

# BUSINESS BENEFITS SERIES

## BUSINESS BENEFITS SERIES HIGHLIGHTS

- Estimated \$16.8 million in net benefits
- Expected 213% net return on investment
- Saved \$4.9 million a year with centralized procurement system that improved buying power
- Implemented cost-saving online benefits enrollment program
- Rolled out efficient online training program
- Cut costs by bringing retiree billing function in-house
- Reduced business risk with automated insurance renewal alerts

## ORGANIZATION PROFILE



**City of St. Petersburg**  
Florida  
[www.stpete.org](http://www.stpete.org)

St. Petersburg is Florida's fourth largest city with a population of 248,000.

**Industry**  
Government

**Employees**  
3,628

**Annual Operating Budget**  
\$540 million

**Mayor**  
Rick Baker

**Chief Information Officer**  
Muslim Gadiwalla

## City of St. Petersburg Moves to Single-Instance E-Government Platform, Set to Gain \$16 Million in Purchasing and Productivity Benefits

### EXECUTIVE SUMMARY

With 260 miles of shoreline along the Gulf of Mexico and Tampa Bay, the City of St. Petersburg has long attracted vacationers and retirees. In recent decades, however, Florida's fourth largest city has steadily diversified, transforming itself into a business engine that is powering the entire region's rapid economic growth.

With the growth, however, came increasing demands for more services, putting a strain on the city's budget. As First Deputy Mayor Tish Elston said, "public service entities today are challenged to provide more services with fewer resources." To meet the challenge, St. Petersburg formulated a plan to stretch budget dollars by automating a broad range of business processes and moving to a standardized single-instance computing platform.

A recent study by independent consultant Shack & Tulloch evaluated the city's implementation of an Oracle enterprise resource planning (ERP) system, which is replacing the city's patchwork of legacy computing systems. The study focused on the city's rollout of Oracle applications for managing procurement, human resources, contracts, and grants.

According to the study, the city is realizing considerable benefits across these business areas and will gain an estimated \$16.8 million in net present value benefits over the life of the investment. Major savings have already been achieved in the city's procurement department, where a new Oracle-based procurement system collected and provided statistical information that led to improved buying power and secured preferred pricing for more goods and services.

The city also achieved significant productivity savings in several departments, largely as a result of new Web-based automation and self-service tools that are speeding the work flow, minimizing paper forms and redundant data entry, and reducing staff workload. Overall, the city is on track to earn an estimated 213% net return on its Oracle investment.

Beyond the financial gains, the study saw the city gaining an array of strategic benefits, notably enhanced access to business data and better visibility into spending and grant programs. The city is also reducing risk exposure by implementing system tools to ensure timely renewal of insurance policies and other contract obligations.

**ORACLE  
PRODUCTS AND SERVICES****Focus of Study:**

- Oracle Human Resources
- Oracle Self-Service HR
- Oracle Advanced Benefits
- Oracle Learning Management
- Oracle iRecruitment
- Oracle Payroll
- Oracle iProcurement
- Oracle Purchasing
- Oracle iSourcing
- Oracle Project Contracts
- Oracle Grants Accounting
- Oracle Labor Distribution

**Other Products Implemented**

- Oracle Public Sector Budgeting
- Oracle Financials
- Oracle Cash Management
- Oracle Order Management
- Oracle Inventory
- Oracle Assets

**PROJECT BACKGROUND**

City officials long recognized the need for streamlining operations, which for years had relied on more than 100 different computing systems and subsystems. The patchwork of standalone systems made it hard to automate business processes and increase process efficiencies. It also prevented managers from tapping enterprise wide data to fully leverage the city's \$540 million annual spending power. Meanwhile, the lack of a robust contract-management system exposed the city to potential business risks.

The city responded in 2003, launching a plan it called the enterprise system integration project (ESIP) with the goal of creating a unified Web-based business platform to connect municipal departments ranging from human resources to procurement to finance. Among other benefits, officials hoped ESIP would increase data integrity and give managers faster access to consistent information.

