



Legislation Text

File #: 2019-1055, **Version:** 1

To: Board of Supervisors of Sonoma County

Department or Agency Name(s): Auditor-Controller-Treasurer-Tax Collector, Information Systems Department

Staff Name and Phone Number: Blane Jolliff 565-8322, Sherry Bevens 565-8221

Vote Requirement: Majority

Supervisory District(s): Countywide

Title:

Oracle Planning and Budgeting Cloud Services Subscription Agreement with Oracle America, Inc.

Recommended Action:

Authorize the Auditor-Controller-Treasurer-Tax Collector (ACTTC) to sign a five year Ordering Document for Oracle's Planning and Budgeting cloud service and Performance Reporting cloud service for a total of \$514,800.00. Authorize the ACTTC to purchase additional licenses or test environments deemed necessary for an amount not to exceed \$25,000.00 annually. This benefits the community by enabling County budget development staff to have a consistent, modern tool to develop and manage the County's budget, which allows for greater efficiency and accuracy.

Executive Summary:

The County's budget software, Oracle Planning and Budgeting, is no longer covered by Oracle Premier Support. The County must decide whether to upgrade our on-site application to a newer version or convert to the cloud-based Oracle Planning and Budgeting Cloud Service to ensure ongoing functionality. The Enterprise Financial System Leadership (EFS) Team has identified the Cloud Service product as the best choice for the County's business needs.

Discussion:

The County has developed and managed its budget using Oracle Planning and Budgeting (then called "Hyperion") since July 1, 2015. However, Oracle Premier Support no longer covers the County's version of Planning and Budgeting. Instead, we have been transitioned to "extended support," which means that, while we still receive technical support and critical patch updates from Oracle, our version may work less effectively with other dependent software, such as Internet Explorer. Although this currently presents a moderate level of risk and inconvenience, it will become progressively more difficult and costly-and eventually impossible-to continue using our current version of the application. The County was aware that the version of Planning and Budgeting we installed would eventually be out of support when we implemented it, as all software applications require updating or upgrading at some point in order to stay current and receive various enhancements. Therefore, the need to upgrade Planning and Budgeting was included in the Enterprise Financial System Support Organization's budget and has been an identified strategic initiative for FY19-20 for the past few years.

The County must decide whether to upgrade the current on-site application or transition to Oracle Planning and Budgeting Cloud Service so we have a consistent, modern tool to develop and manage the County's annual budget for the next 5 years.

Costs and Risks of On-Site Version Upgrade

If the County were to upgrade its on-site system, the effort would require a consultant to provide implementation assistance and significant capital outlay for required hardware/infrastructure upgrades.

Even were the County to pay these costs, estimated at \$130,000, an on-site improvement carries the risk of being only a transitional step due to industry trends that indicate that Oracle may eventually provide its Planning and Budgeting application exclusively via the cloud.

Costs of Moving to the Cloud

Consultant services to facilitate the recommended move to Oracle Cloud Services are already in place. Our Agreement with CherryRoad Technologies, presented to your Board on April 3, 2018, for a total cost of \$98,000, is included in the FY19/20 budget. The Oracle Master Agreement that was initially approved at the commencement of the EFS Implementation Project was extended for an additional 5 years February 2018 at no cost to the County, and at that time language was incorporated to address procuring Oracle Cloud Services at a later date.

Significant discussion has transpired with Oracle over the last year to negotiate the annual Cloud Services subscription fees for Planning and Budgeting. Final negotiations result in an annual cost of \$102,960 for 120 Planning and Budgeting licenses and 10 Enterprise Performance Reporting Cloud Services licenses. The Ordering Document reflects an initial obligation of 5 years. Planning and Budgeting has proven to be an effective solution and we do not recommend moving away from this software anytime in the next five years.

All costs associated with this effort have been anticipated and are currently included within the existing EFS rate structure and budget amounts. Therefore, this implementation and the on-going licensing costs will not increase the EFS budget or the rates charged to user departments..

Benefits of the Cloud

The County will realize many benefits by conducting a "move and improve" to Cloud Services, including:

- **Disaster Recovery:** By having our systems housed off-site, our budget data and systems may be more resilient than if they remain physically housed in County servers.
- **Increased Stability and Reduced Risk:** By using their cloud services, Oracle assumes the responsibility of maintaining the servers and fixing any issues in the event of a crash.
- **New Functionality:** Oracle is adding new features to the Cloud that it is not providing to on-site Hyperion installations, including dashboards and enhanced reporting features.
- **Cost Savings:** We will be able to "shelve" existing on-site licenses, resulting annual savings of \$33,333, or approximately \$167,000 over the five year term of the agreement. This helps offset the \$514,800 cost of the new licensing agreement.

Extra Features and Licenses

While we are not positioned for the widespread implementation of Enterprise Performance Reporting Cloud Services, which is a new reporting tool designed to work with Planning and Budgeting data, this ordering document includes 10 licenses for this product, which will allow us to begin testing it so that we can understand how it works, benefits it may provide and what effort it would require to implement it when appropriate and timely for the County.

