The Corporation of the Town of Milton

Report To:	Council
From:	Aaron Smit, Director, Information Technology
	Glen Cowan, Chief Financial Officer / Treasurer
Date:	July 17, 2023
Report No:	CORS-037-23
Subject:	Financial Management System Update
Recommendation:	THAT staff be authorized to negotiate on a single source basis the award for the implementation and annual licensing of financial management software modules with Workday Ltd. as further outlined in this report.

THAT authority for the final execution of the agreement be subject to Council approval, expected in the latter part of 2023.

THAT capital project C24110422 (Financial Enterprise Systems) be increased by $900,000 from $514,976 to $1,414,976 with funding provided from the Project Variance Account.

THAT in the preparation of the Proposed 2024 Capital Budget and Forecast staff include in 2024 a funding request for the project team resources required to implement the new financial management modules and remove from the forecast the $3,500,000 estimate that was included in the year 2026 for a Financial Management System replacement.

EXECUTIVE SUMMARY

- The Town's existing Financial Management System (FMS), CMIC V10x, is at end of life and requires replacement as soon as is feasible.

- Alternatives that have been considered include upgrading to a newer version CMIC (R12), migrating the financial modules to Workday (which the Town has recently introduced as its Human Resource Information System) or undertaking a competitive request for proposal process.

- As outlined in further detail in this report, based on the strength of the product offering, the operational and implementation efficiencies that could be achieved, as well as the timeliness of proceeding with a contract execution and project

EXECUTIVE SUMMARY

implementation at this time, it is recommended that the Town proceed with Workday Ltd.

- An acceleration of capital budget funding is required from 2026 to 2023/2024, with the potential to mitigate the cash flow impacts through the 2024 Budget process.

- An incremental operating cost for licensing at an estimated $55,000 per year is expected, but has the potential to be partially mitigated by moving to a cloud-based solution. The operating impact would be introduced at the time the new modules go-live, which is expected no earlier than 2025/2026.

REPORT

Background

The Town has utilized Computer Methods International Corporation (CMIC) as its provider of FMS since 1997. As the Town's FMS, several modules of the software are utilized including:

- Financials (general ledger, accounts payable, accounts receivable)
- Projects (job costing, subcontract management and project management)
- Assets (purchase order, inventory and equipment costing)

CMIC is an on-premises solution (as opposed to a cloud-based solution) installed on multiple servers within the Town's datacentre and maintained by Information Technology staff. It also has a number of existing integrations to other software that the Town utilizes in areas such as financial reporting, point of sale payment management, property tax management, recreation fee management, payroll and expense, building permit management and with the Town's financial institution for banking services.

The Town currently utilizes CMIC version V10x. This version has reached end of life status, meaning the vendor no longer provides active feature development or regular updates for this product. This system relies on various other software products (ie. Microsoft Server, Oracle databases) and web-browser plugins that are rapidly approaching, if not already also at, end of life status with their respective vendors. Continuing to run software products at or approaching their end of life status places additional risk to the Town as the number of known/discovered security vulnerabilities or software issues which can lead to system instability within the product increases once the vendor stops providing support and issuing security updates and patches for the system. The longer the Town continues using the product in its current version, the greater the risk. Due to the critical role the FMS plays in daily and ongoing Town operations, time is of the essence to ensure a dedicated and speedy allocation of resources to migrate the organization to a new/updated system that can continue to support daily financial processes.

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Background

Funding for an upgrade to the existing CMIC environment was previously approved in the Town's capital budget, with additional funding identified in 2026 for a full replacement of the system.

Based on the above, direction from Council regarding the next steps in the Town's replacement of the current version of the software is being sought at this time.

Discussion

There are three primary alternatives that have been considered at this stage as follows:

1. Upgrade to a newer version of CMIC (CMIC R12)
2. Migrate from CMIC to Workday
3. Undertake a request for proposal process for a new solution

Each is briefly discussed below along with an evaluation of relevant considerations.

Overview of Alternatives

1. Upgrade to a newer version of CMIC (CMIC R12)

Founded in 1974, CMiC is a software development company based in Toronto which focusses on the Architecture, Engineering and Construction (AEC) industry. They build and support a comprehensive set of applications that sit on a single database platform named CMiC Enterprise. CMiC R12 is the latest version of their Enterprise platform offering both on-premise and cloud variations. CMiC R12 brings a completely re-designed user interface and module navigation panel along with responsive web design elements within modern web browsers. R12 runs on updated versions of Windows Server and Oracle Database platforms, with presently documented vendor end of support dates in 2024 and 2025 respectively. CMiC R12 would continue to be an on-premise FMS for the Town.