The city chose a solution based on Oracle E-Business Suite applications, selecting it over solutions from SAP and other vendors. Working with Oracle Certified Advantage Partner Solbourne, the city went live with selected modules of Oracle E-Business Suite in April 2004. "We were able to implement the Oracle software with minimum customization," said Muslim Gadiwalla, City of St. Petersburg's chief information officer. "It allowed us to reengineer our business practices and achieve greater productivity across many functions."

**FAST PAYBACK ON HR SYSTEM**

The city realized fast payback on its new human resources system, a core component of the new Oracle platform. The system features self-service processes that encourage employees to go online to handle routine tasks like updating personal records, enrolling in benefits, and viewing pay-slips. It has automated the city's employee training and recruiting programs and boosted staff productivity by relieving staff of many error-prone data-entry tasks.

Labor savings from the self-service HR system processes have been substantial, the study found. The flow of paper forms has declined sharply, along with employee phone calls and visits. "There has been a reduction in the number of people coming to see us as a result of the implementation," said Denise Labrie, manager of fiscal services for the city's police department. And since employees now check and update records online, the quality of HR data has improved, officials said.

Managers save time and further reduce HR's workload by going online to handle employee promotions and transfers using a simple one-step process. Because of the shift to self service, the city was able to redeploy a third of its records-keeping personnel in HR. "The system helps us better serve our employees and increases our department's productivity at the same time," said Gary Cornwell, the city's human resources director.

// The Oracle initiative is providing a fully integrated single-instance system that creates efficiencies throughout the organization. The return on investment for this project has been outstanding. //

**Tish Elston**  
First Deputy Mayor  
City of St. Petersburg

### **WEB-BASED OPEN ENROLLMENT**

A big jump in efficiency resulted from the city's switch to Oracle's online benefits enrollment system, which eliminated paper signup forms and a significant amount of back-office data entry. During the enrollment process, Oracle Advanced Benefits module automatically checks employee-family relationships, reducing reconciliation issues between the city and its health insurance carriers. The city also leveraged the Oracle system to bring its premium-billing program for retirees in-house, reducing costs by about 60%.

In the first year, almost every employee used the online system and about a third made changes to their benefits, an indication the system was easy to navigate. The city's first online enrollment event was "hugely successful," Cornwell said.

Next, city officials want to use the benefits module to automatically issue legal notifications in connection with COBRA coverage <sup>1</sup>, new-employee benefits and retirement programs. In fact, managers say the Oracle application will allow the city to bring COBRA administration back in-house, like it did with the retiree-billing program.

### **SEAMLESS LINK TO PAYROLL**

With the integrated system, employees who experience a "change of status" (e.g., getting married or having a child) see benefit-plan changes reflected immediately in their paychecks. Before, such adjustments often took more than a week because the staff had to re-key data into a separate payroll system. Data updates like this now move seamlessly from the self-service HR system into payroll. The city maintains a similarly tight link with benefit providers, with the system ensuring accurate premium payments.

### **TRAINING GOES ONLINE**

As part of the ESIP project, the city revamped its employee-training programs, moving from paper-based course registration to a Web-based enrollment and tracking system (using Oracle Training Administration). The move to online training allowed the city to substantially reduce the need for printed catalogs and training manuals, saving about \$6,000 per year, the study showed.

The new system tracks employee performance in training courses, updates personnel records automatically and sends out notices of refresher courses—a big labor saver. "The Oracle system has made it easier for employees to find and sign

<sup>1</sup> The Consolidated Omnibus Budget Reconciliation Act (COBRA) gives workers and their families who lose their health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time.

// Now we can fully leverage the city's tremendous buying power. //

**Louis Moore**  
 Director of Purchasing and  
 Materials Management  
 City of St. Petersburg

up for training courses and for managers to track employee progress,” said Leslie Chrisman, training coordinator for the city.

In the next phase of the project, the city will set up an internal Web portal so employees can take courses at their convenience, cutting travel time and expense. Called “launch and learn,” the flexible new program lets employees learn at their own pace and focus extra attention on specific subject areas, Cornwell said.