The ordering document also allows us to procure an additional test environment within the first 12 months of the agreement for a monthly 'unit net price' of \$1,375, if needed.

We are also requesting that the ACTTC be granted the authority to purchase as many as \$25,000.00 worth of new licenses or test environment annually over the course of this agreement. During our negotiations with Oracle we were able to secure the ability to order these additional licenses at the current 'unit net price' over the course of the entire 5 year initial commitment if such licenses are determined to be necessary to conduct ongoing budget activities for the County. Additional licenses or an additional test environment may be needed for a number of reasons, such as: an increase in the number of budget development staff, implementation of the Enterprise Performance Reporting tool, or larger-scale changes to any of our budget development processes, which could necessitate a separate test environment to integrate such changes into the application without disrupting current business practices.

Alternative Solutions

In addition to the benefits of increased stability and enhanced benefits over the longer term, the move to Cloud Services, at \$102,960 per year, is the least costly option which ensures that the County has reliable budget software. Nonetheless, the EFS Implementation Team has considered alternatives to the move to Cloud Services, which are:

Upgrade the on-site system. Not recommended due to the \$130,000 estimated one time cost to increase required server capacity, and the lack of access to new features being restricted by vendor for on premises solutions. It is also likely that cloud-based solutions may improve resiliency and access to the applications during a disaster.

Wait to move to the Cloud until the extend support runs out in 2021. Not recommended because Oracle is changing their licensing pricing model this summer, which would cause costs to go from \$102,960/year to \$300,000/year for the licenses we are obtaining under this ordering document. In other words, in order to get the same functionality we are obtaining under this ordering document, the costs would increase by nearly \$1,000,000 over the five year agreement due to changes Oracle has just rolled out in their pricing model. Executing this ordering document now locks us into the prior and much more favorable pricing structure for at least the next five years, and we may be able to negotiate an extension of these rates when the five year term expires.

In addition, the compatibility challenges we are currently facing with other software, such as Internet Explorer, will worsen. Delaying an upgrade will have an adverse impact on budget development staff and will prevent us from fully realizing the benefits in a modern budgeting application. One example of this is with narrative data. We have begun to store more and more narrative data such as comments, narrative statements and descriptors in the system to describe financial details. This significantly improves efficiency and accuracy in the budget development process as users no longer have to cross reference financial reports, word documents and spreadsheets to present meaningful information. While the ability to store textual information with the financial data is extremely valuable and increases efficiency and accuracy, the version of Planning and Budgeting we currently have does not wrap the text on the screen, making it very difficult for budget development and CAO staff to easily enter or review the entered information. Upgrading to the

newest version of Planning and Budgeting fixes this issue, and therefore allows for the County to continue to utilize technology to improve our budget development processes and practices.

Look for a different software platform. Given that we were able to negotiate such favorable licensing costs with Oracle to move the Cloud, the costs associated with investigating and implementing a different application is not advisable at this time.

Recommendation

Because of the numerous advantages and long-term cost savings provided by moving to Oracle Planning and Budgeting Cloud Services, the ACTTC, EFS Leadership Team, Information Services Department (ISD) and County Administrator's Office believe that this is the best option for the County.

If this request is not approved it does not remove the organizational need to either upgrade the application or shift to a hosted solution before our extended support expires. This would result in either a costly search for and implementation of new software, or delays which will result in having to go with Oracle's new pricing model, which will increase costs by \$1,000,000 over the course of the 5 year licensing term.

Prior Board Actions:

9/18/2012 - Recommendation to proceed with EFS implementation by negotiating with contract for purchase with Ciber, Inc.

2/5/2013 - Direction to proceed with EFS Project, including Approval to contract with Oracle and Ciber, Inc.

4/7/2015 - Contract with CherryRoad to provide PeopleSoft and Hyperion Consulting Services

4/3/2018 - Amend CherryRoad agreement and authorize optional Hyperion upgrade or cloud implementation

FISCAL SUMMARY

Expenditures	FY 19-20 Adopted	FY20-21 Projected	FY 21-22 Projected
Budgeted Expenses	\$102,960	\$102,960	\$102,960
Additional Appropriation Requested			
Total Expenditures	\$102,960	\$102,960	\$102,960
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$102,960	\$102,960	\$102,960
Use of Fund Balance			
Contingencies			
Total Sources	\$102,960	\$102,960	\$102,960

Narrative Explanation of Fiscal Impacts:

Annual required Cloud Services subscription fees have been anticipated and were included in the FY19/20 EFS budget, as well as being included within the annual EFS fees rate development effort. Annual Cloud

Subscription fees of \$102,960 would be offset by annual on premise license 'shelving' credit of \$33,333 for a net increased annual operating cost impact of \$69,627.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)
N/A			

Narrative Explanation of Staffing Impacts (If Required):

Attachments:

Hyperion Cloud Ordering Document

Related Items "On File" with the Clerk of the Board: