City of Corona

Legislation Text

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AGENDA REPORT
REQUEST FOR CITY COUNCIL ACTION

DATE: 10/02/2019

TO: Honorable Mayor and City Council Members

FROM: Administrative Services Department

SUBJECT:
City Council consideration of Questica Budget Software implementation and software licensing agreement.

RECOMMENDED ACTION:
That the City Council:

1. Authorize the Administrative Services Department to approve the Questica software implementation and software licensing agreement in the total contract amount of $336,270 for the period October 2, 2019 through October 1, 2022 as an exception to bidding pursuant to Corona Municipal Code (CMC) Section 3.08.140(E) "Purpose of bidding is otherwise accomplished".

2. Authorize the City Manager, or his designee, to execute any needed contractual documentation to effectuate the software purchase, subject to any revisions required by the City Manager and/or the City Attorney in order to make them acceptable as to form and consistent with the Council's action hereunder.

3. Authorize the Purchasing Manager to issue a purchase order to Questica LTD for software implementation services and software licensing in the amount of $182,740 for the initial period of October 2, 2019 through October 1, 2020 and approved necessary change orders and/or amendments up to the amount provided by CMC 3.08.070(i)

4. Authorize the City Manager, or his designee, to execute two optional renewals for subsequent one-year periods, in the amounts not to exceed $76,765 per renewal period and approve necessary change orders and/or amendments up to the amount provided by CMC 3.08.070(i).

ANALYSIS:

BACKGROUND

The annual budget is a spending plan that sets priorities and provides direction for the upcoming fiscal year. The budget development process is scheduled for the City staff to start in January of each year, with the release of the budget forms. The process, however, commences in November with the preparation of mid-year revenue projections and estimates for the upcoming fiscal year. Based on the complexity of departmental needs and funding sources, departments have created their own internal processes for budget preparation and approvals which may start earlier than November to ensure they meet established budget deadlines.

The current budget preparation process involves the use of Microsoft Excel, Word, Access, and One Solution (City's financial system). Departments enter their budget proposal information into the appropriate forms which are then submitted to ASD. ASD is responsible to review and analyze the information. The department submittals are combined into 'master' worksheets or files. Through the review process with departments and the City Manager's Office, adjustments are made in the master files. The information is ultimately entered into One Solution, by data entry or an upload process. Once in One Solution, reports can be generated to compile the information for presentation purposes. The current process is a very manual effort that is time-consuming and prone to errors. Staff does their best to ensure integrity of the worksheets throughout the process, however, there have been issues with multiple versions of the same spreadsheet and the potential for inaccurate financial information when formulas are revised or accidentally over-written during updates. These challenges are not unique to Corona, as reflected in the attached case studies, when using multiple programs for budgeting.

In October 2018, ASD staff began actively exploring budget software options to improve the current process by increasing operational efficiency and providing a single source program for the budget data. The overall goal was to find a product that could encompass the following budget components: (1) revenue projections with modeling options, (2) creation of the salary/benefit budgets by integrating with current data from the payroll system, (3) operating budget preparation, (4) capital improvement plan (CIP) budget preparation, (5) fund balance calculations, (6) forecast modeling capabilities, (7) department narratives and performance measures, and (8) budget document preparation. Additionally, the product needed to manage changes/version control to ensure accuracy, provide enhanced reporting options, and integrate with One Solution.

HOW CAN BUDGET SOFTWARE IMPROVE THE PROCESS?

REVENUE PROJECTIONS
- Reduce staff time to prepare the revenue estimate worksheets and run reports.
- Allow for collaboration in a cloud-based platform and maintain version control.
- Provide revenue modeling options that can improve accuracy of estimates.
- Changes can be sent through a workflow approval process which will automatically update the calculations for fund balance and the 5-year financial forecast.

SALARY/BENEFIT BUDGETS
- Through linking with the payroll system, the information in the salary/benefits module can be updated through an automated process, improving accuracy and reducing staff time to

prepare and update the salary/benefit information.