**EFFICIENT RECRUITMENT AND HIRING**

Job recruitment and hiring in government typically has been a slow, manual process. St. Petersburg, for example, used paper files and interoffice mail to handle tasks such as creating and posting new positions, reviewing applications, hiring people, and setting up compensation and benefit plans.

With its Oracle implementation, St. Petersburg put the entire “hire-to-retain” process online. Candidates apply for jobs over the Web while managers use built-in routing and workflow tools to keep the recruiting and hiring process moving forward. For example, the system automatically sends out thank-you notes and status letters to job candidates, and can sort applicants by skills and competencies.

“The iRecruitment module has been advantageous,” said Louis Moore, director of purchasing and materials management for St. Petersburg. “It lets me review resumes online as they come in versus looking at 30 to 40 paper applications six weeks later.” Table 1 summarizes key performance improvements in the city’s human resources operations.

Table 1  
 St. Petersburg's HR Operational Improvements

| Operational Area  | Before   | After   | Improvement |
|---|----------|---------|-------------|
| Time to manually enter data for open enrollment         | 80 hours | 0       | >100%       |
| Cost of retiree billing process <sup>1</sup>            | \$10,000 | \$4,000 | 60%         |
| Cost of printing employee training manuals <sup>2</sup> | \$4,000  | \$250   | 94%         |
| Number of staff needed in records department            | 3        | 2       | 33%         |

1. Oracle system allowed retiree billing process to be brought in-house

2. Number of printed manuals reduced from 4,000 to 250

Source: Shack & Tulloch / City of St. Petersburg

**PURCHASING SYSTEM DRIVES SAVINGS**

The study documented significant savings from the city’s new Oracle-based purchasing system, which channels purchases through a central system that takes advantage of pre-negotiated prices. “Now we can fully leverage the city’s tremendous buying power,” said Moore.

// Oracle connects the whole procure-to-pay process. Managers can see where their transactions are without having to pick up the phone and chase things down. //

**Christine West**  
ESIP Project Manager  
City of St. Petersburg

Barbara Grilli, purchasing and materials manager, has seen a 10-fold increase in the number of requisitions going through the purchasing department, representing a shift of about 25,000 requisitions annually from department sub-systems to the central online facility. Figure 1 shows the volume increase in dollars.

**FIGURE 1: SHIFT TO CENTRALLY CONTROLLED PURCHASING**



Source: Shack & Tulloch / City of St. Petersburg

Since the implementation, officials say the city has realized an estimated \$4.9 million annual savings as it began taking advantage of negotiated discounts for more purchases. The city is now applying its purchasing power to an additional 4% of purchases not covered by price contracts, which will lead to further price savings of up to \$420,000, the study estimated.

Managers credited the Oracle system with improving overall visibility into the purchasing process. It enables employees to go online to track the status of purchase orders from the time the requisition was submitted until the vendor was paid. “Oracle connects the whole procure-to-pay process,” Christine West, ESIP project manager, said. “Managers can see where their transactions are without having to pick up the phone and chase things down. It’s one process from the time that we purchase it, all the way through to receiving it, paying for it, and then turning it into an asset for the city. It’s all initiated with one transaction, and the information is entered only once.”

The system’s analysis tools provide the city with insights into spending patterns, helping it better align purchasing policies with city goals. Already, the city is bundling purchases for certain items and targeting vendors to stimulate economic development in specific neighborhoods. And the system helps the city set parameters, such as dollar and date limits, to gain more control over long-term agreements.

### SELF SERVICE PRODUCTIVITY BOOST

The study documented other purchasing-related savings, including a boost in labor productivity from deploying self-service tools and process automation. Most employees use a new online self-service purchasing system (Oracle iProcurement)

// [The Oracle system] allows us to proactively minimize risk by alerting managers to actions they must take for contract compliance. //

**John McCoy**  
Risk Analyst  
City of St. Petersburg

to buy goods and services. Managers said that the system speeds deliveries and cuts the department's work volume.

