

ANALYSIS

Oregon Business Development Department Economic Development Management System Modernization

Analyst: Michelle Deister

Request: Acknowledge receipt of a report on the status of planning and implementation of a replacement enterprise data management system from the Oregon Business Development Department.

Analysis: The 2023-25 budget bill -- SB 5524 (2023) -- for the Oregon Business Development Department (OBDD) included resources for an Economic Development Management System in the amount of \$1,736,252 Lottery Funds, \$306,398 Other Funds, and established a permanent Business Process Analyst position. The project intends to replace the agency's legacy financial portfolio management system, which is at the end of its functional life and no longer supported by the vendor, as well as other critical information management systems. SB 5524 included the following budget note:

Budget Note: Economic Development Management System (EDMS) Modernization

Associated with the resources provided to the Oregon Business Development Department in policy option package 109, the agency is directed to continue its use of contracted information technology professional services contracts for project management, business analysis, and organizational change management related to the EDMS project. The agency is to make a report to the Joint Committee on Ways and Means during the 2024 legislative session providing a detailed status report on the project, updated implementation plans, timelines, expenditures, resource needs, and any other information related to the project as requested.

The project began in the 2019-21 biennium and has been revised from an in-house software development effort to an integrated commercial off the shelf (COTS) software procurement and implementation. OBDD currently manages approximately 2,100 accounts worth nearly \$2.8 billion, using its existing custom-built Portfol platform and a variety of other Microsoft Office tools, including Excel spreadsheets. The agency seeks an integrated solution that will: (a) allow the management of financial awards; (b) provide functionality for tracking tax-incentives; (c) meet increased transparency and reporting requirements; and (d) replace several other internal and external facing systems. OBDD expects this enterprise system to increase data integrity, improve reporting capability, streamline and automate business processes, allow for flexibility to implement future programs, be easier for employees to learn and navigate, be user-friendly for employees, partners, customers, and statewide systems, and include an interface with the State Financial Management Application, among other requirements.

A Senior Application Developer position and an IT Project Manager position approved for the project in 2021-23 were left unfilled for the majority of that biennium, in favor of contracted professional services. One position was converted to a Data Architect position, which the agency has since filled. The other position was repurposed as a user adoption and training coordinator that is not exclusively supporting the project.

OBDD received Stage Gate 2 Re-endorsement from Enterprise Information Services on December 12,

2023, and expects to release a Request for Proposals for the new system on February 9, 2024. OBDD will then issue a separate RFP for an integration vendor that will connect solutions across functions and with other existing OBDD and external systems. The Legislative Fiscal Office notes that this approach may create an implementation gap between vendors, with needed input on an integrated solution potentially unavailable. The OBDD solution procurement approach is likely to result in multiple separate vendors needing to work together, which adds complexity and risk. OBDD expects to execute implementation and integration vendor contracts by the end of 2024, if additional resources to fund the solution(s), as well as a possible integration vendor, and additional positions dedicated to project implementation are approved in the future by the Legislature. Total project cost is estimated between \$16-20 million, based on information and tentative resource plans to date. This cost will need to be refined as proposals for the solution and integration are submitted. The current implementation timeframe is estimated to begin in the first quarter of 2025 and conclude in the second quarter of 2026, but this estimated schedule will also be refined after solution and integration activities are better known.

OBDD has a financial request for consideration by the 2024 Legislature in the amount of \$1,065,845 total funds. Lottery Funds in the amount of \$564,898 would support three requested positions: a Modernization Program Manager; a Senior Project Manager to replace contracted project management services; and an Organizational Change Management Analyst. These resources will enable the agency to have dedicated state resources available for further planning, analysis, and proposal evaluation and selection, which increases the likelihood that the project will be implemented as planned and budgeted. In addition, OBDD has identified seven positions, six of which have expertise in information technology and systems, to support the project. Three of the seven positions were unfilled as of the end of January 2024. An additional \$500,947 Other Funds will be used for contracted independent quality management services (iQMS). This proposed approach results in OBDD again taking direct management of the project, rather than utilizing information technology professional services contracts for project management.

The most recent iQMS Quality Status Report (Dec 2023) lists five “EDMS Business Components” for the EDMS project and indicates that there are substantial and increasing risks in each high-level analysis area (scope, schedule, and budget), primarily due to the noted unknowns associated with the procurement and implementation efforts. Additionally, LFO notes that six dedicated resource recruitments are either underway or anticipated, and the timing of those hires will affect the project’s ability to develop a clear resource-loaded project schedule. Similarly, the possibility that the RFP may result in contractual relationships with multiple vendors (both solution and integration) will add project complexity, and an aggressive implementation schedule (implementation in the 2025-27 biennium) may lead to workload issues for the subject matter experts that need to test and then use the implemented system(s).

