

Response to Questions on the FY 2010 Advertised Budget Plan

Request By: Supervisor Herrity

Question: Can the new financial and HR IT systems be procured on a pay as you go basis instead of outright purchase up front? What are the pros and cons of each method?

Response: The integrated financial and human resource system will be implemented in three phases: Phase one includes the County government human resource/payroll portion; Phase two will replace the current County government and schools financial/budget/procurement systems; and Phase three consists of replacing the schools human resource/payroll system.

The integrated system is being procured in a two step process. The first step, expected to be completed shortly, is the procurement of the software application. This will be followed by the procurement of implementation services, consisting of consulting expertise in the chosen software.

The purchase of the software application (which includes licenses, training, and maintenance and support) can be procured on a pay as you go basis instead of an outright purchase. An advantage of the pay as you go basis is that you only pay for the required number of licenses necessary at each phase of the project; a disadvantage is that the total amount paid for these same items over the multi-year/phase project could be greater than if paid up front. Procurement best practices indicate that the software contract should be negotiated as a hybrid of the two approaches: obtaining and agreeing up front on the lowest possible cost (non-market rate) for the software licenses over the lifecycle of the project, and incurring actual payment expenses for the acquisition and 'turning on' of user licenses required to support the project only when they are necessary within each phase. Maintenance costs are usually initiated when the license purchases are made.

Fairfax County IT project management procedure is for negotiation of required implementation services contracts as a fixed price contract with the lowest negotiable price based on County specified requirements. Payments are tied to achievement of negotiated deliverables and/or measurable milestones. With this system, the procurement process will negotiate the system implementation in phases across several years. So yes, implementation services in contracts are administered on a pay as you go basis instead of an upfront pre-delivery payment. Advantages of the pay as you go basis for implementation services, which is a best practice, include only paying for the services needed at for completion each phase of the project negotiated, and ensuring that milestones and deliverables are met before payments are made.