As requisitions flow in from city departments, the Oracle system automatically balances assignments across available buying staff. Additional productivity savings have come from implementing an online vendor-registration system, which the city now uses to electronically register about 150 new vendors a month.

### **AUTOMATED CONTRACT MANAGEMENT CUTS RISK**

St. Petersburg enters into numerous business contracts with vendors and service providers. In the past, the job of monitoring and renewing the contracts fell to the department that originated the contract. Department employees kept track of contract details ranging from insurance and warranty expiration dates to recurring inspection and appraisal deadlines.

With 3,000 contracts in place across the city, the potential risk exposure from human error was huge. "If you are doing your job nothing happens," explained John McCoy, a risk analyst with the city. "But when something goes wrong, it can have large negative consequences. Even a small contract can easily cause a million dollars of liability."

The city's rollout of a central contract-management solution (Oracle Project Contracts) is helping St. Petersburg introduce a workflow-driven alert system to ensure that key contract deadlines, such as warranty and insurance renewals and inspection due dates, don't get missed. The Oracle system, McCoy said "allows us to proactively minimize risk by alerting managers to actions they must take for contract compliance."

The city has loaded about 600 contracts into the system so far and is adding more daily. "It's already proved that it's very valuable in terms of protecting the city from liabilities," said ESIP project manager West. For example, one week before the city-sponsored Fourth of July fireworks celebration, the Oracle system alerted managers that the City did not have current liability insurance for this event. The city immediately renewed coverage and avoided substantial risk exposure that day.

Officials expect the new contract-management system to generate additional benefits, including substantial labor savings as the city begins to leverage legal templates to speed contract writing. "Contracting departments will be able to insert pre-certified language into a contact that won't need legal review," said Todd Yost, contract coordinator with the city's internal audit department. Since the city renews about 800 contracts per year, officials expect to reduce the legal department's workload by about 2,400 hours, translating into annual savings of \$151,000, the study estimated.

// The system helps us better serve our employees and increases our department's productivity at the same time. //

**Gary Cornwell**  
 Director of Human Resources  
 City of St. Petersburg

**STREAMLINED GRANTS ACCOUNTING**

The ESIP investment introduced a new application (Oracle Grants) that is helping the city manage its portfolio of grants, which fund initiatives ranging from housing and public safety programs to childcare, parks, and recreation programs. To get reimbursed for these programs, the city must track costs associated with each grant—including rent, office supplies, equipment and labor—and prepare invoices for the funding agencies.

To compile such information in the past, managers searched several systems and combined the data on a spreadsheet. “You had individuals at their desks keeping track of project budgets, pulling data out of two or three different systems,” explained West. By contrast, she said, the new enterprise-based system allows grant managers to track project budgets online and automatically capture all the costs in one place.

The system comes with tools that help project managers monitor costs more closely, such as a feature that checks to make sure a project account has sufficient funds before a manager can submit a requisition. The system also links to the payroll system to capture the time employees spend on specific grant projects.

The system calculates administrative fees based on pre-defined rules, helping managers generate invoices and book revenue in a few simple steps. As shown in Figure 2, earlier revenue recognition led to a favorable reduction in the city’s accounts receivables balance.

**FIGURE 2: 80% FASTER REVENUE RECOGNITION**



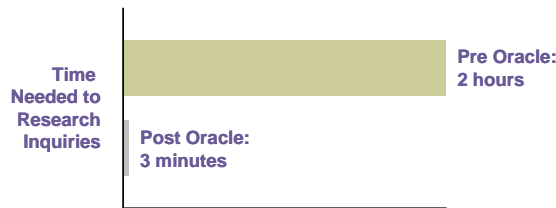
Source: Shack & Tulloch / City of St. Petersburg

When needed, other departments—as well as the mayor and city council—can tap into the database to answer questions and check on the status of grants. “It’s been a great benefit for us to have data at our fingertips,” West said. As Figure 3 shows, managers today only need a few minutes to track down grant information compared to about two hours previously.