Legislative Fiscal Office Recommendation: The Legislative Fiscal Office recommends that the Joint Committee on Ways and Means acknowledge receipt of the report.

Oregon Business Development Department Brickman

Request: Report on the status of the Economic Development Management System (EDMS) project by The Oregon Business Development Department (OBDD).

Recommendation: Acknowledge receipt of the report.

Discussion: OBDD is submitting a report per the following budget note contained in the Department's budget report for House Bill 5524 (2023):

Budget Note

Associated with the resources provided to the Oregon Business Development Department in policy option package 109, the agency is directed to continue its use of contracted information technology professional services contracts for project management, business analysis, and organizational change management related to the EDMS project. The agency is to make a report to the Joint Committee on Ways and Means during the 2024 legislative session providing a detailed status report on the project, updated implementation plans, timelines, expenditures, resource needs, and any other information related to the project as requested.

OBDD began work on the EDMS project in the 2019-21 biennium and the project has evolved from being an in-house development project to a commercial off-the-shelf (COTS) solution. The EDMS system is a replacement for OBDD's legacy financial portfolio management system called Portfol. Portfol has reached its end of life and needs to be replaced to allow the Department to manage grant, loan, and award programs more effectively and efficiently as well as enhance functionality for tracing incentives to meet transparency and reporting requirements.

As the project was initially designed for in-house development, OBDD received position authority for the 2021-23 biennium, but was not successful in recruiting the positions necessary. To continue moving the project forward, OBDD used the funding associated with the authorized positions to contract for professional information technology services. For the 2023-25 biennium, OBDD was directed, through a budget note, to continue its contracted professional IT services and return to the Joint Committee on Ways and Means in 2024 with a status update and report on the Department's updated plans for moving the project to completion.

The Legislature provided \$1.7 million Lottery Funds and \$306,398 Other Funds expenditure limitation for the project implementation expenses, and one permanent Business Process Analyst. The \$1.7 million included contracted project management services through March 2024. In late January 2024, OBDD received re-endorsement of Stage Gate 2 from the Department of Administrative Services, Enterprise Information Systems (EIS) office for its plans to move forward with releasing a Request for Proposal (RFP) for the COTS solution approach. The COTS solution will involve the implementation of several COTS products specifically tailored for distinct programs. The plan is to subsequently release an RFP for integration services while OBDD

negotiates the RFP for the COTS solution. OBDD anticipates it will seek the Stage Gate 3 endorsement from EIS by the end of 2024.

The current project health is rated as “red,” which assumes a high level of risk for success mostly due to the change in scope and uncertainty with respect to the overall project timeline and budget. In order to move the project forward and reduce its risk, after discussions with EIS and an EIS recommendation, OBDD is requesting three key positions during the 2024 Legislative Session. The position requests are for a Modernization Program Manager, an EDMS Senior Project Manager, and an Organizational Change Management Analyst. In addition to the position requests, OBDD is requesting funding for independent Quality Management Services (iQMS). The goal of asking for these positions and the iQMS funding is to switch from using contracted professional IT services for the project development and begin development, implementation, and maintenance in-house at OBDD.

More precise information regarding overall resource needs, costs, and timelines will be known once the COTS vendor/s are on board. As OBDD moves through the Stage Gate process and more information is known about final solutions, the Department may return to an Emergency Board meeting in 2024, for remaining resources needed for the current biennium, and will may include a funding request in for the 2025-27 biennium.

January 16, 2024



Senator Elizabeth Steiner, Co-Chair
Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

Nature of the Request

The Oregon Business Development Department (Department) respectfully submits this project status report for the Economic Development Management System (EDMS) project as required by a Budget Note in the Department's budget bill, Senate Bill 5524 (2023). The Department received funding to continue the EDMS project in the 2023-25 budget, including \$1.74 million in Lottery Funds and \$306,398 in Other Fund limitation for the project implementation expenses, along with one permanent Business Process Analyst position.

As part of the approval, the Budget Note required the Department to continue its use of contracted information technology professional services for project management, business analysis, and organizational change management related to the EDMS project. The Department was also directed to make a report to the Joint Committee on Ways and Means during the 2024 legislative session providing a "detailed status report on the project, updated implementation plans, timelines, expenditures, resource needs, and any other information related to the project as requested."

