King County

ABT PROGRAM
Accountable Business Transformation

ABT Program
Cost Benefit Analysis

July 2008

Revision History

Version	Prepared by	Date	Reviewed by	Approved by	Note
Original v.1	Manny Ovena	July 15, 2008	ABT Team	Manny Ovena	

TABLE of CONTENTS

1 Executive Summary

The ABT Program engaged the services of CIBER, Inc. and The Hackett Group to develop the costs and benefits associated with implementing the ABT Program's directive to migrate the county to integrated financial, human resource and budget business processes and systems that will allow the county to gain greater efficiency in providing high quality, effective and valued services to our customers.

CIBER's work involved the development of a Detailed Implementation Plan (DIP) and comprehensive cost estimate that identify the ABT Program scope, schedule and budget necessary to meet the program's charter.

The Hackett Group was retained to complete a Cost Benefit Comparison (CBC) Study that compares the county to its peers and world class organizations in the areas of finance, human resources, payroll and benefits, and budget business processes. The study determined the county's relative position in comparison to these groups in terms of efficiency and effectiveness; and identified opportunities for improvement as well as their associated benefits.

The ABT Program facilitated alignment of CIBER's planning efforts and comprehensive cost estimate and The Hackett Group's development of improvement initiatives and associated benefits through a series of joint planning and review sessions. The results were provided to a task group of county economists and advisors enlisted by the ABT Program to assist in developing a cost benefit analysis (CBA) of the program's three year and five year work plans. This collaborative effort involving participants from the ABT Program, county departments, King County Auditor's Office and the Office of Management and Budget resulted in development of the CBA model and economic assumptions used in the analysis.

By utilizing the task group model and assumptions to review the costs and benefits developed by CIBER and The Hackett Group, the CBA study concluded that implementation of the ABT Program's three year and five year work plans will result in substantial benefits to the county through process improvements and cost savings and will result in Net Present Value (NPV) of benefits of $73.0 M and $62.9 M, respectively.

The CBA study was presented to the ABT Management Team and County Executive for review. Based on a discussion of program scope, costs, benefits and risks, the Executive made the decision to move the Phase I work plan forward for ABT governance review prior to transmittal to the King County Council along with the full Detailed Implementation Plan, Cost/Benefit Analysis and Appropriation request.   The Phase I plan has a total budget of $84.0 M including a 30% contingency, and will result in a fifteen year NPV of benefits of $73.0 M.

2 Cost Benefit

The ABT Program is charged with the implementation of integrated, efficient and effective financial, human resource and budget business processes and systems that will allow the county to gain greater efficiency in providing high quality, effective and valued services to our customers. To support these processes, the ABT Program will implement a suite of integrated applications of Oracle

Financials (EBS), PeopleSoft Human Capital Management (HCM) and a budget system, countywide.

To accomplish this implementation, the ABT Program has been engaged in a comprehensive planning phase that includes development of the following stages:

- Business Case – the county's justification for the ABT program. This stage was concluded with the council's approval of the ABT Program Charter in October 2006.

- High Level Business Plan (HLBP) – the HLBP developed the ABT Program scope, the functional requirements for a countywide budget system, and identified business processes to include in the Oracle and PeopleSoft implementation. The HLBP was approved by the council in September 2007.

- High Level Business Design (HLBD) – This stage determined the high level business process requirements to be integrated with the targeted Oracle and PeopleSoft environments.   The HLBD results were reviewed by ABT governance and in February 2008, the ABT Program received approval to initiate the Detailed Implementation Plan stage.

The Detailed Implementation Plan and Cost/Benefit Analysis represent the final stage of the ABT Program planning phase.

- The Detailed Implementation Plan refines the scope identified in the HLBP and HLBD and plans for the implementation phase of the project. The DIP includes a comprehensive cost estimate for implementing and maintaining the ABT Program scope.

- The Cost/Benefits Analysis identifies the benefits associated with proposed ABT implementation activities.

The ABT Program obtained the services of two consulting groups to accomplish the Detailed Implementation Plan and Cost/Benefits Analysis efforts. CIBER, Inc was engaged to develop the Detailed Implementation Plan and develop a comprehensive cost proposal to execute the plan; and the Hackett Group was hired to conduct a Cost Benefit Comparison study to inform the Cost/Benefits Analysis.

The results of CIBER's Detailed Implementation Plan and The Hackett Group's CBC study are presented in this document as a Cost Benefits Analysis update.

2.1 Cost/Benefit Analysis (CBA) Assumptions

The CBA study utilizes the following assumptions in developing costs and benefits estimates resulting in the Net Present Value (NPV) calculations presented.

2.1.1 Inflation Rate

Annual inflation was calculated at 3% for general areas. Specific inflation rates used for specific costs areas are:

Facilities costs – 1% growth per year

Labor costs – 5% growth per year. This rate represents a blending of Cost of Living Allowance (COLA), merit and benefits increases.

2.1.2 Nominal Discount Rate

The county's discount rate policy as established by the King County Office of Management and Budget (OMB) recommends the use of a real discount rate of 7% "in most situations". However, the policy notes that in the case of a project that provides cost reduction/avoidance, the discount rate should be equal to the predicted growth of government expenditures. Upon consultation with OMB, this was identified at a 7% nominal discount rate.

2.1.3 Software and Hardware Update Costs

A portion of the county is currently using Oracle and PeopleSoft for its finance and human resources/payroll and benefits systems; while another portion is using legacy systems for these functions. Continuing with the current environment will require periodic updates for the Oracle and PeopleSoft systems; as well as increased costs for maintaining and supporting aging legacy systems. The ABT Program believes that these costs will be equal if not more than future software and hardware update costs associated with implementing ABT Program initiatives.

This analysis assumes that any incremental costs of future software or hardware upgrade efforts for a countywide Oracle and PeopleSoft

environment will be offset by the incremental increase in maintenance, support and hardware costs for aging legacy systems if the county did not fully implement Oracle and PeopleSoft countywide.

2.1.4 Cost/Benefit Period

The analysis uses a fifteen year period as the basis from which costs and benefits are derived. The rationale for using fifteen years is that the cost analysis includes software maintenance charges to assure that the applications implemented will remain current and functionality will be updated throughout the systems life cycle. This along with the assumption that the effort to upgrade software and supporting hardware will continue on a regular basis provide a reasonable basis from which to assume that the systems are capable of providing benefits over a fifteen year period.

2.2 CBA Study

A county task group was formed by the ABT Program to assist in the review and validation of the cost benefit model and assumptions to be used.

2.2.1 CBA Task Group

The CBA task group consisted of three county economists from the Office of Management and Budget, Department of Natural Resources and Parks and Office of Treasury, and three ABT Program members. Additionally, members from the County Auditor's Office and the ABT Program Quality Assurance consultant participated as advisors to the group.

2.2.2 CBA Model

The CBA model used for the analysis was a refinement of the models used by Dye Management Group, Inc. and reviewed and updated by the County Auditor's Office during a past Quantifiable Business Case study conducted by Dye.[1] The CBA Task Group reviewed and validated the model; and developed assumptions identified in 2.1 Cost/Benefit Analysis Assumptions.

---

[1] Quantifiable Business Case (QBC): Business Operations Model Report, July 16, 2004, Dye Management Group, Inc; and King County Auditor's Office Review of the Quantifiable Business Case Project Management Letter, April 12, 2005.

2.3 ABT Program Costs[2]

The ABT Program engaged CIBER, Inc. to develop a Detailed Implementation Plan (DIP) and comprehensive cost estimate. The DIP identifies a five year plan consisting of Phase I to implement core systems and Phase II to implement other important activities and system functionality necessary to migrate the county towards improved business practices supported by its selected ERP environment of Oracle Financials and PeopleSoft HCM. To enable this migration, the ABT Program is charged with the countywide implementation of Oracle Financials and PeopleSoft HCM as well as a selected budget system. Total implementation costs excluding contingency for the ABT Program are $64.6 M for Phase I[3] and $83.9 M for Phase I and II. These costs are presented in Table 1 below.

---

[2] See Detailed Implementation Plan.

[3] Phase I includes 3 year costs for Oracle, PeopleSoft and Budget Systems plus costs for years 4 and 5 for the Budget System.

Table 1: ABT Program Costs Yrs 1- 5

	2009	2010	2011	1-3 YR Total	2012	2013	4&5 YR Total	5 YR Total
Single Financial System								
Direct	6,761,840	7,133,000	1,554,908	15,449,748	367,118	790,427	1,157,545	16,607,293
PMO	1,297,435	1,096,888	733,955	3,128,278	519,193	392,946	912,139	4,040,417
Reporting	0	0	0		500,000	500,000	1,000,000	1,000,000
OCM/Training/Communications	101,600	899,228	86,311	1,087,139	44,569	46,797	91,366	1,178,505
Software/Oracle Licenses	2,193,803	731,268	0	2,925,071	510,466	0	510,466	3,435,537
Software Maintenance	950,129	950,129	950,129	2,850,386	112,303	112,303	224,605	3,074,991
Hardware/Licenses	1,075,521	514,208	447,123	2,036,852	514,743	459,317	974,059	3,010,911
workstations/printers	25,000	25,000	10,000	60,000	0	0	0	60,000
Facilities	659,153	491,100	409,978	1,560,231	402,226	384,199	786,425	2,346,656
Subtotal	13,064,481	11,840,820	4,192,404	29,097,704	2,970,617	2,685,988	5,656,605	34,754,309
Single Human Capital Management System								
Direct	6,000,646	5,184,531	5,412,041	16,597,218	4,312,946	2,249,843	6,562,790	23,160,008
PMO	2,072,276	1,751,960	1,172,281	4,996,517	829,260	627,617	1,456,877	6,453,394
Reporting					500,000	500,000	1,000,000	1,000,000
OCM/Training/Communications	914,400	899,228	1,639,916	3,453,543	356,549	374,376	730,924	4,184,468
Software/Oracle Licenses	0	0	0	0	849,934	0	849,934	849,934
Software Maintenance	0	0	0	0	186,986	186,986	373,971	373,971
Hardware/Licenses	1,456,594	696,400	605,545	2,758,539	697,124	622,059	1,319,183	4,077,722
workstations/printers	25,000	25,000	40,000	90,000	0	0	0	90,000
Facilities	1,169,076	871,016	727,138	2,767,230	713,389	681,416	1,394,805	4,162,035
Subtotal	11,637,992	9,428,135	9,596,921	30,663,047	8,446,187	5,242,297	13,688,485	44,351,532
Single Budget System								
Consulting	89,760	117,600	585,440	792,800	19,360	19,360	38,720	831,520
Project Team	233,240	0	572,786	806,026	562,000	398,690	960,690	1,766,716
PMO	99,539	84,153	56,309	240,000	39,832	30,147	69,979	309,979
Software Licenses	597,500	200,000	0	797,500	0	0	0	797,500
Software Maintenance	119,500	163,500	163,500	446,500	188,025	188,025	376,050	822,550
Hardware/Licenses	516,000	36,315	36,315	588,630	41,762	41,762	83,524	672,154
OCM/Training/Communications	20,000	40,000	40,000	100,000	44,569	46,797	91,366	191,366
Facilities	8,000	8,000	8,000	24,000	8,000	8,000	16,000	40,000
From 2008 Budget	(597,500)	0	0	(597,500)				(597,500)
Subtotal	1,086,039	649,568	1,462,350	3,197,956	903,548	732,781	1,636,329	4,834,285
TOTAL	25,788,512	21,918,522	15,251,674	62,958,708[4]	12,320,352	8,661,066	20,981,418	83,940,126

---

[4] A Phase I implementation plan includes funding for Years 1 -3 and funding for Yearrs 4&5 or $1,636,329 for the Budget System for a total Phase I budget of $64,595,037.