2. Migrate from CMIC to Workday

Originally founded in 2005, Workday delivers cloud-based applications for financial management, human capital management, planning and analytics. Workday has close to 10,000 customers worldwide, including Canadian baking institutions and multiple Canadian Municipalities who are either live with their product (City of Leduc, Town of Milton) or in the process of implementation with a planned go-live date in the near future (City of Vernon, Town of Whitby, City of Burlington). Within their financial management modules, solutions are available for the functions that are currently provided by CMIC, as well as some of the other software packages utilized by the Town.

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The Town recently began the implementation process for a Human Resource Information System (HRIS). Following an RFP process and through CORS-029-21, Workday Ltd. was selected as the provider of that system. The first phase of the system has gone live in 2022 and included modules related to human capital management and core compensation, payroll, absence and time tracking, expenses and benefits. The next phases of that system include enhanced scheduling and advanced compensation.

3. Undertake a request for proposal process for a new solution

Aside from proceeding with one of the Town's existing providers, the Town could choose to undertake a competitive RFP process. As an example, the City of Burlington undertook a process in 2019 for an Enterprise Resource Planning (ERP) solution with nine (9) bids submitted representing a combination of software providers and implementation partners. The Town of Whitby also undertook a similar process in 2021 which resulted in four (4) submissions. Any new FMS solution implemented at the Town would be required to provide integrations with Milton's existing software solutions and the modules included could be specific to those requiring immediate replacement or more broad should the Town choose. Both CMIC and Workday could elect to bid through the RFP process should the Town adopt this approach.

Evaluation of Alternatives

The evaluation first compares key considerations with respect to the solutions offered by CMIC and Workday. A comparison between those alternatives and the potential to undertake a new RFP process is then considered below.

In order to inform this initial review, preliminary information was assessed with respect to what a potential implementation would entail for a migration to CMIC R12 as well as for the introduction of Workday financial modules. A more fulsome exploration and development of an implementation plan would follow at a later date should one of these alternatives be selected.

- Both alternatives (CMIC R12 and Workday) are considered relatively similar with respect to:
  - implementation timelines, being over one year to launch the new system. The timeline is a key consideration both in terms of mitigating any risk associated with the current state, as well as in affecting the cost of the internal project team that will be required to lead the initiative;
  - change management and training requirements, as both systems will require a relatively high degree of focus in this area due to the introduction of an entirely new interface and revised internal processes for staff;

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- o the technological complexity that is expected in designing and implementing the new system (initial configuration, data import/export, testing);

- CMIC R12 is expected to have lower costs (in the form of payments to the vendor) both in the capital costs required to implement as well as in the annual operating costs to license the system. With respect to operating costs, the differential is expected to be in the order of 19%, but would be subject to the final selection of modules that are required.

- Workday's solution is considered to be stronger in the following areas:

  - o the ongoing longer-term operational maintenance and management that will be required due in part to it being a natively cloud-based solution;
  - o ease of integration with existing systems;
  - o the security and audit log functionality that is available within the solution;
  - o the availability of new features and innovation in the product offering;
  - o the municipal government applicability.

Based on the above, Workday is considered to be a better long term solution for the Town for the required modules, even with the additional incremental vendor cost that will be required (more details on the financial considerations are provided below, including potential mitigation in some of the non-vendor specific related costs).

When assessing a direct award relative to undertaking a competitive RFP process, the following factors have been considered:

- Operational efficiencies - there can be advantages for an organization in leveraging a single software platform for a variety of applications. This is true both for the back-office support that is required to maintain the software, as well as for the numerous end users that utilize the system on a regular basis.

- Timeliness - funding for an upgrade to the existing CMIC platform was originally approved in the capital budget in 2019 but has not proceeded to date due to a variety of factors including resourcing constraints. Risks that have been identified through security audit processes can only be rectified with the upgrade or replacement of the current platform, so the sooner that the Town can proceed the better off the organization will be from that perspective.