The following information meets that reporting requirement, and includes the scope, schedule, budget, major milestones, key issues, risks, and progress. The Department requests acknowledgement of the receipt of this report.

Background

The primary goal of the EDMS project is to modernize the Department's economic development incentive capabilities by providing an online software system. The system will be used by Department employees to manage and administer all economic development incentives (i.e., loans, grants, bonds, tax abatements, etc.), manage projects, and manage related customer and business data. Customers and partners will use the system to manage their accounts, make online applications, and do business with the Department.

The EDMS *project objectives* offer benefits to all business groups in the Department.

- Implement a software system for managing economic development programs and related economic development incentives that is stable and resilient.
- Implement a software system(s) that can be used on desktop or mobile devices.
- Implement a software system(s) that complies with cybersecurity and information security standards.
- Increase standardization and automation of economic development program business processes.

- Implement an enterprise data model to increase data integrity and consistency for economic development programs and related economic development incentives.
- Implement business analytics to increase the Department's ability to track, roll-up, and report out on data related to economic development programs and economic development incentives, and their impact for Oregon communities.
- Increase the Department's ability to change the software system to comply with future legislative changes and mandates for economic development programs and business processes.
- Deliver instructor-led and on-demand training on the software system to Department employees.
- Migrate to the software system without interrupting current Department operations.
- Provide user-friendly external interfaces for customers, partners, and statewide systems.

The project began in the 2019-21 biennium and has been revised from an in-house development project to a commercial off-the-shelf (COTS) solution. The project intends to replace the Department's legacy financial portfolio management system, Portfol. The Portfol system is a custom-built application used to manage loan and grant awards, including funding sources, loan terms, and repayment. However, the system has reached its end of life and needs to be replaced with an application that will allow the Department to continue to manage financial awards, as well as provide additional functionality for tracking tax incentives and meeting increased transparency and reporting requirements. Additionally, as the project has developed, the Department had identified several other internal and external facing systems that can be deployed as a part of the system modernization project.

Agency Action

The Department has been working to re-plan the project activities based on the new solution approach to EDMS modernization. As the Department continued to build out the business requirements, as noted above, it was determined from market research that procuring the functional components from vendors (COTS approach) was a possibility. The Department pivoted from a custom developed system to developing a Request for Proposal (RFP) to procure products that met the Department requirements. The project continues to work toward releasing its RFP, planning implementation, and completing the business process documentation needed for configuring future systems.

Due to the new solution approach, and effects on project planning, Enterprise Information Services – Project, Portfolio, and Performance Oversight (EIS-P3) required the project to have independent quality management services (iQMS). The project procured those services in October 2023, and BlueCrane initiated a project risk assessment, review of business requirements, and identification of project artifacts.

Implementation Plan

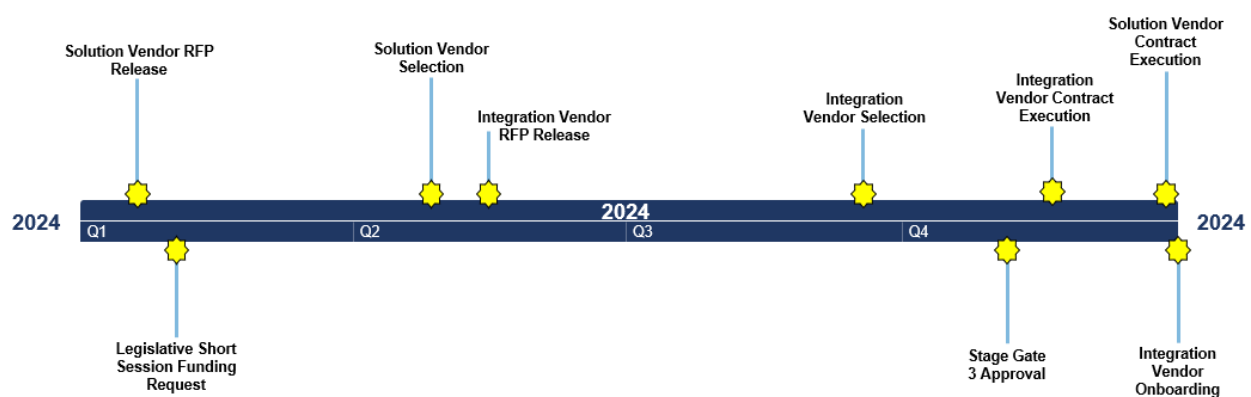
The Department plans to issue an RFP to seek up to six vendors that will meet the solution requirements. Based on market research, there are solutions that meet one or several of the needed functional requirements. The Department has prioritized the component software for implementation and will work with vendors on schedule of implementation once proposals are received. Once the solution software is identified, the Department will issue an RFP for an integrator, who will assist in connecting the implemented solutions together and to other existing systems. The Department plans to do this separately, so that if specific skills and experience are needed for a software solution, it can be part of the requirements. After all software has been

implemented, the Department will implement an external portal for customers to access and submit applications, see status of applications, donate (Oregon Cultural Trust), etc.