2.4 Projected Benefits

The Hackett Group developed projected benefits by analyzing King County benchmark information and comparing the results to data compiled through their work with other entities. Hackett gathered information by:

- Measuring current business process costs and drivers
- Conducting "Best Practice" workshops
- Conducting interviews of executives, key stakeholders and business process owners
- Survey business process "users"

The Hackett Group identified specific improvement initiatives the County could undertake and projected the related benefits.[5] The initiatives were aligned with the ABT program schedule. The results are shown in the table below.

Initiative Areas	Benefits (over 15 Yrs)
Finance	$137.4 million
Budget	$ 22.1 million
HR, Payroll, Benefits	$134.6 million

2.5 Cost/Benefit Analysis Summary

The ABT Program costs and benefits were entered into the CBA Model with the assumptions listed in 2.1 Cost/Benefit Analysis Assumptions resulting in a total Net Present Value of $91.3 M without contingency for the Phase I work plan and $85.8 M without contingency for Phase I and II work plan for implementing Oracle, PeopleSoft and a budget system countywide within the 3 year period and scope identified in the Detailed Implementation Plan. Tables 2 and 3, present implementation costs, benefits and net present values at 0% and 30% levels of contingency.

---

[5] See Appendix A, CBC Report

3 Conclusions and Recommendations

The CBA study was presented to the ABT Management Team and County Executive for review. The review included a discussion of project scope, budget, schedule and overall program risks. Based on a review of Net Present Value for Phase I and a five year option of Phase I and II, and discussion of overall scope and associated risks, the Executive made the decision to move the Phase I work plan forward for ABT governance review prior to transmittal to the King County Council along with the full Detailed Implementation Plan, Cost/Benefit Analysis and Appropriation request. Phase I has a total budget of $84.0 M including a 30% contingency, and will result in a fifteen year NPV of benefits of $73.0 M.

Table 2: ABT Program Yr. 1 – 3, Cost Benefit Analysis

Initiative	Project Costs	Incremental Op. Costs	15 YR Benefits	Net Benefits	NPV @ 7% Disc. Rate
Single Financial System	$29.1 M	$17.3 M	$137.4 M	$91.0 M	$39.6 M
Single HCM System	$30.7 M	$6.7 M	$134.6 M	$97.2 M	$44.8 M
Single Budget System[1]	$4.8 M	$2.0 M	$22.1 M	$15.3 M	$6.9 M
Totals w/o Contingency	$64.6 M	$26.0 M	$294.1 M	$203.5 M	$91.3 M
30% Contingency.	$84.0 M	$26.0 M	$294.1 M	$184.1 M	$ 73.0 M

[1] Budget System Years 4&5 Costs are included to reflect core implementation

Table 3: ABT Program Yr. 1 – 5, Cost Benefit Analysis

Initiative	Project Costs	Incremental Op. Costs	15 YR Benefits	Net Benefits	NPV @ 7% Disc. Rate
Single Financial System	$34.8 M	$18.6 M	$137.4 M	$84.0 M	$34.4 M
Single HCM System	$44.4 M	$9.0 M	$158.1 M	$104.7 M	$45.7 M
Single Budget System	$4.8 M	$4.2 M	$22.1 M	$13.1 M	$5.7 M
Totals w/o Contingency	$84.0 M	$31.8 M	$317.6 M	$201.8 M	$85.8 M
30% Contingency.	$109.1 M	$31.8 M	$317.6 M	$176.7 M	$ 62.9 M

4 Appendix A – Cost Benefit Comparison Report

ABT Program
Cost Benefit Comparison Report

June 24, 2008

Prepared by:
ABT CBC Team

TABLE of CONTENTS

Executive Summary

ABT engaged The Hackett Group to conduct the Cost Benefit Comparison study (CBC). The Hackett Group was selected based on their specific experience in benchmark studies and significant focus on benchmarking state and local governments.

The ABT quantifiable benefits developed as part of the CBC study will be combined with the ABT implementation costs in a separate ABT Cost Benefit Analysis. The CBC provides up-to-date benefit information similar to the ABT Quantifiable Business case, published in 2004.

Projected Benefits

The Hackett Group developed projected benefits by analyzing the King County benchmark information and comparing the results to data compiled through work with other organizations. Hackett gathers information by:
- Measuring current business process costs and drivers
- Conducting "Best Practice" workshops
- Conducting interviews with executives, key stakeholders and business process owners
- Surveying business process "users"

The Hackett Group identified specific improvement initiatives that the County could undertake and calculated the related benefits. The initiatives were aligned with the ABT program schedule to determine the points where benefits accrue. The results are shown in the table below.

| Business Function	Projected Net Present Value of Benefits (7% discount rate - 10 year period)	
	ABT Years 1-3 (core process improvements)	ABT Years 4-5
Finance & Budget	$20.3 million	$13 million
Procure to Pay	$9.8 million	NA
HR, Payroll, Benefits	$38.9 million	$6.4 million

Comparison to Peers
The Hackett Group uses a grid to report an organization's efficiency and effectiveness in comparison to peer groups. Included below are King County value grids for the business processes within the ABT scope.

Human Resource, Payroll, Benefits - King County has opportunities to reach higher levels of Efficiency and Effectiveness. Specific areas highlighted for improvement are:
Effectiveness: reduce transaction error rates; identify key employees and create retention plans
Efficiency: automate new hire activities; reduce days to fill open positions; provide automated employee & manager self service.
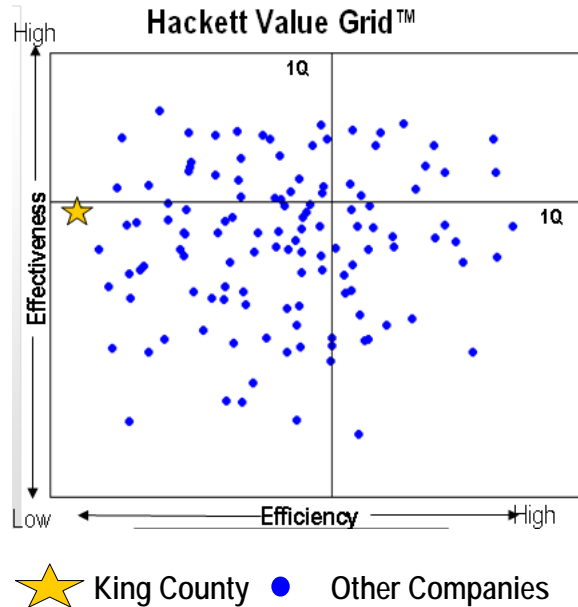
Finance & Budgeting - King County's Finance function ranks high in effectiveness, but low in efficiency. Specific areas highlighted for improvement are:
Effectiveness: reduce error rates; improve data and tools for forecasting in support of budgeting
Efficiency: automate employee expense reimbursement; automated journal entries; integrate transcriptions across functions
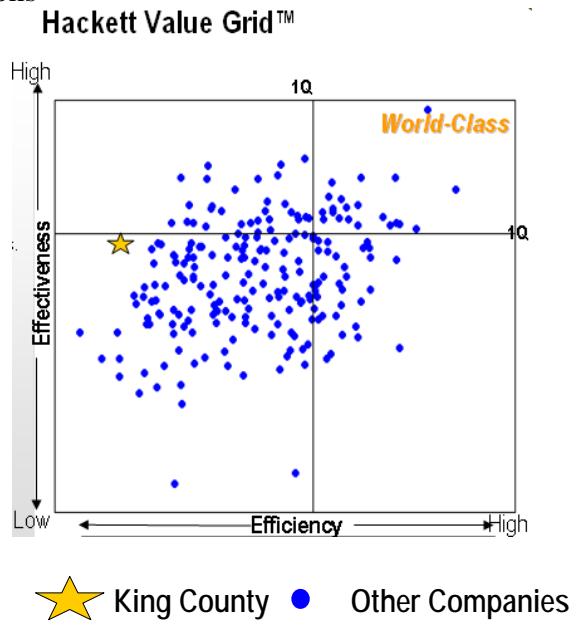
Procure to Pay - King County's Procurement processes have opportunities to reach higher levels of efficiency and effectiveness. Specific areas highlighted for improvement are:
Effectiveness: increase visibility of spend; Efficiency: reduce transaction processing costs
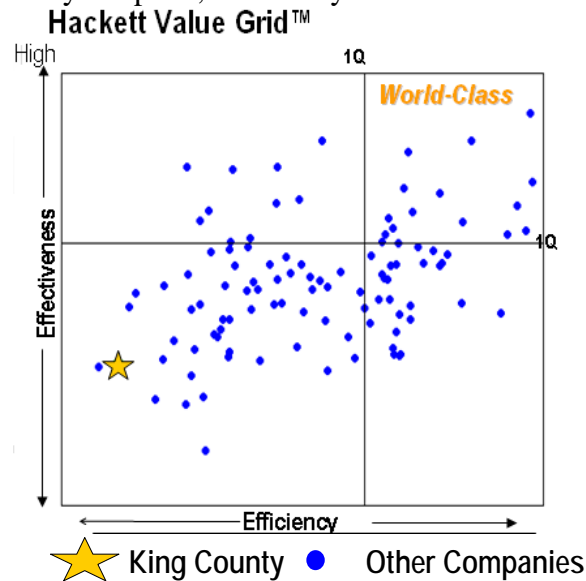
Key Recommended Initiatives

The Hackett Group business analysts reviewed the information gathered during the study and looked in detail to determine specific initiatives King County could implement to improve business process effectiveness and efficiency. Hackett coordinated their recommendations with the planned ABT schedule which includes implementation of core business process improvements in project years 1 to 3 and additional initiatives building on the core process improvements during the project years 4 and 5. The Hackett Group also identified future opportunities that can be considered for Human Resources, Finance, and Procurement business processes after the ABT initiatives are implemented.