- Updates can be done more often, before budgets are finalized, to provide up-to-date costs for the upcoming fiscal year.
- Can quickly run 'what-if' scenarios and prepare forecasts for multiple years, while achieving accurate results.

OPERATING BUDGET, SERVICE LEVEL CHANGES, AND CIP BUDGET

- Through the integration with One Solution, the current year budget and year-to-date information can be updated through an automated process and attain cost savings through efficiency and data control.
- Allow for collaboration in a cloud-based platform and maintain version control.
- Attach documents such as quotes, e-mails, etc. to support the budget requested.
- Eliminates risk of accidentally over-writing formulas and provides the information in a consistent format.
- Changes can automatically update the calculations for fund balance and the 5-year financial forecast.
- Data visualization tools (CIP) will provide opportunities for improved communication with the public with project details including location, timeline, and costs.

FUND BALANCE CALCULATIONS/5-YEAR FINANCIAL FORECAST

- Through the integration with One Solution, revenue, salary/benefits, operating, and the CIP budgets can easily be incorporated, automatically updating fund balance and 5-year financial forecast information with real-time data.
- Budgeting software has forecasting models already established. Parameters and business rules can be established for multiple forecasting scenarios.
- Forecast information can be prepared for the General Fund as well as additional funding sources.

DEPARTMENT NARRATIVES AND PERFORMANCE MEASURES

- The performance module can be used to set the standards by establishing programs, measures, and scorecards to track budget and key performance indicators (KPIs).
- Through the integration with the budget software, the narrative information and performance measures can be easily imported into the adopted budget document.

BUDGET DOCUMENT PREPARATION - OPERATING AND CIP

- A document management tool for budget preparation will integrate with One Solution and the budget system.
- It allows staff to create, collaborate, edit, approve, and publish a document that is compliant with the budget award standards established by the Government Finance Officers Association, or GFOA.
- Changes can be made and filtered throughout the entire document without the complications of editing multiple spreadsheets, version control issues, and the need to duplicate charts, graphs, tables, and images.

MARKET RESEARCH / ANALYSIS OF BUDGET SOFTWARE OPTIONS

Administrative Services Department staff did research on available budget software solutions,

specifically geared toward governmental agencies. Staff participated in demonstrations of three (3) products - Workiva, OpenGov, and Questica. Staff from ASD and the Information Technology Department participated in the product demonstrations.

Budget Components / System Features	Workiva	OpenGov + Workiva	Questica + CaseWare
Revenue estimates with modeling options		✓	✓
Salary/benefit budgets		✓	✓
Integrates with payroll system		✓	✓
Calculates 'what-if' scenarios		✓	✓
Operating budget preparation		✓	✓
Capital improvement plan preparation		✓	✓
Fund balance projections		✓	✓
Forecast modeling capabilities		✓	✓
Department narratives (goals and objectives)		✓	✓
Performance measure tracking		✓	✓
Budget document preparation	✓	✓	✓
Integration with One Solution	✓	✓	✓
Analytic/dashboard capabilities		✓	✓

Note: OpenGov partners with Workiva for budget document preparation. Questica partners with CaseWare for budget document preparation.

Annual Costs	Workiva	OpenGov + Workiva	Questica + CaseWare
Year 1 (includes one time costs)	$ 40,000	$ 127,500	$ 182,740
Year 2	40,000	95,000	76,765
Year 3	40,000	95,000	76,765
Subtotal	120,000	317,500	336,270
Optional Renewals:			
Year 4	40,000	95,000	76,765
Year 5	40,000	95,000	76,765
Grand Total	$ 200,000	$ 507,500	$ 489,800

While evaluating the three products, the primary considerations were the program features. Additionally, staff considered pricing and experience in the governmental budget arena. Workiva as a stand-alone product would help the budget document preparation but would not fulfill the other objectives of providing improved efficiency to the budget process. OpenGov is a full budgeting solution that was established in 2012 as a data transparency company. The budgeting component was established less than five years ago. Questica is a full budgeting solution that has 20+ years of experience in the governmental budgeting world. Questica's salary and benefits module has been in place for over 10 years and has proven to be a reliable tool for organizations that utilize that module. This component was particularly important to staff to reduce the manual efforts, reduce potential for errors, reduce the time to prepare the information, and to provide improved reporting capabilities.

