COUNTY OF EL DORADO

330 FAIR LANE PLACERVILLE, CA 95667

December 21, 2016

TO: Board of Supervisors

FROM: Karl Weiland, Assessor
                Joe Harn, Auditor-Controller
                Cherie Raffety, Treasurer/Tax Collector

RE: Property Tax System Replacement

The purpose of this staff report is to provide information in support of specific recommendations to the Board regarding the replacement of the County's current Property Tax Administration system.

Background

In February 2014, the Board of Supervisors approved a 5-year mainframe migration plan that would result in the decommissioning of the mainframe by 2019. Systems currently operating in the mainframe environment are anticipated to vacate the mainframe as follows:

- FENIX System - Go Live October 2017 (financials), Early to Mid-2018 (payroll)
- Recorder conversion complete 2017
- LMIS (P3) System Go Live Summer 2018
- Property Tax System Go Live July 2018
- Mainframe Decommission 2018-2019

The current property tax system, Model 204, is a mainframe based system. In order to migrate off the mainframe, it is necessary to purchase and implement a new property tax system. On April 19, 2016 the Board received a presentation from the Assessor, Auditor-Controller and Treasurer/Tax Collector regarding the replacement of the current mainframe-based system. As part of that presentation, the departments recommended the selection of Megabyte Systems Inc. of Rocklin, California as providing the preferred software solution, Megabyte Property Tax System (MPTS), based on the following:

- MPTS offers the "best fit" solution for El Dorado County
- MPTS is used successfully by 28 other California counties
- MPTS has a demonstrated track record in State performance audits
- Megabyte Systems, Inc. is headquartered locally (Rocklin)
- Megabyte Systems, Inc. offers the most competitive pricing

Megabyte Property Tax System provides an integrated solution with a proven track record. In addition, Megabyte is the only property tax system that would allow the County to implement a new solution within the constrained timeframe associated with migrating off the existing mainframe environment.

The Board authorized the Purchasing Agent and the affected departments to enter into contract negotiations with Megabyte, Inc. of Rocklin, California, and directed staff to return to the Board for approval of the agreement(s) and provide a project implementation calendar and plan.

Staff has negotiated agreements with Megabyte Inc. for the acquisition, implementation and subsequent maintenance of a new property tax system and also developed a detailed project implementation plan.

Agreements

Agreement 244-S1711 is for the purchase of the software license as well conversion and implementation services. The total maximum compensation under this Agreement is $1,103,000. The Agreement is effective upon execution and work on the project is anticipated to begin immediately. The proposed agreement incorporates the following milestone based payment schedule:

System License	$232,000
Phase I - General Design Analysis, Environment Set Up	$104,400
Phase II – Data Conversion	$208,800
Phase 3 – System Testing	$174,000
Phase 4 – Training	$139,200
Phase 5 – Go Live / Post Implementation	$69,600
Megabyte Software & Implementation Costs	**$1,103,000**

Agreement 245-S1711 is for ongoing software maintenance and support services and commences on the "go live" date of the new system, anticipated to be July 1, 2018. The maintenance and support agreement remains in effect until canceled. The maximum compensation for the first year of support is $310,200. Future year costs are subject to Consumer Price Index (CPI) increases (Pacific Cities and U.S. Cities Average) on July 1 of the given year. Payments under the maintenance and support agreement are made on a monthly basis following the "go live" date of the new system. The proposed agreement incorporates the following payment schedule:

MPTS Property Tax System Maintenance/Support	$288,000
Assessor – Online Business Property Filing (OBPF)	$3,700
Clerk of the Board/Assessor - Assmt Appeals Module (COB)	$15,500
Tax Collector – Transient Occupancy Tax (TOT)	$3,000
Megabyte Maintenance & Support Costs	**$310,200**

Annual fees for the following additional modules are waived for the first 12 months after "Go Live" date but will be included in the second year of the Maintenance & Support agreement:

MPTS Web Services:	
Assessor/Tax Collector Public Web Access	$5,040
Assessor/Tax Collector Agency Web Access	$12,599
Tax Collector – Web bill print for Prior/Current Year	$1,329
Additional Module Maintenance & Support Costs	**$18,968**

(Note: Costs related to the software maintenance and support agreement are considered as ongoing operational costs and therefore are not included in the property tax system "project costs" outlined on page 5 of this report.)

Project Implementation Plan

Core Project Team

Executive sponsors of the project are the Assessor, Auditor-Controller and Treasurer/Tax Collector. The executive sponsors have developed and executed a Project Charter (Attachment 2C to the Legistar file) that outlines the scope, objectives, resources and responsibilities of the core project team. The executive sponsors are responsible for:

- Championing the project at the executive level
- Providing adequate department resources in support of the project (subject matter experts)
- Actively monitoring of the project to ensure it is delivered on time, on budget and on scope
- Leading change management to ensure a smooth transition for all affected department staff and other agencies

Information Technologies will coordinate technical aspects of the system conversion and implementation and is responsible for:

- Hardware acquisition and set up
- Related software acquisition and set up
- Technical and Programming support to the core project team

A trained, certified, experienced **Project Manager** will be engaged to manage and oversee the project for the two year project term. Responsibilities include:

- Project leadership, oversight, guidance and management for the core project team (County staff and Megabyte staff)
- Assist with identification and documentation of related County business requirements Resource management and coordination
- Ensure communication with the core team as well as executive management, including preparation of regular progress reports
- Monitor and manage the project schedule to ensure the project is implemented according to the project plan with a "go live" date of July 1, 2018
- Manage issues and conflicts, change orders and project risk

Megabyte Systems Inc. is the contracted vendor and is responsible for providing software license and implementation services, training, and ongoing support of the new property tax system.