Listed below are the key Hackett Group recommended improvement initiatives.

Human Resource/Payroll
ABT Years 1-3
- Develop Human Resources strategy/process/organization
- Implement Human Resources Management System (HCM)
- Implement a single PeopleSoft Payroll system countywide
- Redesign Payroll Process and Review organization structure
- Migrate time capture to PeopleSoft Time and Labor

ABT Years 4-5
- Automate Compensation Administration and implement an integrated Performance Management strategy
- Redesign Recruiting and Staffing
- Redesign Workforce Development process

Future Opportunities
- Reassess Time and Attendance and Leave Management strategy
- Optimize Human Resources Process and Organization

- Optimize Employee Data Management (HCM)
- Redesign Organization Effectiveness- Labor Relations
- Develop a strategic planning process

Finance
ABT Years 1-3
- Implement a common, single, integrated Oracle Financial System (general ledger, fixed assets, cost accounting, projects, grants, purchasing, payables)
- Re-design a detailed "Account to Report" (A2R) process and organization, leveraging Oracle functionality
- Implement Quick Wins to improve General Accounting and Cost Accounting
- Re-design detailed Order to Cash processes and organization for centrally billed services, leveraging new Oracle functionality

Budgeting
ABT Years 4-5
- Re-design the Budget process, leveraging new budgeting system functionality linked to EBS and PS HCM
- Implement a single, integrated business intelligence application for Planning and Budgeting

Future Opportunities
- Enhance existing Key Performance Indicators (KPI's), ensuring that agency and division performance is linked to strategic objectives.
- Design and develop a common data repository linked to automated (OLAP) reporting tools and the new Budgeting system
- Further streamline the Budget process
- Optimize Finance processes and service delivery model/organization

Procure-To-Pay (P2P)
ABT Years 1-3
- Implement supplier enabling technologies (e.g. automated vendor catalogues, EFT)
- Re-design Procure-To-Pay strategies for major/common commodities and services, leverage Oracle functionality
- Re-design detailed Procure-To-Pay processes and related policies
- Expand and enhance roll-out of P-Cards
- Define and implement procurement Key Performance Indicator's (KPI's)

Future Opportunities
- Design and implement electronic document imaging for P2P Processes
- Optimize P2P processes and service delivery model/organization

Introduction

The Accountable Business Transformation Program (ABT) will implement Financial, Human Resource, Benefits, Payroll and Budget best practices as supported by Oracle eBusiness Suite, PeopleSoft Human Capital Management and Cognos Budgeting.

The ABT program includes a "Cost Benefit Comparison" (CBC) study to recommend improvement initiatives in each of the ABT business process areas and develop quantifiable benefits related to implementing the identified initiatives. ABT engaged The Hackett Group to conduct the CBC study. The Hackett Group was selected based on their specific experience in benchmark studies and significant work with state and local governments.

The King County benchmark comparisons are based on empirical data. The Hackett Group has conducted over 4000 benchmark studies for private and public sector organizations. The Hackett Group benchmark database has the largest body of public sector comparative data. They were selected by the National Association of State Auditors, Controllers and Treasurers (NASACT) to provide comprehensive benchmark assessments for member states. At the time of King County's CBC study, the Hackett database was populated with benchmark results from a dozen states, several large cities, counties and other municipalities.

The Hackett Group methodology employed during this effort is described in detail in Section 3. It included the following activities:
- Measuring current business process costs and drivers
- Conducting "Best Practice" workshops
- Conducting interviews with executives, key stakeholders and business process owners
- Surveying business process "users"

The CBC study developed up-to-date benefit calculations similar to the ABT Quantifiable Business Case (QBC), published in 2004.

The King County Auditor reviewed the QBC report in April 2005 and recommended the following:

Summary of Recommendations
This report recommends that in the next phase of ABT, the implementation costs be updated, the major costs and benefits included in the financial plan be more fully validated, and quantifiable cost savings be formally incorporated into the ABT project plan and schedule. For financial analysis purposes, we also recommend that the financial-related and human resource components be analyzed separately. In addition, baseline costs, benchmarks and performance measures should be developed so that the county can accurately track costs and evaluate whether ABT meets the county's vision and goals for the project.

The ABT program has responded to the Auditor's recommendations in the following manner:

Updated implementation costs – The Detailed Implementation Plan generated a comprehensive cost plan based on 2008 prices. The updated costs have been incorporated in the cost benefit analysis (CBA) model.

More fully validated costs and benefits – The benefits used in the CBA were developed by The Hackett Group based on King County benchmark data, collected from all agencies for the full year 2007.

Separate Human Resources from Finance for financial analysis – Costs and benefits have been separated for Human Resource, Finance and Budget components.

Develop baseline costs, benchmarks and performance measure – the CBC study collected baseline process costs for all functions within the scope of ABT. The cost data and best practice performance measures were used for the Hackett benchmarks and peer comparisons.

Benefits were developed by The Hackett Group from the King County benchmark data by applying the following method:

- Each process within Finance, Procurement, Budget and HR-Payroll-Benefits was reviewed in detail to measure cost, FTE time, productivity, cycle times, quality metrics and best practice usage.
- Peer comparisons identified the gaps between King County results and other public sector organizations or a peer group of organizations of similar size and complexity
- Gap analysis revealed where transformation opportunities could yield substantial benefits.
- The County's best practice utilization was used to indicate where business process improvements, automation/integration, centralizing or standardizing processes will result in quantifiable benefits.
- The transformation initiatives were based on best practice applicability analysis (where best practice adoption or further deployment will result in measurable performance improvement)
- A benefits model was developed for the transformation initiatives that are included in the ABT scope. The Hackett Group also identified improvement initiatives that are beyond the scope of the ABT program. These were also quantified but are not included in the cost benefit analysis for the ABT program.
- Assumptions, benefit drivers and performance measurements were developed for the improvement initiatives.
- The improvement initiatives and quantifiable benefits were validated with the ABT governance groups.

Further details are available in a series of PowerPoint presentations delivered by The Hackett Group. Brief descriptions of each of the presentations along with directions for where the documents can be found are included in Appendix A.

1 Benchmark Results

The Hackett Group work created presentations that:

- Compared King County to Peers
- Separated and compared King County's dual accounting and HR/Payroll systems to each other
- Recommended improvement initiatives
- Projected benefits of implementing the improvement initiatives

The following sections summarize the County benchmark results.

1.1   Comparison to Peers

In addition to the **Hackett Value Grid™** included in the Executive Summary, The Hackett Group provided additional charts and analysis. Key results are provided below by business process area. Each section starts with a graph that indicates current King County costs and counts compared to peer groups. The Hackett Group also included a bar to represent the projected King County position after completion of ABT, with the assumption that the recommended initiatives are implemented by the ABT program.

Appendix A includes a description of The Hackett Group presentations along with instruction on where the presentations can be read.

1.1.1 Human Resource/Payroll

1.1.1.1 Comparison Graph
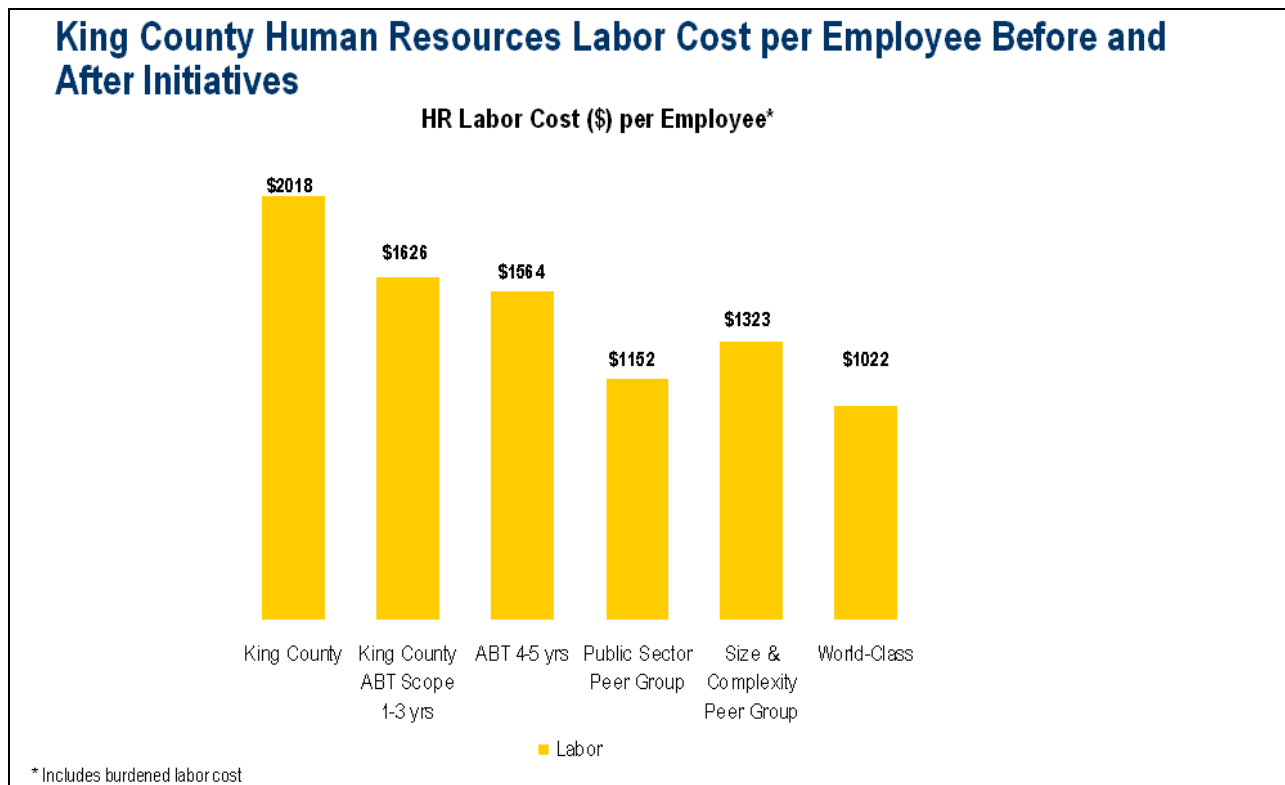
1.1.1.2 Other Results

Total Annual Human Resources, Benefits, Payroll, and Time & Labor cost is $44.6 million; Total FTE's 386

King County is higher in effectiveness and lower in efficiency when compared to peers. The services and results achieved by King County are effective, but the County requires more people, time and cost than peers.

