

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: REQUEST AUTHORIZATION TO ENTER INTO A CONTRACTUAL AGREEMENT WITH SAP PUBLIC SERVICES INC., PURSUANT TO REQUEST FOR PROPOSALS NO. 102-FF04 – ENTERPRISE RESOURCE PLANNING (ERP) SOFTWARE; AND DELOITTE CONSULTING LLP, PURSUANT TO REQUEST FOR PROPOSALS NO. 011-GG04 - ERP SYSTEMS INTEGRATION AND IMPLEMENTATION PROCESS; AND AWARD REQUEST FOR BID (RFB) – UP TO \$85,400,000 FINANCING OF ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM ACQUIRED UNDER MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT AND APPROVE RESOLUTION 07-41 AUTHORIZING THE EXECUTION AND DELIVERY OF ADDITIONAL SCHEDULES TO THE MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT WITH BANC OF AMERICA PUBLIC CAPITAL CORP, RELATED TO THE ACQUISITION, PURCHASE, FINANCING, AND LEASING OF UP TO \$85,400,000 ERP SYSTEM AND EXECUTION OF RELATED DOCUMENTS

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO DISTRICT STRATEGIC PLAN: IMPROVE FINANCIAL SERVICES

The Enterprise Resource Planning (ERP) System for Business was first approved by the Board on December 14, 2005, as part of the District's Comprehensive Information Technology Blueprint. On March 14, 2007, the School Board authorized staff to enter into negotiations, which have concluded, with Deloitte Consulting LLP, to provide implementation services for MySAP ERP Solution software, and with SAP Public Services Inc., for the acquisition of the mentioned software. This item seeks final approval for the project, the authorization to enter into a contract with Deloitte and SAP, and authorization to award Request for Bid (RFB) up to \$85.4 million financing to Banc of America.

**REPLACEMENT
E-147**

Defining the Need

The District's risks, inefficiencies and costs related to our current business software and processes are well documented in recent audits and management reviews. In 2002, OPPAGA recommended the implementation of an ERP system. In 2005, Ernst and Young LLP, our external auditors, also recommended the implementation of an ERP system. The District cannot improve efficiency in business operations without changing out both our current systems and processes. The District's business/finance/human resources technology is old and fragmented. These old systems are manpower intensive and do not use labor savings technologies. The implementation of an integrated ERP package, along with changes in the District's business processes, will yield significant improvements in productivity, reduction in costs, improvement in the accuracy and timeliness of information and an improvement of service to our schools, community and staff.

Benefits of the new ERP system

Some of the key benefits of the ERP initiative to our stakeholders include:

- Reduces costs and therefore provides more funds to be spent at the school level.
- Facilitates and improves the process of recruiting by greatly improving the tracking, identification, and placement of teachers.
- Increases productivity of staff throughout the District through improved electronic workflow and approvals.
- Principals will get immediate real-time access to operational data, finances, and transactions in their schools.
- Improved access to employee pay history, time entry and demographic data about employees through employee self-service; reduced wait times to have employee transactions processed; improved accuracy and timelines of retroactive pay.
- More widespread use of strategic sourcing, which extends the purchasing power of schools and offices; more timely payment of vendors and ability to take advantage of payment discounts.
- Decreased risk to the District in business operations ranging from: risk of failure in the aging general ledger and payroll system; risks posed through potential gaps in our internal controls; and lack of integration in our systems.

Critical Success Factors of ERP Projects

All ERP and Information System Projects require certain critical success factors to prevent major failures, cost overruns and disruptions. These critical success factors have to do with a balance of people, processes and technology. The following are some of the measures that are being implemented to reduce risks and achieve a successful implementation:

- Management support
 - Sufficient dedicated staffing from M-DCPS with the right skill sets on the project
 - The need for management support is ongoing in the team's ability to escalate issues to management and resolve them quickly in the best interest of the District and its stakeholders
 - Necessity to drive changes to business processes and policies rather than software customization
- Business process reengineering – change our business practices
 - Adopt the best practices embedded in the software and used successfully by other districts
 - As part of the project, internal and external processes will be created, changed and streamlined.
 - Commitment to adjust policies to allow the district to take advantage of best business practices
- Change management/communication/training
 - Change will require an enormous amount of work, energy, and time to bring about this magnitude of change
 - End users and stakeholders must collaborate at all steps because solving problems for one group may create problems for others
 - Educating and preparing change champions to spread a positive message while the project is underway
 - Keep everyone informed with regular ongoing communications
 - The Project Team will create a detailed test plan to support unit, integration and parallel testing
 - Conduct a full three month payroll parallel testing for all employees