Project Schedule

The project schedule is still in development awaiting the procurement process and a better understanding of the solutions to be implemented. The project has received StageGate 2 re-endorsement from Enterprise Information Services and plans to move forward with releasing the RFP for the COTS solution in late January 2024. The project plans to release an RFP for integration services while negotiating the COTS solution contracts. It is anticipated that by the end of 2024, the Department will seek StageGate 3 endorsement and have a baseline project schedule through implementation.

IMPLEMENTATION PLANNING TIMELINE



PROJECT EXECUTION TIMELINE



Project Budget

The projected budget for EDMS has shifted with the solution approach. Additional funding will be needed in software and professional resources. The current project budget estimates a total of \$19.7 million through the end of Fiscal year 2029. This includes Department staffing, IT professional services for iQMS and to support implementation activities, as well as estimated SaaS (software as solution) hosting, configurations, and ongoing support and maintenance for 3 years.

	19-21 Actuals	21-23 Actuals	23-25 Budgeted	25-27 Budgeted	27-29 Budgeted	Total
Agency Personnel	\$530,286	\$676,642	\$1,496,898	\$1,744,764	\$1,744,764	\$6,193,354
IT Professional Services	\$119,640	\$738,400	\$1,946,364	\$0	\$0	\$2,804,404
Legal	\$0	\$0	\$0	\$0	\$0	\$0
Hardware	\$0	\$0	\$0	\$0	\$0	\$0
Software	\$0	\$0	\$2,657,638	\$4,050,432	\$4,020,432	\$10,728,502
Total	\$649,926	\$1,415,042	\$146,219	\$0	\$0	\$19,726,260

The Department received some funding to continue project work in 2023-25 but was directed in the Budget Note to come back with any additional resource needs. The Legislature granted \$1.74 million in Lottery Funds and \$306,398 in Other Fund limitation for the project implementation expenses, and one permanent Business Process Analyst. The \$1.74 million included contracted project management services through March 2024. At the time of passage of SB 5524, total software costs were not known since the procurement had not started. Some of the software funds were provided, however the Department was expected to go through an Emergency Board request for the balance of what might be needed once the procurement was completed, and funding and schedule was better known.

The Department is currently requesting positions that would end the existing professional services contract with North Highland, the firm that has been providing project management consulting on the EDMS project. However, an extension of the North Highland contract will be needed for a few months to cover the transition to Department positions. The Department is also requesting the funds for iQMS services as required by Enterprise Information Services oversight.

Project Resource Needs

The current and planned project resources are:

- 1) Chief Operating Officer – Executive Sponsor
- 2) Chief Information Officer – current Project Owner
- 3) Modernization Program Manager – requested position for planned Project Owner
- 4) EDMS Senior Project Manager – requested position to replace contracted project management services
- 5) EDMS Senior Business Analyst – actively recruiting position to replace contracted business analyst services
- 6) Business Analyst – currently filled
- 7) Organizational Change Management (OCM) Analyst – requested position to address project change management needs
- 8) Data Architect – currently filled
- 9) Senior Software Engineer – actively recruiting
- 10) Senior Application Developer – planned Q2 2024 recruitment

Originally, the Department planned a custom developed system and, in support of that approach, was provided position authority for a Senior Application Developer position and an IT Project Manager position in 2021-23 to bolster the Department's in-house development capabilities. The Department tried to hire a project manager and failed, which forced the Department to leave those positions unfilled during a significant portion of the 2021-23 biennium and instead funded contracted information technology professional services contracts.

One of those positions has been converted to a Data Architect position that has been filled. A data architect is needed to assure the data of the Department is understood, managed, and governed particularly as the Department migrates its data from legacy systems to new systems. The other position was repurposed to serve as a user adoption and training coordinator for Department needs for EDMS and future programs.