Measure	King County	Public Sector Peer Group	Size & Complexity Peer Group
Payroll Administration- cost per employee	$163	$131	$151
Time and Attendance – cost per employee	$194	$92	$47
Data Management – cost per employee	$425	$162	$182
Recruit/Hire - days to fill – professional position	91 days	82 days	60 days
Labor Relations – cost per employee	$277	$60	$57

1.1.2 Finance & Budgeting

The Finance business processes include Cash Disbursements, General Accounting, External Reporting, Cash Management, Compliance Management (auditing), Revenue cycles, Business Analysis, and Function Management.

1.1.2.1 Comparison Graph

Finance Labor Cost as a Percent of Operating Budget Before and After Initiatives

Finance Labor Cost as a % of Budget (Operating + Capital)

	King County Today	Post ABT	Post ABT + Optimize	Public Sector Peer	World-Class
■ Adjusted to King County Labor Rates				0.27%	0.02%
■ Labor	1.20%	1.04%	0.87%	0.40%	0.42%
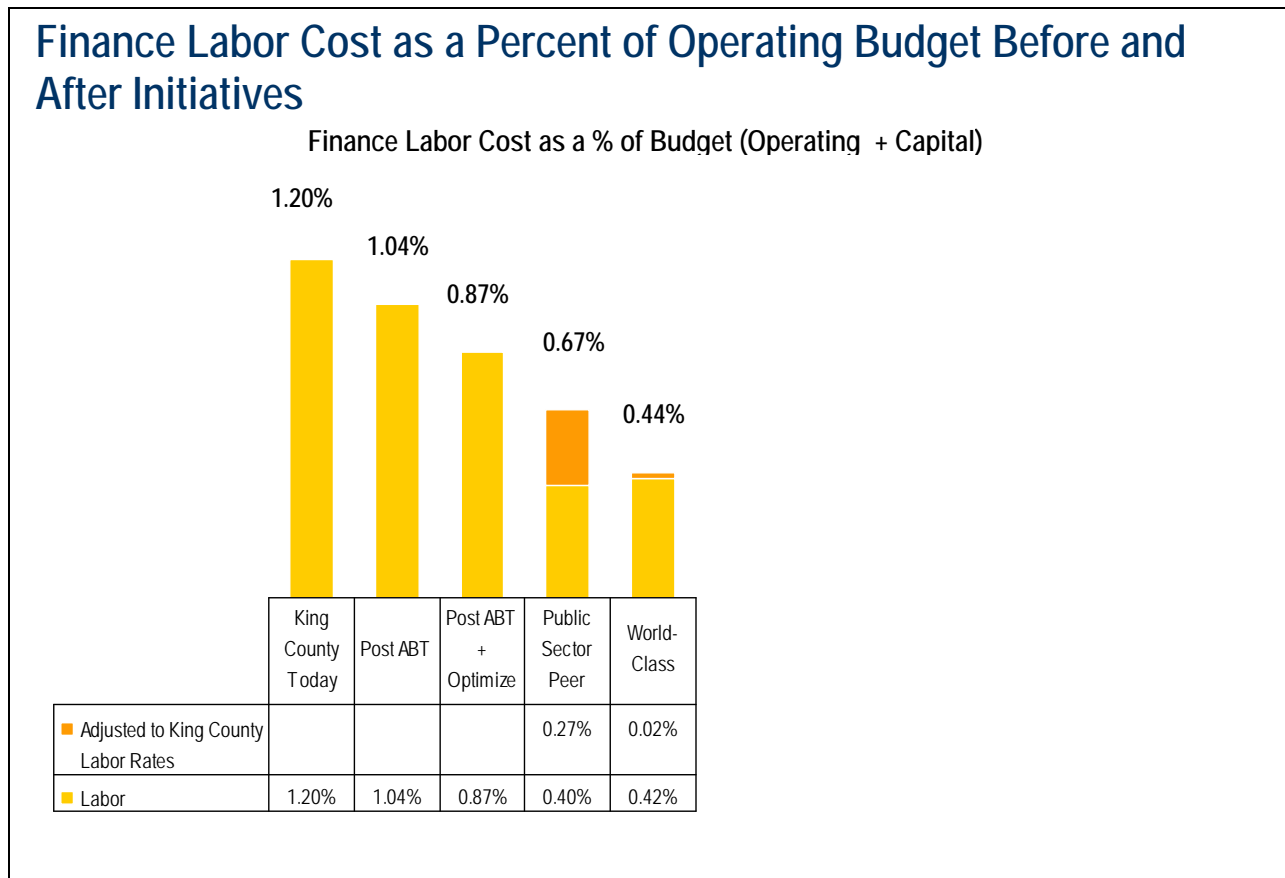
1.1.2.2 Other Results

Total annual finance process cost is $47.1 million; Total FTES 412.7

King County is higher in effectiveness and lower in efficiency when compared to peers. King County is higher than the peer group in the following categories:

Measure	King County	Public Sector Peer Group
Total Finance cost as a % of budget	1.51%	.65%
Finance FTE count per $1 billion budget	132	67
Budget Process Cost as % of budget	.08%	.03%

1.1.3 Procure to Pay (P2P)

Procure to Pay includes the creation of a requisition; activities involved in sourcing, contract negotiation and execution; verification of receipt; payment of goods and services; and strategic analysis and planning of procurement expenditures. It excludes contract administration.

1.1.3.1 Comparison Graph

Procurement Labor Cost Before and After Initiatives

Procurement Labor Cost as a % of Spend

- King County Today: 2.59%
- Post ABT: 2.38%
- Post ABT + Optimize: 2.06%
- Public Sector Peer Group: .99%
- Size & Complexity Peer Group: .68%
- World-Class: .50%

■ Adjusted to King County Labor Rates
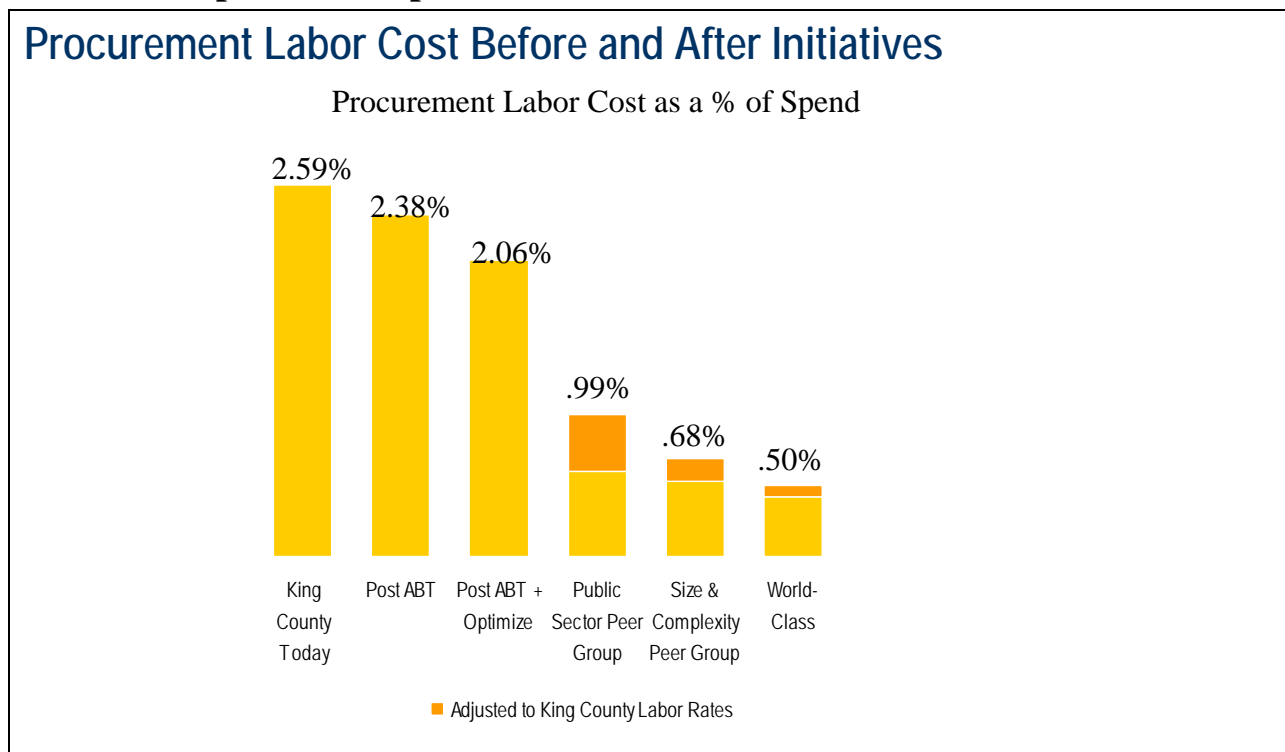
1.1.3.2 Other Results