// We were able to implement the Oracle software with minimum customization. It allowed us to reengineer our business practices and achieve greater productivity across many functions. //

**Muslim Gadiwalla**  
Chief Information Officer  
City of St. Petersburg

**FIGURE 3: 97% FASTER INFORMATION RESEARCH**



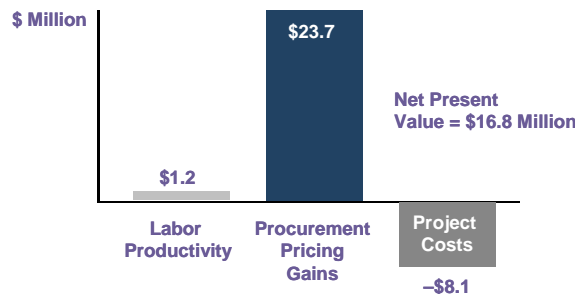
Source: Shack & Tulloch / City of St. Petersburg

**BUSINESS BENEFITS SUMMARY**

Shack & Tulloch’s study focused on three business areas where the city’s ESIP implementation is substantially complete: human resources, procurement and contract/grant management. The study found considerable gains in each area and is projecting additional benefits once the city completes its implementation of Oracle’s financial and accounting modules.

As shown in Figure 4, the city is expected to realize total benefits of \$24.9 million over the life of the project. This includes \$23.7 million in procurement savings, mainly from the reduction of non-negotiated spending and better materials pricing, and \$1.2 million in labor productivity gains from the introduction of process automation in purchasing, human resources and contract management.

**FIGURE 4. FIVE-YEAR CUMULATIVE RETURNS (NET OF INVESTMENT)**



Source: Shack & Tulloch / City of St. Petersburg

Minus project costs, the city will realize an estimated \$16.8 million in net present value benefits from its Oracle investment, and earn an estimated 213% net return on its Oracle investment. The ESIP project is projected to generate a positive cash flow in 2006, as shown in Figure 5.

**ABOUT THE BUSINESS BENEFITS SERIES**

This study is one of a series of investigations into the costs and business returns of IT investments, with a focus on Oracle technology and applications. It is intended to serve business executives and managers who are evaluating technology investment options.

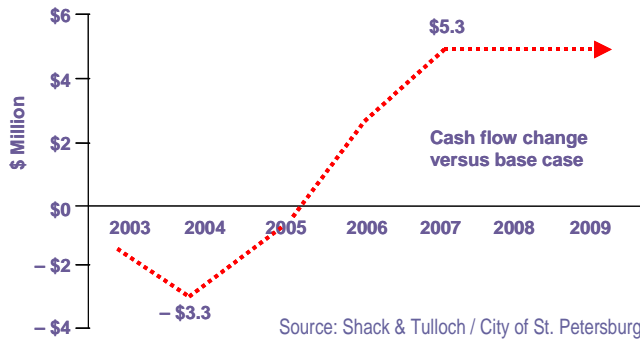
Research and analysis for this study was conducted by Shack & Tulloch, an independent consulting firm, and was based on interviews with executives at City of St. Petersburg, review of city planning documents, and searches of industry literature. ROI calculations use industry standard assumptions regarding the time value of money.

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For more information about Oracle's Business Benefits Series, visit [www.oracle.com/customers/business-benefits](http://www.oracle.com/customers/business-benefits).



**FIGURE 5: ESIP PROJECT CASH FLOW**



**ROI METHODOLOGY**

The Oracle Business Benefits Series uses industry-standard methodology to calculate the financial returns from implementing Oracle applications and technology. Key elements of the analysis include:

**Net Present Value (NPV):** calculated by discounting future net cash flow to the present at a pre-determined interest rate. For the ROI Series, the weighted average cost of capital (WACC) is used as the discount rate.

**Return on Investment (ROI):** calculated by dividing the project's net present value by the net present value of the project costs, multiplying the results by 100 and adding the cost of capital. An ROI greater than the enterprise's cost of capital is considered a value-creating project.

**Weighted Average Cost of Capital (WACC):** a calculation of a firm's cost of capital that weights each category of capital proportionately. Included in the WACC calculation are all capital sources, including common stock, preferred stock, bonds, and any other long-term debt.