Staff ultimately selected the Questica budget software as the budgeting solution for the City of Corona. While OpenGov and Questica had many similar features, exceptional benefits in Questica's budgeting software were:

- Ease of preparing the salary/benefits budget
- Very robust salary/benefits module with the ability to calculate 'what-if' scenarios quickly that will be valuable for the budget process as well as labor negotiations
- Workflow for the submittal/approval/consolidation process
- Integration with the budget document preparation software, CaseWare
- Open Book Project Explorer Visualization for capital budgets which allows the City to display every infrastructure project on a map, including the budget, actual spending, funding sources, and accompanying documentation
- Enhanced reporting and analytic tools, including customizable dashboards
- Integration with the City's interactive budget tool, Balancing Act

Questica's budget system will allow for collaborative budgeting, in which users can concurrently view, explore, and comment on proposed budgets. It will enable deep analysis of the budget by enabling robust, interactive visualizations with drill-down capabilities. It will also be able to incorporate additional data, including historical budget data, budget-to-actuals, non-financial data and project trends for future fiscal years. In addition, Questica will interface with One Solution with the ability to easily and quickly upload/download budget and actual financial and payroll information.

The Questica Budget Book, powered by CaseWare, will simplify the preparation of the budget document. Currently, as figures get revised, it is a manual process to update all the software programs and ensure the updates get carried throughout the document in the narrative sections and graphs. With the CaseWare product, revisions made in the budget software will automatically flow through the document, updating the appropriate sections. This will significantly reduce the amount of time to prepare the document as well as reduce room for errors.

In addition to the evaluations, staff has also talked with current users of the product in Thousand Oaks and Riverside about their satisfaction with the program. Staff also attended a Questica user group forum in May 2019 to learn about other agencies and their successes and areas for improvement. Below is a sample listing of current Questica customers.

Sample of Current Customers			
Boise, ID	Escondido, CA	Riverside, CA	Shelby County, TN
Concord, CA	Goodyear, AZ	Santa Ana, CA	Sunnyvale, CA
Denver, CO (City and County)	Oceanside, CA	Santa Clara, CA	Temecula, CA
East Hampton, NY	Palo Alto, CA	Seattle, WA	Thousand Oaks, CA

STAKEHOLDER BENEFITS
All the information to this point has focused on the benefits to City staff involved in the budget process. However, implementation of the Questica budget software has benefits that will reach a broader audience related to the City of Corona.

Community/Citizens and Elected Officials: Once fully implemented, the budgeting cycle will be shortened which will make the data available more quickly. Having prompt financial information will allow for an improved decision-making process. The enhanced reporting and interactive tools should improve outward facing budget interfaces for the operating budget, communication for the capital

improvement project details, and provide enhanced reporting for the budget workshops.

Department City Staff and ASD Budget Team: Once fully implemented, the budget cycle will be shortened. The preparation of the budget documents will be more efficient, and changes made in one area will quickly flow throughout the entire document. The enhanced reporting and analytics features will allow for up-to-date information to be accessible easily and quickly. These improvements will provide opportunities for staff, within all departments, to more efficiently use their time analyzing the budget, rather than compiling the information.

PRODUCT PRICING AND AGENCY COMPARABLES

The pricing for the Questica product varies based on multiple factors. Some of the variables include: Pricing model in place at time of purchase, modules selected, number of licenses needed, size of budget and its complexity, integration with existing systems, and type of purchase (Software as a Service, or SaaS, or on-premise solution). The City is pursuing a SaaS purchase which means that Questica will manage the entire budget environment including hardware, database, operating system, backup and disaster recovery. This can free up much needed IT resources that can be devoted to other systems and responsibilities. It also means that the City does not need to purchase any hardware in order to use the software, saving the City from having to purchase and maintain additional servers.