Total annual procurement process cost is $30.7 million; Total FTES 268.2
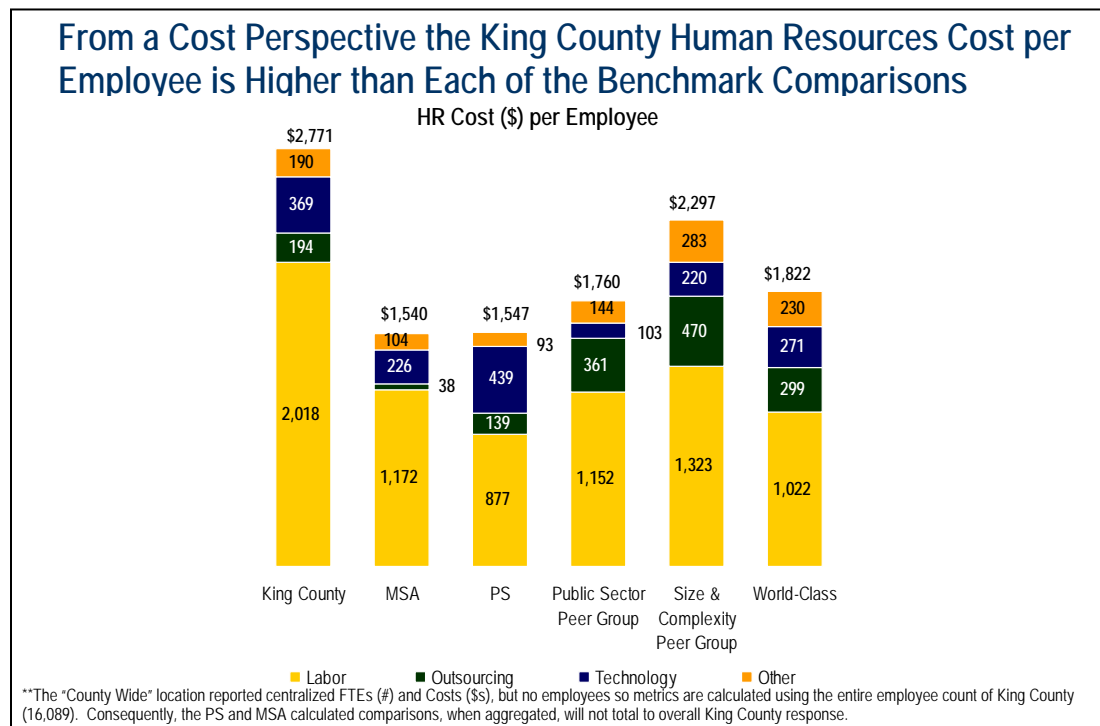
King County is lower in effectiveness and efficiency when compared to peers. King County compares unfavorably against peer groups in the following category:

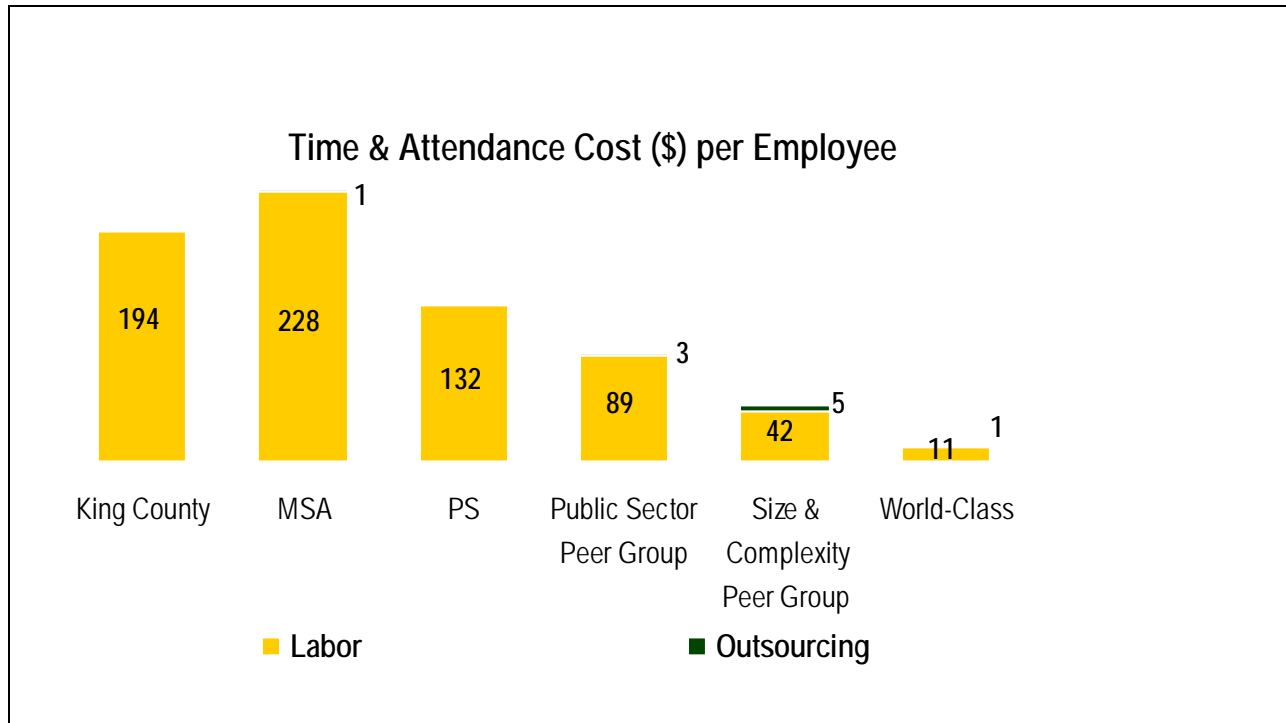| Measure	King County	Public Sector Peer Group	Size & Complexity Peer Group
FTE count per sourceable spend	253	96	71

1.2   *Comparison of County Systems*

In addition to measuring aggregated County business process costs, one of the CBC project metrics was the division of KPIs between the existing legacy (MSA, ARMS) and ERP (PeopleSoft, IBIS) systems. The purpose for the dissection was to quantify the business process costs by system platform and provided visibility to efficiency and cost variables between them. Charts representing this comparison by each business process follow.

1.2.1 Human Resource/Payroll

From a Cost Perspective the King County Human Resources Cost per Employee is Higher than Each of the Benchmark Comparisons

HR Cost ($) per Employee

King County — $2,771: Other 190, Technology 369, Outsourcing 194, Labor 2,018
MSA — $1,540: Other 104, Technology 226, Outsourcing 38, Labor 1,172
PS — $1,547: Other 93, Technology 439, Outsourcing 139, Labor 877
Public Sector Peer Group — $1,760: Other 144, Technology 103, Outsourcing 361, Labor 1,152
Size & Complexity Peer Group — $2,297: Other 283, Technology 220, Outsourcing 470, Labor 1,323
World-Class — $1,822: Other 230, Technology 271, Outsourcing 299, Labor 1,022

■ Labor   ■ Outsourcing   ■ Technology   ■ Other

**The "County Wide" location reported centralized FTEs (#) and Costs ($s), but no employees so metrics are calculated using the entire employee count of King County (16,089). Consequently, the PS and MSA calculated comparisons, when aggregated, will not total to overall King County response.
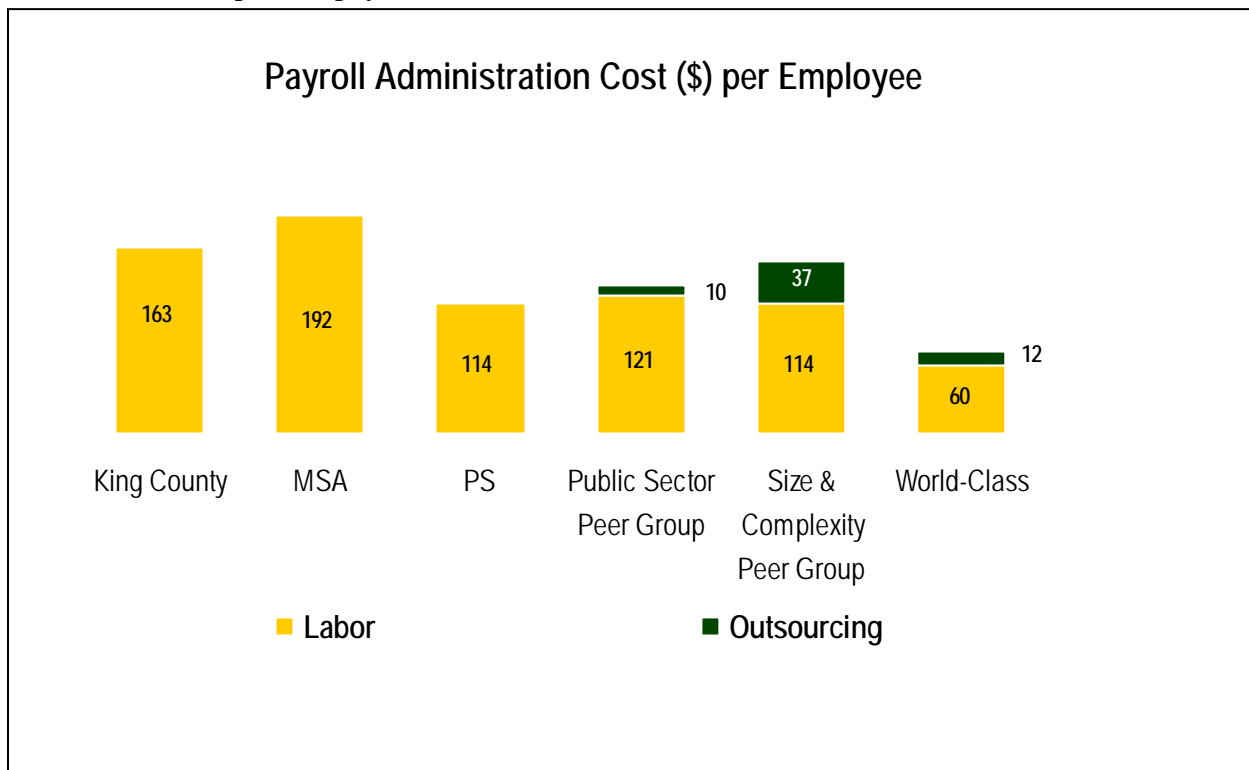
MSA Time and Attendance costs are 72 percent higher than PeopleSoft costs. This is reflective of significantly higher error rates and a higher number of employees involved in time and attendance process when using the MSA system.

Time & Attendance Cost ($) per Employee

King County: 194
MSA: 228 — 1
PS: 132
Public Sector Peer Group: 89 — 3
Size & Complexity Peer Group: 42 — 5
World-Class: 11 — 1

■ Labor   ■ Outsourcing

The Payroll Administration costs per employee are 68% greater for MSA payroll than PeopleSoft. This is the result of the higher number of FTEs required to process a MSA paycheck than for a PeopleSoft paycheck. Lack of automation and rework are root causes.

Payroll Administration Cost ($) per Employee

King County: 163
MSA: 192
PS: 114
Public Sector Peer Group: 121 — 10
Size & Complexity Peer Group: 114 / 37
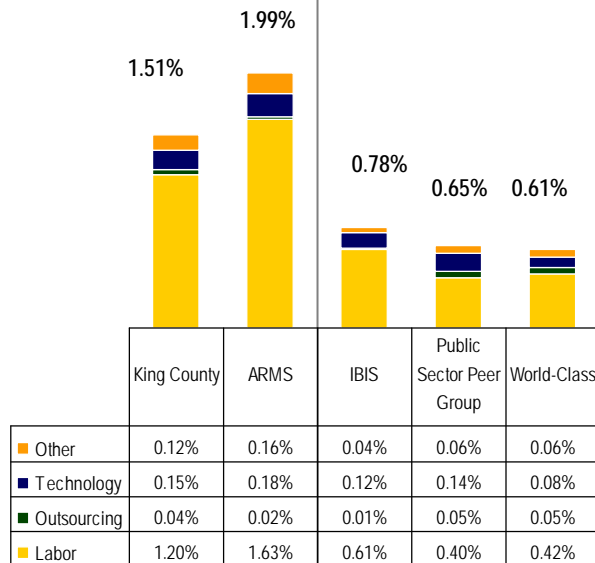World-Class: 60 — 12

■ Labor   ■ Outsourcing

1.2.2 Finance

This comparison clearly shows finance activities require more cost and staff to execute business processes using the ARMS system than using the IBIS system.