The Project Team will implement risk reduction strategies (such as parallel testing) to prevent the problems that have occurred in other ERP implementations. The key is to study the failures in other implementations and take all the required steps at M-DCPS to reduce risk. Extra effort will be placed on training and testing to prevent implementation problems. The decision to go live with the system will be made after careful study and consideration of all ramifications, especially those that impact school staff.

Financial Issues

Negotiations were held with both vendors and cost reductions and additional value were achieved amounting to \$4.2 million one time cost savings and \$.3 million annual maintenance costs reductions.

The Project Budget is as follows:

	Costs
Implementation	\$56.8
Software	6.7
Hardware	3.5
Software/Hardware Maintenance	3.5
M-DCPS Internal Costs	10.3
Facility Costs	1.2
Project Contingency	3.4
Project Cost	\$85.4

The estimated Total Cost of Ownership is \$85.4 million will be paid over three years and financed through the extension of the Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp. A Request for Bid (RFB) was sent to 11 firms and on May 2, 2007, five firms responded. Banc of America provided the lowest cost of funds bid at 84.365% of the 7-year Treasury Constant Maturity Index. The current indicative rate is 4.18% and the first scheduled draw will occur in January 2008. The ERP Leasing Program is structured similar to the Line of Credit Program where semi-annual draws will reimburse the District for funds already expended. This type of financing will allow the matching of the loan repayments in accordance with the cost and revenue benefits received from the implementation of this software.

Funding for the lease payments is from the 2 mill Local Optional Millage Levy (LOML). Estimated cost of issuance will not exceed \$50,000. It is requested that the School Board approve Resolution 07-41, attached, authorizing the execution and delivery of additional schedules to the Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp, and execution of related documents.

The three-year project draws (in millions) are as follows:

	2007-08	2008-09	2009-10	Total
Technology Lease	31.0	41.4	13.0	85.40

The above amounts will cover the direct costs of the project during three years and includes resources for the following: planning resources for defining District requirements; ERP software license fees and related annual "maintenance" fees for the project period; data center hardware, space requirements, contract services for system implementation including a Systems Integrator, project advisors, and any necessary contracted personnel; District staffing of the project including subject matter experts and IT professionals; communication, training and rollout expenses; and limited interim improvements in existing business operations in advance of the ERP implementation.

Return on Investment

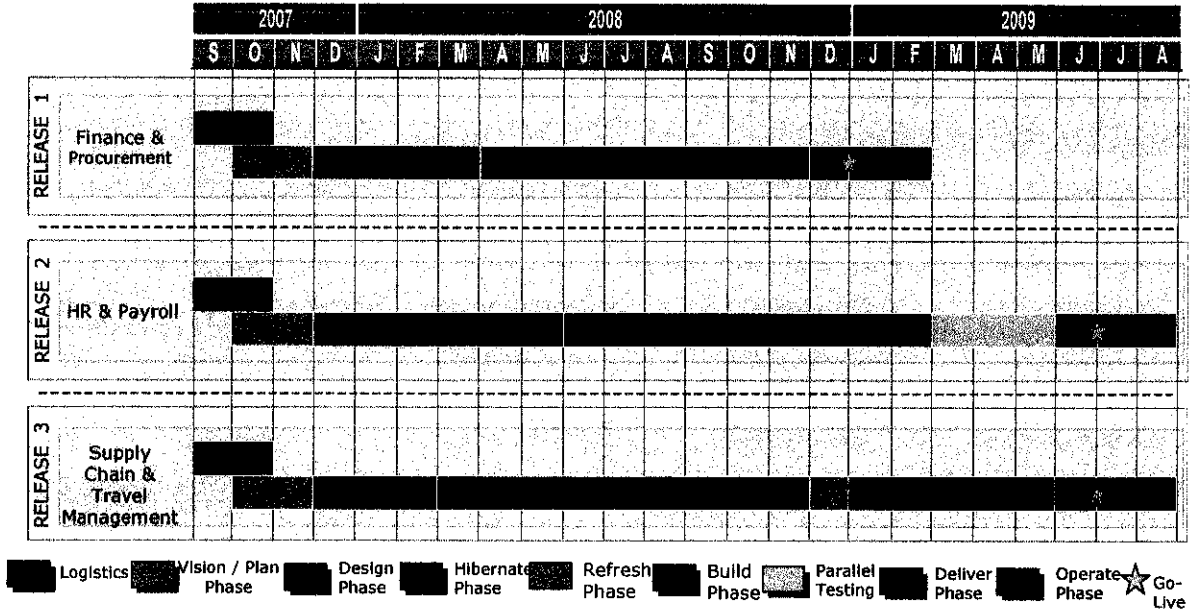
A Value Engineering Study (VES) was performed by SAP with the assistance of our staff. The study estimates an average savings of approximately \$15 million a year, once the system is implemented, with a total payback in approximately seven years. The following estimated Cost and Benefits Analysis (in millions) is based on SAP's initial Value Engineering Study which results in a Return on Investment (ROI) of 22% over 10 years:

	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17
Benefits	-	0.9	10.1	13.7	13.7	14.9	16.1	16.1	16.1	16.1
Costs *	-	(3.7)	(10.4)	(14.2)	(14.2)	(14.2)	(14.2)	(14.2)	(10.6)	(3.9)
Net Cash Flow	-	(2.8)	(0.3)	(0.5)	(0.5)	0.7	1.9	1.9	5.5	12.2

* Costs represent interest and principal payments over the technology lease term.

Project Schedule

The project is scheduled to begin in September 2007 after the contracts are signed, and will run for approximately 24 months. The project is divided into three phases and is expected to be completed by the end of August 2009. The project implementation phasing and timeline is as follows:



RECOMMENDED: That The School Board of Miami-Dade County, Florida:

1. authorize the Superintendent of Schools, to enter into a contractual agreement between the School Board of Miami-Dade County, Florida, and SAP Public Services, Inc., pursuant to Request For Proposals No. 102-FF04 – ENTERPRISE RESOURCE PLANNING (ERP) SOFTWARE, and also with Deloitte Consulting LLP, pursuant to Request For Proposals No. 011-GG04, ERP SYSTEMS INTEGRATION AND IMPLEMENTATION PROCESS, to provide an integrated business solution as follows:

a. SAP PUBLIC SERVICES, INC.
3999 WEST CHESTER PIKE
NEWTON SQUARE, PA 19073
Not to exceed amount \$6,700,000

b. DELOITTE CONSULTING LLP
200 S. BISCAYNE BLVD, SUITE 400
MIAMI, FL 33131
Not to exceed amount \$6,700,000

2. award up to \$85,400,000 financing of Enterprise Resource Planning (ERP) System acquired under Master Lease/Purchase Agreement; and

3. approve Resolution 07-41 authorizing the execution and delivery of additional schedules to the Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp, related to the acquisition, purchase, financing, and leasing of up to \$85,400,000 ERP System and execution of related documents.

OSP:ya

RESOLUTION NO. 07-41

A RESOLUTION OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, AUTHORIZING THE EXECUTION AND DELIVERY OF ADDITIONAL SCHEDULES TO THE MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT WITH BANC OF AMERICA PUBLIC CAPITAL CORP. WITH RESPECT TO THE ACQUISITION, PURCHASE, FINANCING AND LEASING OF AN ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM IN AN AGGREGATE AMOUNT NOT EXCEEDING \$85,400,000; AUTHORIZING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AUTHORIZING INCIDENTAL ACTION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, The School Board of Miami-Dade County, Florida (“Lessee”), as the governing body of the School District of Miami-Dade County, Florida (the “District”), a political subdivision of the State of Florida, is authorized by the laws of the State of Florida and in particular Sections 1001.32(2) and 1001.42(2) to purchase, acquire and lease personal property for the benefit of Lessee and the District and to enter into contracts with respect thereto; and