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Project Timelines

The Software License Agreement includes detailed functional requirements of the system as well as a detailed project plan. Project phases and expected timeframes are summarized below:

Phase / Milestone	Expected Initiation Date	Expected Completion Date
License Agreement Signing	01/03/2017	01/03/2017
Phase 1 - General Design Analysis / Environment Setup / Special Requirements	01/03/2017	07/31/2017
Phase 2 - Data Conversion	01/03/2016	12/31/2017
Phase 3 - System Testing Phase	01/01/2018	02/28/2018
Phase 4 - Training / Implementation	03/01/2018	06/30/2018
Phase 5 - Go Live / Post Implementation	07/01/2018	12/31/2018

Project Staffing Resources

In order to ensure a successful system implementation, it is essential to have staff with specific skill sets and experience available to assist with the implementation, as well as backfill existing staff that may be assisting with the implementation. The property tax departments have worked with the Chief Administrative Office to analyze the proposed project plan and identify the resources needed. Experience with other recent projects such as FENIX and the new LMIS system have shown that sufficient resources must be in place up front for a major software conversion and implementation project to be completed on time and within budget. The property tax departments have identified significant challenges in recruiting and retaining professional personnel in "limited term" positions. In the current market, there are either no interested candidates, qualified candidates are hired and subsequently leave for a more permanent job opportunity. The Assessor, Auditor-Controller, Treasurer/Tax Collector and the Chief Administrative Office concur in recommending the following personnel changes identified below

The **Assessor** is requesting no change to the department's current personnel allocation. The department recently implemented a new organizational structure that will provide management level oversight for both operational and systems functions in the department. This structure, along with an existing dedicated IT position, will provide sufficient departmental resources for the property tax conversion project. Should additional support be needed to backfill existing staff, extra help will be utilized. The recommended project budget includes $8,500 in FY 2016-17 and $30,000 in FY 2017-18 for extra help.

The **Auditor-Controller** is requesting the addition of 0.4 FTE Accountant to the department's personnel allocation. This position will provide support to the project as well as handle regular property tax administration functions that will allow the current Accounting Division Manager over the property tax division in that office to focus on the property tax conversion project. Estimated cost for this position is $17,500 in FY 2016-17 and $35,000 in FY 2017-18.

The **Treasurer/Tax Collector** is requesting the addition of 1.0 FTE Sr. Department Analyst and the deletion of 1.0 FTE Sr. Accountant Limited Term allocation. The Sr. Department Analyst will support the department's need for assistance with the property tax system project as well as the implementation of new FENIX processes in the next two years. Estimated cost for this position is $52,000 in FY 2016-17 and $104,000 in FY 2017-18.

The Information Technologies Department is requesting no change to the department's current personnel allocation; however, staff recommends that a professional project manager be engaged to provide dedicated project management and oversight for the two year project term. The estimated cost for these services is $200,000 for the two year project period.

Upon completion of the property tax system implementation, the Chief Administrative Office will work with the property tax departments to re-evaluate staff needs and make recommended adjustments based on the analysis at that time.

Project Funding Requirements

Conversion and implementation costs for the new system are estimated at $1,805,000. Estimated costs are summarized below:

Project Component	Total
Megabyte Software License and Implementation	$1,103,000
County IT hardware and software	180,000
Contracted project management services	150,000
Additional staff support (property tax departments)	247,000
Training	10,000
Project contingency	115,000
Total	**$1,805,000**

Funding in the amount of $535,000 is included in the FY 2016-17 Adopted Budget. An additional $1.2 million will be needed for anticipated costs in FY 2017-18. The Property Tax Administration departments recommend the Board direct the Chief Administrative Office to identify and include funding in the amount of $1.2 million in the FY 2017 18 Budget for the anticipated project costs in that year.

Recommendations

The Board has acknowledged the need to transition away from the current mainframe computing environment and replace mainframe-based programs, including the property tax system, with new systems. Replacing the current property tax system is time-constrained by the end of life of the existing mainframe hardware and the potential retirement of key staff. Time is of the essence.

The Assessor, Auditor-Controller and Treasurer/Tax Collector recommend the Board:

1) Approve and authorize the Chair to sign Agreement 244-S1711 with Megabyte Systems, Inc. for the purchase of software licenses and implementation of the Megabyte Property Tax System, for the term effective upon execution to remain in effect perpetually unless terminated with a maximum contractual obligation of $1,103,000;

2) Authorize the Purchasing Agent, or their designee to execute further documents relating to Agreement for Services 244-S1711, including amendments which do not increase the maximum dollar amount or term of the Agreement, and contingent upon approval by County Counsel and Risk Management.

3) Approve and authorize the Chair to sign Agreement 245-S1711 with Megabyte Systems, Inc. for software support and maintenance of the Megabyte Property Tax System, for the term effective upon execution, covering the period of July 1, 2018 through June 30, 2019 and renewing annually thereafter unless terminated with a maximum contractual obligation of $310,200 for the first year of support;

4) Adopt a Resolution amending the Authorized Personnel Allocation Resolution to adding 0.4 Accountant I/II to the Auditor-Controller allocation, adding 1.0 Sr. Department Analyst and deleting 1.0 Sr. Accountant (limited term) from the Treasurer/Tax Collector allocation to ensure adequate staff support for the system conversion and implementation process.

5) Recognize the project as a priority project of the Board of Supervisors and direct the Chief Administrative Office to identify and include funding in the amount of $1.2 million in the FY 2017-18 Budget for the anticipated project costs in that year.