Finance Cost as a Percent of Operating Budget is Approximately 2 ½ Times Higher than the Comparisons
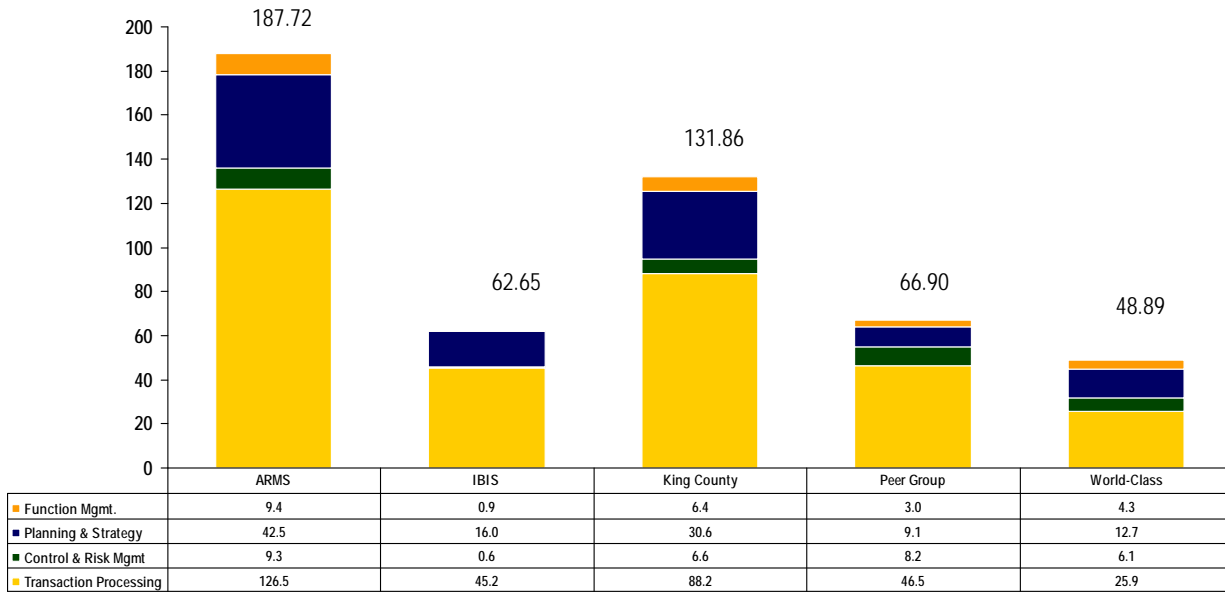
Finance Cost as a % of Operating Budget/Operating

	King County	ARMS	IBIS	Public Sector Peer Group	World-Class
■ Other	0.12%	0.16%	0.04%	0.06%	0.06%
■ Technology	0.15%	0.18%	0.12%	0.14%	0.08%
■ Outsourcing	0.04%	0.02%	0.01%	0.05%	0.05%
■ Labor	1.20%	1.63%	0.61%	0.40%	0.42%

Totals: King County 1.51%, ARMS 1.99%, IBIS 0.78%, Public Sector Peer Group 0.65%, World-Class 0.61%

*Note: ARMS/IBIS numbers exclude costs/f from FBOD General Department, however King County numbers are all inclusive.

Total FTEs per $1B in Operating Budget

Finance FTEs per $1B in Operating Budget

	ARMS	IBIS	King County	Peer Group	World-Class
Total	187.72	62.65	131.86	66.90	48.89
■ Function Mgmt.	9.4	0.9	6.4	3.0	4.3
■ Planning & Strategy	42.5	16.0	30.6	9.1	12.7
■ Control & Risk Mgmt	9.3	0.6	6.6	8.2	6.1
■ Transaction Processing	126.5	45.2	88.2	46.5	25.9

*Note: ARMS/IBIS numbers exclude costs & FTEs from FBOD General Department, however King County numbers are all inclusive.

| Operating Budget($B)	$1.6	$1.5	$3.1		

1.2.3 Procure to Pay (P2P)

The Procure to Pay comparison to peers indicate clear opportunities for improvement. Several factors identified within the P2P business process were recognized as potentially having an impact on the results, particularly with respect to system separated values. These are as follows:

- During 2007 Wastewater's Brightwater project caused a historically and unusually high volume of procurement and contracting transactions. The sourcing and procurement for Brightwater is heavily regulated, controlled, and time intensive.
- Procure-to-Pay (P2P) includes costs and FTE involvement in sourcing (RFPs/ITBs, selection, negotiation, and contract execution). These are labor intensive, de-centralized, and manual processes for King County.
- Many of the departments with substantial, specialized purchasing needs are using IBIS (e.g. Transit, Wastewater, OIRM). The procurement functions in ARMS supports a more balanced mix of departments; some with specialized purchasing needs (e.g. DNRP, DCHS, DPH) and those that have little or no purchasing activity (e.g. PAO, KCDC, DDES). The averaging effect of the agency mix supported by ARMS distorts the comparison between IBIS and ARMS
- Receipt business processing differs significantly between ARMS and IBIS, resulting in the risk that the FTE time for ARMS receiving would be unreported while the A/P approval process would be inflated (since it is manually verified at the time of invoice). Receipt processing in IBIS is high due to the Brightwater receipt verification of contracted goods and services.

Procurement Cost as a Percentage of Spend by Quartile
Procurement Cost as a % of Spend*
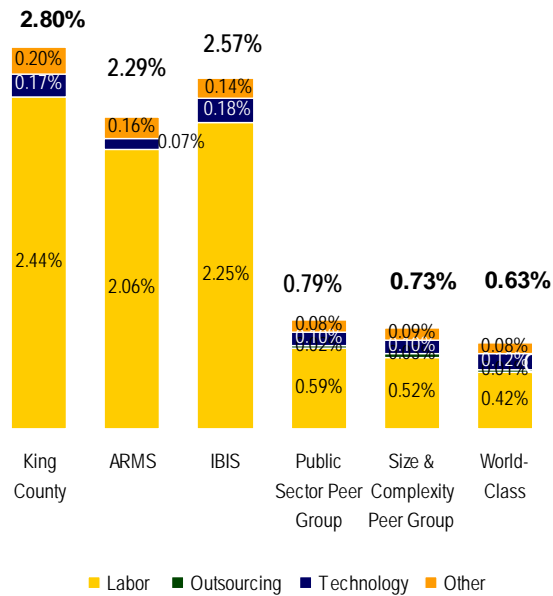
* Above comparisons exclude the investment in Customer Management as it is a new Hackett Procurement benchmark process and comparisons are not available at this time.

1.3 Key Improvement Initiatives

Each improvement initiative has been designed to address performance gaps that were revealed by the benchmark comparisons with peers. The following sections are grouped by function (HR, Finance and Procurement). Within each function the sub sections first list Hackett findings followed by the related initiatives and a brief description of the resulting benefits.

1.3.1 Human Resource/Payroll

Key Hackett Group findings for the human resource/payroll business processes include:

- **Two payroll systems, 14 different business systems used to capture time, old legacy HR system, and a lack of tools across agencies creates many inefficiencies and an inability to effectively utilize King County's human resources and lower transactional cost.**
    - Reconciliation of two systems
    - Different pay cycles and different work schedules
    - Not enough resources to handle multiple systems
    - Exponential growth in number of transactions
    - Paper based processes (all legacy MSA, and handles most employee data)
    - Redundant information being processed
    - Higher cost of services
    - Limited functional capability

- **Extremely cumbersome and manual processes have contributed to high error rates, duplication of data entry and difficulty tracking and reporting data.**
    - Reporting requires accommodations due to system inadequacies
    - Decentralized with multiple different manual processes
    - High error rates for time & attendance
    - Multiple levels of approval
    - Lack of integration
    - Lack of consistent administration of policies

Based on the findings above and other information, The Hackett Group recommends the following improvement initiatives for the human resource/payroll function.

1.3.1.1 ABT Phase I (years 1-3)

Proposed HR/ Benefits/ Payroll, T&L Initiatives	Benefits to KC
Implement a Human Resources Management (HCM) system.	- Centralized repository integrated with all systems - Central point of contact to respond to issues - Creation of online tools and web portals - Standardization and simplification of reports - Automated updates to records
Implement a single, integrated	Integration with Human Resources

Proposed HR/ Benefits/ Payroll, T&L Initiatives	Benefits to KC
HR/Payroll/Benefits System (PeopleSoft HCM) Countywide.	• Central repository for documentation and work rules • Automation and implementation of workflow • Reduced transaction time allocation • Reduced cost per paycheck • Consolidated payroll cycles to one (biweekly) • Improved employee and manager online self service tools.
Re-design Payroll process, and review the payroll organization structure.	• Standardized payroll process with integration to other systems • Standardized and reduced pay cycles, pay rules and work weeks • Standardized statutory reports • Eliminated manual processes • Defined detailed roles and areas of responsibility • Established reporting structures
Migration of time capture to PeopleSoft Time & Labor	• Central repository for information • Automated workflow • Reduced transaction time allocation • Reduced cost per employee and error rates • Consolidated work weeks • Self service online tools

Implement Human Resources Quick Wins
    – Review employee records policies
    – Develop a communication strategy for consistent distribution of policy changes
    – Implement a policy for management to provide performance feedback twice a year
    – Capture employee absences as part of performance appraisal process
	• Reduced data errors and rework
	• Improved HR policy compliance
	• Enhanced employee performance and accountability
	• Productivity increase from fewer unplanned absences

1.3.1.2 ABT Phase II (years 4-5)

Proposed HR/ Benefits/ Payroll, T&L Initiatives	Benefits to KC
Automate Compensation Administration	• Automate employee self service for new hires and manager self service for approvals • Provide employees automation for life event changes • Centralized repository for all job data • Provide historical information