When comparing the City's pricing to other agencies, the previously mentioned factors must be considered in order to make an accurate comparison. For example, when comparing the costs for Riverside and Corona, Riverside purchased the software eight years ago under a different pricing structure. They purchased the software as an on-premise solution, purchased fewer modules, and did not include the budget book component. In addition, as an early adopter of the Open Book Visualization tool, they received a discounted price that is no longer available. The following tables shows annual fees for a number of agencies using Questica, both SaaS and on-premise solutions.

Agency Cost Comparisons									
			Purchase Type		Annual Subscription	Annual Maintenance	Optional Items		Annual
Agency	Purchase Year	RFP	Saas	On-Prem	Fee	Fee	Open Book Visualization	Questica Budget Book	Total
Corona, CA	2019		✓		$ 43,540		$ 10,000	$ 23,225	$ 76,765
Garland, TX	2019	✓	✓		$ 65,380		$ 15,000	$ 23,000	$ 103,380
Goodyear, AZ	2019	✓	✓		$ 66,091				$ 66,091
Escondido, CA	2018	✓	✓		$ 28,776				$ 28,776
Santa Ana, CA	2018	✓		✓		$ 30,520		$ 8,000	$ 38,520
Temecula, CA	2018		✓		$ 23,596				$ 23,596
Palo Alto, CA	2014	✓		✓		$ 39,980			$ 39,980
Riverside, CA	2011			✓		$ 38,482	$ 3,125		$ 41,607

In the following table, annual costs are included for SaaS customers only. This is to provide more of an apples-to-apples comparison on an annual basis. The information shows size of budget, modules purchased, and license count where applicable.

Agency	FY 2019-20 Budget (Millions)	Operating		Salaries		Capital		Allocations	Statistical Ledger	Performance	Annual Subscription Fee	Open Book	Budget Book	Total Annual Cost
Agency Comparison - SaaS Customers														
				Software Modules and Licenses										
Corona, CA	$ 335.8	✓	36	✓	6	✓	23	✓	✓	✓	$ 43,540	✓	✓	$ 76,765
Garland, TX	$ 767.1	✓	90	✓	5	✓	40			✓	$ 65,380	✓	✓	$ 103,380
Goodyear, AZ	$ 514.2	✓	80	✓	10	✓	80				$ 66,091			$ 66,091
Escondido, CA	$ 202.5	✓	39	✓	1	✓	39	✓	✓	✓	$ 28,776			$ 28,776
Temecula, CA	$ 180.9	✓	7	✓	2	✓	2	✓	✓		$ 23,596			$ 23,596

RETURN ON INVESTMENT

When analyzing the current budget process and existing contracts for services, staff estimates the following annual return on investment (upon full implementation):

- Estimated productivity savings of a minimum of $39,000 (5% of budget team staff time, or 520 hours), as a conservative estimate using ASD staff only. There will be additional productivity savings in ASD and other departments which are undetermined at this time.
- Purchasing as a SaaS product has minimal impact on the City's Information Technology (IT) resources. The vendor hosts the entire budgeting environment including hardware, database, operating system, backup and disaster recovery. An on-premise solution would require more IT resources for dedicated server space, implementation of product upgrades, and troubleshooting.
- Current contract for the cost allocation plan, or CAP, can be eliminated once system is fully implemented (savings estimated starting in year 2), valued at $10,100.
- Potential to eliminate or reduce current contract for data transparency tool, for overlapping services provided by Questica (approximately $5,000). This item will be analyzed after full implementation to ensure the City doesn't reduce any outward facing data or functionality that is currently provided to the community.

Questica has also provided case studies of five agencies and their experiences (attached). Palo Alto, CA, estimates an annual productivity savings of $85,000 based on staff reallocation. Oceanside, CA was able to cut almost 3 months from their budget process with department staff entry starting in March. Oceanside's previous process began in December. Many agencies have experienced unanticipated productivity savings such as an 80% reduction in the use of spreadsheets and processes that can be completed in 30 minutes that used to take 2-3 days to complete. Customers have provided feedback that the software is very intuitive and they are more confident in the data coming out of the system. Additionally, there is a high level of customer satisfaction with the product and working with the Questica team, which is interested in growing the product to meet customer needs.