- Implementation Efficiencies - the Town successfully launched the initial modules of Workday at the start of 2022 and continue to work through the second phase of that process. As such, should the Town elect to award the financial modules to Workday, the project team structure and the project planning/execution techniques that have proven successful to date can be applied to the additional modules.

- Strength of Solution - Workday's platform has demonstrated a number of benefits to the Town for the modules implemented to date. Workday was also identified as

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the preferred solution for a comparable RFP process that was undertaken by the City of Burlington and Town of Whitby (who are currently in the process of implementing the system).

Based on all of the above, staff are recommending that the Town proceed with authority for a single source award to Workday for the financial modules that are required to replace the existing CMIC functionality that is used by the Town.

Next Steps

Should the recommendations herein be approved, staff will engage with Workday in order to develop a detailed implementation plan. This process will include validation and confirmation of the specific modules that will be required, as well as the resources that will be required on the project team and the related timelines. Similar to the Town's HRIS agreement, a term of five (5) years along with an option to renew for up to an additional two (2) years is expected at this time.

Staff expect that the balance of 2023 will be utilized to work through that process and undertake some of the required data collection, with the intention that the formal launch of the project will occur in 2024 and a go-live date at earliest in late 2025 or early 2026. Approval of the authority at this stage is timely in order to facilitate this potential timeline. Council approval of the final negotiated terms will be presented in the latter half of 2023.

It is expected that a contract with Workday will be negotiated and executed in 2023. In order to facilitate that approval, adjustments to the Town's approval Capital Budget are also recommended in this report.

- Funding of $514,976 for an upgrade to the Town's existing CMIC environment is currently available in project C24110422. Of that amount, $396,537 was identified for external vendor costs, with the balance for staffing resources.

- An increase to that project budget of $900,000 is requested at this time. This amount is intended ensure that sufficient funding exists at the time of the contract award to Workday, provide for incremental staff time that may be required in advance of 2023 year end, as well as to provide a contingency.

- Through the 2024 Budget process, additional capital funding for the resources that will be required for the project implementation will be requested. This timing will allow the project team needs to be further defined through discussion with Workday, and will better match the timing of when the funding will be utilized. Similar to the Town's HRIS process, the resources required will include IT expertise, subject matter experts (accounting, purchasing, etc.) and project management.

- $3,500,000 in funding was identified in the year 2026 for a full replacement of the existing FMS system. With the acceleration of the budget to 2023 and 2024 as noted above, this 2026 amount can be removed from the forecast period.

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It should be noted that there are several other adjustments to the capital forecast that, while being made on the merits of each respective project, will help accommodate the resources (both staffing and financial) that will be required for the FMS update. Both the Customer Relationship Management project ($3,127,412 in 2024) and Asset Management System ($2,575,000 in 2025) are expected to be pushed back within the forecast period as part of the 2024 budget process.

A modern, secure and efficient FMS system is central to the financial management of the organization. The recommendations in this report will better position the Town in this regard, and mitigate risks that have been identified. They also align with key elements of the Town's strategic planning process by modernizing and providing a digital first solution.

Financial Impact

The Town currently budgets $234,000 for the annual licensing and support for its Financial Management System. Costs have also been incurred within the capital program for upgrades and maintenance, and $514,976 has been previously approved for a FMS update.

Should the Town transition to Workday as recommended herein, an increase to the annual operating costs for software licensing can be expected, and is currently projected at an estimated incremental amount of approximately $55,000 per year. This cost will be validated during a more detailed discovery process and analysis of the implementation with Workday following this report. In moving from a self-hosted (on-premises) solution to a cloud-based solution, there may be savings realized in other line items that will partially mitigate this increase. These impacts can be further defined at the time of contract approval, and would be introduced into the Town's operating budget at the time of go-live (currently anticipated no earlier than late 2025 or early 2026).

The recommendations contained in this report will also see an acceleration in the capital program of the replacement of the Town's financial management system from 2026 to 2023/2024. As noted earlier in this report, the cash flow implications of this acceleration are expected to be mitigated by the timing change in other previously forecast projects, with full details to be reflected through the 2024 budget process.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

Troy McHarg
Commissioner, Corporate Services

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The Corporation of the
Town of Milton

For questions, please contact: Aaron Smit, Director, Information   Phone: Ext. 2317
                                    Technology

Attachments

None

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.

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