Proposed HR/ Benefits/ Payroll, T&L Initiatives	Benefits to KC
	• Reduction in cycle time, transaction processing costs, and redundant data entry
Re-design Recruiting and Staffing/ Exit process.	• Standardized templates for all positions and job classifications • Standardized approval process • Leverage enterprise wide SLA with vendors (e.g. monster) • Centralized repository for all recruiting data including (resumes, applicant and employee posting data, offers, hires) • Centralized recruiting process and sourcing strategy • Automated workflow, manager self service / employee self service online tools and web portals • Reduced transaction cost • Reduced cycle time • Reduced time to hire • Reduced Resources involved in the recruiting process
Implement an integrated Performance Management Strategy	• Aligns performance management goals to the business goals • Creates a greater understanding of overall accountability • Rewards key behaviors that support strategic goals • Improved productivity and standardizes metrics • Automates the merit increase process • Documents the business goals, competencies and skills across all divisions
Re-design Work Force Development process	• Automated career planning • Automated employee access to requirements for specific career paths • Automatic updates of requested classes, enrolled courses and coursed completed

1.3.1.3 Future Opportunities

- Optimize Time and Attendance and Leave Management Strategy
- Optimize Human Resources Process and Organization
- Optimize Employee Data Management (HCM)
- Redesign Organization Effectiveness – Labor Relations
- Develop a Strategic Planning Process

1.3.2 Finance

Key Hackett Group findings for the finance & budget business processes include:

- Lack of a common, integrated, state-of-the-art financial application causes significant manual effort and journal entries, duplicative closing efforts, and challenges in consolidating and reporting results. It also complicates external audits and contributes to higher audit fees.
- Lack of a single repository for financial data linked with tools to analyze results, and some basic reports creates inefficiencies and delays in reporting and analysis, as well as stakeholder frustrations.
- About half of King County's billing processes are specialized/non-standardized, intertwined in legacy business applications, decentralized, and labor intensive due to billing and customer self-service complexity. Several of these front-end applications are mainframe based and due for replacement.
- Payment processing and A/R Settlement are largely automated with high degrees of accuracy

Based on the above findings and other information The Hackett Group recommends the following Finance improvements initiatives.

1.3.2.1 ABT Phase I (years 1-3)

Proposed Finance Initiatives	Benefits to KC
Re-design detailed 'Account to Report' (A2R) and 'Order to Cash' processes and organization, leveraging new Oracle functionality	- Standardized and simplified accounting processes - Automated journal entries - Reduced or eliminated manual processes (e.g. re-keying data, account reconciliations) - Reduction in cycle time - Maximize functionality of Oracle applications
Implement a single, integrated Oracle financial system (general ledger, fixed assets, costs, projects, grants)	- Automation and standardization of processes - Integrated sub-systems to eliminate inefficiencies - Improved efficiency with removal of redundant closing activities and cycle time - Development of detailed procedures - Improved overall efficiency and effectiveness - Reduced opportunities for errors
Implement quick wins to Improve General Accounting & Cost Accounting: - Interim closing cycle time reduction - Expansion of standard reporting - Materiality thresholds for journal entries - Simplify cost allocations	- Reduced closing cycle time - Improved standard reporting - Eliminated or reduce proliferation of journal entries - Automation of Grant Accounting

1.3.2.2 ABT Phase II (years 4-5) – None Identified

1.3.2.3 Future Opportunities
- Design and develop a common data repository linked to automated (OLAP) reporting tools
- Optimize Finance processes and service delivery model/organization
- Re-design detailed Order to Cash processes and organization for centrally billed services, leveraging new Oracle functionality

1.3.3 Procure to Pay

King County's procurement processes have the opportunity to reach higher levels of effectiveness and efficiency.
The Hackett Group has determined that a lack of:
- tools,
- an integrated purchasing and payables application, and
- strong centralized procure to pay process governance

creates inefficiencies and a limited ability to leverage county-wide buying power. Hackett further highlighted that the cumbersome manual and protracted processes have contributed to high error rates, delayed vendor payments and policy violations.

Based on these finding and other information The Hackett Group recommend the following procure to pay improvement initiatives.

1.3.3.1 ABT Phase I (years 1-3)

Proposed Procurement Initiatives	Benefits to KC
Re-define procure to pay (P2P) strategies for major/common commodities and services, leveraging new Oracle functionality	- Increased effectiveness of county-wide spend analysis to leverage buying power - Reduced complexity, inefficiency, and cycle time - Increased effectiveness of the inter-and intra-net - Automation of manual processes - Gained efficiency and effectiveness leveraging new Oracle application functionality and common suppliers' enabling tools (e.g. P-Cards, ERS, EFT) - Centrally enabled purchasing that is remotely requested and acquired
Re-design P2P processes and related policies	- Increased efficiency and effectiveness leveraging new Oracle applications - Facilitate v.s. impede P2P business processes - Improved policy compliance - Processes align with newly automated processes - Reduced contracting effort, complexity, and cycle time

Proposed Procurement Initiatives	Benefits to KC
Implement a common Oracle purchasing and payables application	• Automation of manual P2P processes, including employee expense reimbursements • Improved efficiency and effectiveness across both business functions • Reduced cycle time • Enabled vendor and employee self-service • Improved automation of policy compliance • Eliminated re-keying of data • Detailed P2P procedures
Expand and enhance roll-out of P-Cards	• Streamlined low-dollar ad-hoc purchases • Elimination of manual intervention, including coding and approval of purchases
Implement common supplier enabling technologies (e.g. automated vendor catalogues, EFT)	• Simplify P2P process with common suppliers • Elimination of manual intervention and paper documents

1.3.3.2 ABT Phase II (years 4-5) – None Identified

1.3.3.3 Future Opportunities

- Design and Implement Electronic Document Imaging for P2P Processes
- Optimize P2P Processes and Service Delivery Model/Organization

1.3.4 Planning (Budgeting) & Performance Management

Key Hackett Group findings for the Budget and Performance Management business processes include:

- The current budget process is protracted and very cumbersome due to lack of enabling technologies with easily accessible data, and due to complicated methodologies and approval processes.
  - Vast majority of budgeting is spreadsheet –based
  - Basic data such as Payroll is difficult to get
  - OLAP tools (Business Objects) used to extract and analyze core data exist but are not linked to key financial and non-financial data
  - Circular cross-charges create significant rework
- Performance Management: While King County has made significant strides in the development of a County Balanced Scorecard, these metrics have not translated into fully cascaded supporting metrics that tie agency and division level performance to strategic objectives.

Based on these finding and other information The Hackett Group recommend the following Budget and Performance Management improvement initiatives.

1.3.4.1 ABT Phase I (years 1-3) – None Identified

1.3.4.2 ABT Phase II (years 4-5)

Proposed Budget Initiatives	Benefits to KC
Re-design the budget process, leveraging new budgeting tool functionality linked to a financial data repository	• Automate the development of budget requests and rate development (e.g. pre-populating current payroll data and spend) • Streamline the review and approval process • Automate consolidation of submitted budget requests • Reduction of cycle time
Implement a single, integrated business intelligence application for planning, budgeting and performance management	• Automate and standardize the budget and planning cycle • Eliminate manual data collection and manipulation • Automation of data imports, approval process, and consolidation of budgets

1.3.4.3 Future Opportunities

- Design and Develop a Common Data Repository Linked to Automated (OLAP) Reporting Tools and the New Budgeting Application
- Enhance Existing Key Performance Indicators (KPIs), ensuring that agency and division performance is linked to strategic objectives

1.4   Projected Quantifiable Benefits

The Hackett Group calculated the benefits of the ABT program by analyzing the King County benchmarks compared to information compiled through work with other organizations. The Hackett Group gathers information by:
- Measuring current business process costs and drivers
- Conducting "Best Practice" workshops
- Conducting interviews of executives, key stakeholders and business process owners
- Surveying of business process "users"

The Hackett Group identified specific improvement initiatives the County sould undertake and quantified the related benefits. The initiatives were aligned with the ABT program schedule to calculate the points where benefits accrue. The results are shown in the sections below by business process.

1.4.1 Key Projected Benefit Assumptions

The general assumptions below apply to all projected benefits.
- Benefits are derived from The Hackett Group experiences with similar initiatives, but tailored to King County based on knowledge of King County processes and organization gleaned from the CBC project, and specifically, the benchmark initiative.
- Benefits are largely related to changes in FTE requirements. Due to the fragmented and decentralized nature of most processes, these generally (except as noted) represent fractional FTE reductions across the County. In these cases, a more in-depth analysis

would be required to pinpoint specific impacts by location and determine if benefits might be translated to savings.
- Benefits are based on average, blended, fully-loaded labor costs for each function calculated during the benchmarking study, but adjusted for projected salary increases of 2% per year
- Non-labor costs were not adjusted for inflation
- Net present value of benefits was derived using King County's standard discount rate of 7%.
- Assumptions related to benefit attainment follow the benefits slides

The following section outlines additional assumptions specific to each business process.

1.4.1.1 Human Resource/Payroll

The human resource/payroll benefit amounts were projected based on the following assumptions:

- Implementation of a single integrated Human Resources and Payroll system
- Payroll
    - Employees paid on a common pay cycle (bi-weekly)
    - Centralized processes
        - Process redesign of Payroll system and changing roles and responsibilities
        - All pay rules and business rules in system
        - Integration of business systems capturing time interfaced to Payroll
        - Elimination of manual payroll calculations
        - Implementation of workflow and self service
        - Elimination of paper devices for payroll
- Time and Attendance Migration
    - Business systems capturing time integrated to PeopleSoft Time & Labor
    - All time data, leave accruals, balances and rates in PeopleSoft
    - Standardization of work weeks
    - PeopleSoft is the rules engine
- All employee data managed in Human Resource System
- Employee data is changes through self service
    - Partially centralized including maintenance and updates
        - Process redesign of employee data and changing roles and responsibilities
        - Some updates to records still decentralized
        - Workflow and routing implemented
        - Approvals through manager self service
        - All data integrity, security and privacy issues addressed
        - Employees trained on compliance

1.4.1.2 Finance & Budget
The finance & budget benefit amounts were projected based on the following assumptions:

- Implementation of a single integrated suite of financial applications including; Accounts Payable; Projects; Grants; inventory; Purchasing; Fixed assets; Expense and General Ledger
- Permanent reduction in the number of manual journal entries
- Automated consolidation of financials

- No rekeying of data into project or grant accounting
- One general ledger for the entire county
- The amount for required external reporting does not change
- No data entry to fixed asset for additions
- Full automation of grant accounting and encumbrance via new software modules for grants and projects
- Integration of Cognos budgeting tool with the Oracle EBS and PeopleSoft HCM
- Standardization of budget templates
- Automated budget submission and approval workflow
- Automated consolidation of budget requests
- Supporting documentation will be linked electronically to budget submissions

1.4.1.3 Procure to Pay

The procure to pay benefit amounts were projected based on the following assumptions:

- Implementation of Oracle iExpense with access for all employees who submit expense reports including, automated approval workflow and validation of policy compliance
- Broad county wide web-based access to receiving functionality for goods
- Broader use of enabling technologies for common purchases including, but not limited to, EFT, vendor catalogs and two way matching of receipt to purchase order.
- County wide implementation of Oracle iProcurement

1.4.2 Quantifiable Benefits of ABT Scope of Work for Years 1 through 3

The Hackett Group recommended improvements for each business process. Projected benefits were estimated for each of the initiatives. The tables below provide the projected benefits for each improvement item within each business process.