EXCEPTION TO BID

The software being requested is a non-public project purchase. The requested purchase is a combination of software as a service, SaaS, and professional services for software implementation, training, integration, design, analysis & configuration, etc. The purchase being requested is based upon a best value decision, considering additional factors other than just pricing.

Staff reviewed the proposal from Questica and other agencies that are current customers of

Questica. In 2018, both the City of Escondido and City of Santa Ana conducted RFPs for budgeting software and selected the Questica product. In 2018, the City of Temecula also selected the Questica product using the previous RFP conducted by the City of Escondido. Questica has been the successful vendor in multiple RFPs for budgeting software services.

As Purchasing worked with budgeting staff on this effort, the initial approach was to leverage from Escondido's RFP. However, after reviewing the details of Escondido's RFP as it relates to *CMC 3.08.140 (C), "Competitive bidding already completed",* it did not pass all the "equal or better" price requirement. The pricing for Escondido's configuration requirements was similar to that of Corona. However, Corona had additional configuration requirements which priced Questica's proposal to the City above Escondido's contract awarded amount. Keeping in mind that this is truly a SaaS product with the ability to configure the application for the user's needs. Corona had specific budgetary requirements that required additional features in comparison to Escondido.

As for the professional services being provided under the purchase, the City has discretion when it comes to professional services. Corona Municipal Code 3.080.140 (E) specifically states, "Purpose of bidding is otherwise accomplished" which is defined as "When the purchasing agent and the authorized contracting party, with the approval of the City Manager, determine, that it is in the best interest of the city and its administrative operations to dispense with public bidding for non-public project under this chapter."

COMMITTEE ACTION:
Not applicable.

STRATEGIC PLAN:
Not applicable.

FISCAL IMPACT:
Year one of the agreement is $182,740, for the period of October 2, 2019 through October 1, 2020. The first year includes $105,975 in one-time costs related to configuration, implementation, and training. The first year of the contract total also includes the annual subscription costs of $76,765 which covers the Questica budget software with multiple licenses, Open Book (data visualization), and Budget Book powered by CaseWare.

Description	Year 1	Year 2	Year 3	Total
One Time Includes design, analysis and configuration, project management, training, integrations, and IT services	$ 105,975	$ -	$ -	$ 105,975
Annual - SaaS Subscription Modules: Operating, Salaries, Capital, Allocations, Statistical Ledger, and Performance	43,540	43,540	43,540	130,620
Annual - Open Book Visualization	10,000	10,000	10,000	30,000
Annual - Budget Book	23,225	23,225	23,225	69,675
QUESTICA TOTALS	$ 182,740	$ 76,765	$ 76,765	$ 336,270

	Year 1	Year 2	Year 3	Total
Overlapping contract services Cost Allocation Plan (CAP) services that could be eliminated once 'Allocations' module is fully implemented	$ -	$ (10,100)	$ (10,100)	$ (20,200)
NET COSTS	$ 182,740	$ 66,665	$ 66,665	$ 316,070

Note: Potential to reduce current contract for data transparency tool (approximately $5,000), once budgeting system is fully implemented. Item to be reviewed after full implementation.

Funding for the first year of budget software and implementation costs is available in the 'Budget Management Software' project in the Information Technology Fund 681. Recurring licensing costs will be included in the budget process in future years. It is anticipated that there will be additional budgetary savings from other systems that provide overlapping services with Questica. This will be analyzed through the implementation of the new software.

ENVIRONMENTAL ANALYSIS:
No environmental review is required because the proposed action is not a project governed by the California Environmental Quality Act.

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Attachments:
1. Budget Component Details
2. Case study articles from Questica
3. Questica Software Subscription Agreement
4. Escondido City Council Staff Report - Professional Services Agreement with Questica Ltd. To Provide Budget Software and Implementation Services
5. Santa Ana Request for Council Action - Approve an Agreement with Questica Inc. for the Citywide Budget Management Software