency Group 4**	**8 mo**
63	Integrated HR/Payroll	30 mo
64	Succession Planning	6 mo
65	**Perform Phased Functional Implementation**	**32 mo**
66	Integrated Budget	30 mo
67	Activity Based Costing & Performance Measures	24 mo
68	P-card	6 mo
69	E-Procurement	6 mo
70	Document Imaging	3 mo
71	**Process Changes Possible Before System Implementation**	**42 mo**



King County Quantifiable Business Case
Transition Plan

ID	Task Name	Duration
72	Asset Management Policy	1 mo
73	Capital Planning & Monitoring	24 mo
74	Performance Management	12 mo
75	Union Contracts	24 mo
76	Succession Planning	6 mo
77	Mentoring Program	6 mo
78	Quality Assurance	36 mo