The Department will be seeking three positions during the 2024 Legislative Session: a Modernization Program Manager, an EDMS Senior Project Manager, and an Organizational Change Management (OCM) Analyst.

- *Modernization Program Manager*
Due to the solution approach, it has been recommended the Department hire a Modernization Program Manager to provide leadership in assuring success in modernizing the systems that support the business of the Department. This position would oversee all the modernization activities – process improvements, project management, business analysis, multiple software implementations, integrations, contract and vendor management, and OCM activities.
- *EDMS Senior Project Manager*
The Department would like to remove the reliance of contracted project management resources. The current contractor providing these services, North Highland, have changed out project managers three times in the last two years. The Department seeks stability in resources by hiring its own project manager.
- *Organizational Change Management (OCM) Analyst*
Most employees and stakeholders will be affected by the implementation of new systems, and the OCM analyst would be responsible for communications, training, and engagement. This work was part of the contract with North Highland, without that contract internal OCM resources are needed.

Key Project Risks

The overall project health is currently being tracked as “red” meaning a high level of risk of success, though this is mostly due to change in scope, change in solution approach, and the current uncertainty in project budget and project schedule. The Department has received StageGate 2 re-endorsement from EIS-P3, pending legal sufficiency and oversight approval of the RFP. The RFP is currently scheduled to be released by the end of January. The project is currently tracking several high risks surrounding procuring solution vendors, proper staffing, and implementation schedule.

Risk Description	Risk Mitigation Approach
EDMS project implementation requires multiple SaaS (software as a solution) vendors and alignment among vendors with EDMS technical and business requirements. If a combination of vendors cannot be found initially that satisfies EDMS business and technical requirements, there will be project schedule slippage.	EDMS project implementation will be phased. The Department will adjust the phased implementation plan according to the vendors secured in the procurement and critical need of business teams. The Department will release a second RFP with refined technical requirements if necessary.

EDMS procurement will involve multiple vendors, and the Department will be responsible for managing the vendors. If roles and responsibilities are not clearly defined, the Department may not meet EDMS objectives.	The Department will work with iQMS and project team members to develop a Vendor Management Plan. The Department will engage with iQMS to review contracts and DEDs (deliverable expectation documents). The Department is requesting a Modernization Program manager that will provide leadership, oversee all project activities, and provide contract and vendor management.
Project Schedule is aggressive and has a high level of uncertainty based on procurement complexity and current level of project resources. If the schedule is not significantly extended, stakeholder confidence in the project may be damaged.	EDMS project team has worked with iQMS and project leadership to establish a more realistic schedule that accounts for resource constraints.
The Department has one data architect and two unfilled developer positions. If the right technical resources with the necessary technical skills are not in place prior to vendor procurement, the EDMS project will incur delays related to staff unavailability and gaps in technical knowledge.	The Department is in the final stages of recruitment for one developer and will hire a Senior Application Developer in Q2 2024. The Department is actively recruiting a Senior Business Analyst and plans to procure an integration vendor in Q2 of 2024. The Department will continue monitoring resource gaps.
EDMS project does not have a dedicated Organizational Change Management (OCM) resource. If funding for the requested OCM Analyst is not received in 2024 short session, the EDMS project will have insufficient staffing resources.	The Department is working closely with the LFO and CFO Budget Analysts to secure the needed OCM Analyst position and funding.
EDMS is a complex project affecting almost every agency process. If the requested OCM Analyst resource is not supported with additional resources, EDMS adoption will be negatively affected.	EDMS project team will leverage the existing OCM Workgroup and adjust the Workgroup membership accordingly to assist the requested OCM Analyst in achieving objectives.
EDMS OCM Roadmap has not been updated since 2022. If the Department does not acquire an experienced OCM specialist to update and execute the OCM Plan and OCM Roadmap, EDMS project objectives will likely not be met.	The Department is working closely with the LFO and CFO Budget Analysts to secure the needed OCM Analyst position and funding.

Action Requested

The Department requests acknowledgement of the receipt of this report with understanding that the Department will provide ongoing status reports, including outcomes and dates to the Legislative Fiscal Office and the Department of Administrative Services, Chief Financial Officer.

Legislation Affected

This report relates to a Budget Note from Senate Bill 5524 (Chapter 475, Oregon Laws 2023), the Department's budget bill.

We appreciate your continued partnership on this important project.

Respectfully,

A handwritten signature in black ink that reads "Sophorn Cheang". The signature is fluid and cursive, with a long horizontal flourish at the bottom.

Sophorn Cheang
Director