1.4.2.1 Human Resource/Payroll

Benefit	FTE Today	NET FTE 's After Benefits Total	Total Benefit Dollars (10 years)	NPV (7% discount)
County-wide HRM System with Workflow and Self Service	83	48	$28,454,286	$19,222,379
Single Payroll System With Common Pay Cycle	38	15	$12,683,759	$7,986,209
Time and Attendance PS Module	42	21	$12,473,241	$7,874,035
Retirement of MSA/POL			$6,086,458	$3,874,008
		TOTAL	$59,697,744	$38,956,631

1.4.2.2 Finance & Budgeting

Benefit	FTE Today	NET FTE After Benefits Total	Total Benefit Dollars (10 years)	NPV (7% discount)
General Accounting Efficiencies via Common GL and Process Re-design	34	26	$6,258,229	$4,049,810
External Reporting Impact of Common, Granular COA/EBS	16	13	$2,758,688	$1,724,499
Cost Accounting Impact of Automated Grant Accounting	20	17	$2,129,920	$1,331,446
Fixed Assets Impact of Integration of AP and CIP with Fixed Assets	11	10	$ 747,732	$ 467,419
Reduction in Redundant AP Matching Due to Automated Matching as Goods and Services are Received On-line	82	79	$1,811,988	$1,132,702
Reduction of AP transactions Through P2P Re-engineering	79	71	$4,831,970	$3,020,539
Automation of Employee Expense Reporting and Processing	6	4	$1,259,346	$ 787,237
Retirement of ARMS/IBIS			$12,003,528	$7,825,646
		TOTAL	$31,801,131	$20,339,298

1.4.2.3 Purchasing

Benefit	FTE Today	NET FTE After Benefits Total	Total Benefit Dollars (10 years)	NPV (7% discount)
Elimination of 10 % of transactions through P-card roll-out, alternative billing, alternative P2P strategies, etc. Tend to be easier purchases so impact is reduced from 10% to 7 % 203.53 x .07 = 14	204	190	$11,509,458	$7,194,741
Impact of automated conversion of Req's to PO's for non-contract purchases. Impacts Req to PO only. Estimated 10% of 58 FTE's effort	190	185	$ 4,110,520	$2,569,551
	TOTAL		$15,619,978	$9,764,292

1.4.3 Quantifiable Benefits of ABT Scope of Work for years 4 and 5

1.4.3.1 Human Resource/Payroll

Benefit	FTE Today	NET FTE's After Benefits Total	Total Benefit Dollars (10 years)	NPV (7% discount)
Automation of Compensation Administration	19	13	$2,763,211	$1,674,995
Implementing a Recruiting/Applicant System with Workflow and Self Service	51	38	$7,518,788	$4,676,113
		TOTAL	$10,281,999	$6,351,108

1.4.3.2 Finance & Budget

Benefit	FTE Today	NET FTE's After Benefits Total	Total Benefit Dollars (10 years)	NPV (7% discount)
Automation of Budget Compilation	59	49	$9,556,693	$6,043,570
Reduction in Analysis Effort Due to Common EBS and OLAP Tool linked to budgets, EBS and HCM	37	25	$11,119,631	$6,996,775
		TOTAL	$20,676,594	$13,040,345

1.4.3.3 Purchasing – None Identified

2 Benchmark and Benefit Methodology

2.1   Business Processes

The Hackett Group's methodology is organized by business processes within larger functional groups. Each of these processes is further broken down into transactional detail as noted within parentheses.

Finance
- Cash Disbursements (accounts payable, employee expense, cash disbursements)
- General Accounting & External Reporting (general ledger, cost accounting, inter-agency)
- Planning (budgeting) & Performance Management
- Cash Management
- Compliance Management (auditing)
- Revenue Cycle (accounts receivable, collections, customer billing)
- Business Analysis
- Function Management

Procure to Pay
- Requisition & Purchase Order Processing
- Receipt Processing
- Supplier Data Management (supplier master, item master, catalog management)
- Supplier Scheduling
- Function Management
- Supplier Management, Development & Planning
- Sourcing Execution (requirements definition, negotiation and contract creation)
- Sourcing & Supply Base Strategy
- Internal Compliance Management

HR/ Payroll
- Health & Welfare Administration
- Pension & Savings Administration

- Compensation Administration
- Payroll Administration
- Data Management & HR Reporting
- Exit Process
- Labor Relations Administration
- Employee Relations
- Strategic Workforce Planning

- Time & Attendance
- Compliance Management
- Recruiting & Staffing
- Workforce Development
- Organization Design & Development
- Total Rewards Planning
- Function Management

2.2 Business Process Cost Measurement

King County worked with The Hackett Group to identify an organization structure within which to capture the business process information. Staff costs for each of the defined business processes were gathered by each agency using spreadsheet templates developed by The Hackett Group. In addition, a series of process questions were answered by county staff for each identified location.

Contacts completing the FTE spreadsheet allocated an individuals time across the various tasks in a business process, where the individual performed that task at least 10% of their time. Fully loaded labor costs were obtained by taking each person's actual 2007 annual salary from payroll records and adding a percentage for benefits (40% for fulltime and 21% for part time).

These fully loaded labor costs were then allocated to each business process according to the percentage of time distribution entered in the spreadsheet and summarized by business process to arrive at business process costs to be compared to the defined KPIs.

The fully loaded labor costs were combined with one of three driver measures to determine the total business process costs: 1) Operating budget (finance measure), 2) Sourceable spend (procurement measure), and 3) employee count and staff mix (human resources/payroll measure).

2.3 Best Practice Workshops

Best Practice workshops were conducted for Finance, Budgeting, Procure to Pay and Human Resources/Payroll.

County staff members with the following attributes were invited to attend:
- Significant knowledge of current processes
- Willingness to participate in an open and constructive discussion of existing finance processes
- Knowledge of "Upstream and Downstream" process impacts
- Significant stakeholder in the current and future design
- Demonstrated an openness to identify and embrace change

The Hackett Group facilitated the sessions that included:
- Discussion of the current state of the business processes
- Discussion of the business process as performed by leading organizations
- Review preliminary highlights of the current, in-process benchmark study
- Discuss actions that will improve planning and performance management processes

The session also focused on specific best practices. For each best practice the group was asked to rate from Low to High:

- How applicable is the best practice to the County?
- To what extent is the best practice currently used at the County?
- What is the future "achievability' of adopting the best practice at the County?
- What is the magnitude of the benefit opportunity if the best practice is implemented?
- What is the magnitude of value and service improvements if the best practice is implemented?
- What is the relative priority?

Discussion was also held related to the role and availability of technology that would facilitate the implementation of the best practice.

2.4   Interview and Surveys
2.4.1 Executive Interviews

The Hackett Group consultants conducted Executive interviews early in the process.

Individuals interviewed included:

- Tony Burtt, Chief Technical Services Division , Sheriff's Office
- Ben Leifer, Chief Administrative Officer, Public Health
- Rich Medved, Administrative Services Director, Assessor
- Linda Ridge, Chief Administrative Officer, Superior Court
- Laurie Brown, Deputy Director, Transportation
- Stephanie Warden, Director, Development & Environmental Services.

Executive interview questions included:

- What are the strengths and weaknesses of Finance/Procurement/Human Resources in the areas of:
    - o Organization
    - o Technology
    - o Process

- How would you rate (each/relevant function) in the areas below. Please use a 1-5 scale with 1 being the lowest (needs improvements), 3 is average (gets the job done) and 5 being the highest (exceeds expectations)
    - o Processes – is there a standard and understood methodology for working with the function?
    - o People – is the organization staffed with quality people? Are they organized in the best way?
    - o Technology – is the function supported with proper technology?
    - o Information – do you have access to the right information in a timely manner? Is getting to this information time intensive?

- What would be your top priorities for improving efficiency and/or effectiveness in (each/relevant function)?

- What are your expectations for the benchmark study?

- What questions do you have for me regarding the benchmark project? What would you like to learn from it?

2.4.2 Business Process Owner Interviews

The Hackett Group consultants met with key business process owners to share preliminary results from the executive interviews, FTE worksheets and process question responses. The business process owners were asked to validate and prioritize the indentified opportunities as well as indicate any opportunity areas they felt needed to be added.

Attendees at these meetings were:

HR/Payroll
Ken Guy, Manager Finance & Business Operations Division
Anita Whitfield, Manager Human Resources Division

Finance/Purchasing
Ken Guy, Manager Finance & Business Operations Division
Caroline McShane, Deputy Manager, Finance & Business Operations Division
Pete Anthony, Chief Accountant, Financial Management Section, Finance & Business Operations Division
Karen Fitzthum, Supervisor, Procurement & Contract Services Section, Finance & Business Operations Division

Budget
Bob Cowan, Budget Director, Office of Management & Budget
Beth Goldberg, Deputy Budget Director, Office of Management & Budget

2.4.3 User Survey

About 207 users across the business processes were asked to respond to a ten minute online survey. This survey asked about their experience with the current business processed and any suggestions they might have for improvement.

Appendix A – Hackett Group Delivered Documents

The following Hackett presentations document in detail their work with King County. These presentations will be available after transmittal of the ABT Detailed Implementation Plan to King County Council.

Interim Benchmark Report – includes initials comparisons of county business process cost and execution with peer groups. County information was provided by County agencies using The Hackett Group's web based tool which includes a series of business process questions, business volume questions and worksheets to capture staff time required to perform the current business processes.

System Separated Benchmark Report - segregates and compares the benchmark results for the two financial systems and two payroll systems.

Final Benchmark Report – includes the complete analysis results including projected quantifiable benefits, recommended improvement initiatives and additional details about assumptions and key benefit drivers.