WHEREAS, Lessee desires to purchase, acquire and lease a certain Enterprise Resource Planning (ERP) System, including software, hardware and implementation support in an aggregate amount not exceeding \$85,400,000 constituting personal property necessary for Lessee to perform essential governmental functions (the “Project”); and

WHEREAS, Lessee has previously entered into a Master Equipment Lease/Purchase Agreement, dated as of March 3, 2006 (the “Master Lease”) with Banc of America Public Capital Corp., a Kansas corporation, as assignee of Banc of America Leasing & Capital, LLC (“Lessor”); and

WHEREAS, Lessee and Lessor have executed Schedules of Property Nos. 1-6 to the Master Lease for the financing of school buses, air conditioning units, security cameras and personal computer upgrades in the aggregate amount of \$87,665,732 to date; and

WHEREAS, the total cost of equipment approved for financing under the Master Lease was \$120,000,000, leaving \$32,334,268 available for financing of additional equipment; and

WHEREAS, Lessee wishes to utilize the remaining capacity under the Master Lease, and to increase the available financing capacity under the Master Lease in order to finance the Project in an amount not to exceed \$85,400,000; and

WHEREAS, Lessor has offered to finance the ERP System pursuant to a Request for Bids dated April 20, 2007, at the lowest cost to Lessee; and

WHEREAS, Lessee deems it for the benefit of Lessee and for the efficient and effective administration thereof to utilize the Master Lease for the purchase, acquisition and leasing of the Project therein described on the terms and conditions therein provided;

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED by The School Board of Miami-Dade County, Florida as follows:

Section 1. **Approval of Additional Schedules to the Master Lease.** Lessee hereby approves the execution of additional Schedules to the Master Lease in an aggregate amount not to exceed \$85,400,000 to finance the Project. The Chair, Vice Chair, Superintendent, Deputy Superintendent for Business Operations, Chief Financial Officer or Treasurer of Lessee is hereby authorized and directed to execute one or more additional Schedules to the Master Lease in order to accomplish such financing.

Section 2. **Other Actions Authorized.** The officers and employees of Lessee including, without limitation, the Chair, Vice Chair, Secretary, Superintendent, Deputy Superintendent for Business Operations, the Chief Financial Officer, the Treasurer and the School Board Attorney are hereby authorized to take all action necessary or reasonably required by the parties to the Master Lease to carry out, give effect to and consummate the transactions contemplated thereby (including the execution and delivery of one or more Schedules of Property, Acceptance Certificates, Incumbency Certificates, Payment Schedules, and any tax certificates and agreements, as contemplated in the Master Lease) and to take all action necessary in conformity therewith, including, without limitation, the execution and delivery of any closing and other documents required to be delivered in connection with the Master Lease.

Section 3. **No General Liability.** Nothing contained in this Resolution, the Master Lease nor any other instrument shall be construed with respect to Lessee as incurring a pecuniary liability or charge upon the general credit of Lessee or against its taxing power, nor shall the breach of any agreement contained in this Resolution, the Master Lease, or any other instrument or document executed in connection therewith impose any pecuniary liability upon Lessee or any charge upon its general credit or against its taxing power, except to the extent that the rental payments payable under the Master Lease are special limited obligations of Lessee as provided in the Master Lease.

Section 4. **Appointment of Authorized Lessee Representatives.** The Superintendent, the Deputy Superintendent for Business Operations, the Chief Financial Officer, the Treasurer and the School Board Attorney of Lessee are each hereby designated to act as authorized representatives of Lessee for purposes of the Master Lease until such time as Lessee shall designate any other or different authorized representative for purposes of the Master Lease.

Section 5. **Severability.** If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 6. **Repealer.** All resolutions or parts thereof, inconsistent herewith, are hereby repealed to the extent of such inconsistency.

Section 9. **Effective Date.** This Resolution shall be effective immediately upon its approval and adoption.

Adopted this _____ day of July, 2007.

Chair, The School Board of Miami-Dade
County, Florida

Attest:

Secretary, The School Board
of Miami-Dade County, Florida

Approved as to form:

School Board Attorney