



# UNIVERSITY OF MAINE SYSTEM

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## AGENDA ITEM SUMMARY

1. **NAME OF ITEM:** Proposal for Implementation of Enterprise Resource Planning System (ERP)
2. **INITIATED BY:** Interim Chancellor Donald L. McDowell
3. **BOARD INFORMATION:** **BOARD ACTION:** **XXX**
4. **BACKGROUND:**

### **What is an Enterprise Resource Planning System (ERP)?**

An ERP system provides a software solution integrating information and business processes to enable sharing throughout an organization of information entered once in a database. It opens the door to knowledge about the enterprise by first integrating and then freeing information for use and analysis. Some advantages of an ERP system include:

- Single vendor
- Single set of tools
- Single data entry
- Linked databases
- Consistent definitions and procedures
- System-wide maintenance & upgrades

### **Why Invest in an ERP System?**

As far back as April, 1996, the University of Maine System began exploring the acquisition of a new student information system. It had become evident that the current Administrative Systems needed to be modernized and the associated business processes needed to be improved. Indeed, the set of applications that today provide UMS student information and administrative functions were written in the late 1970's and early 1980's. They are generally outdated in design, technology and focus and require duplication of effort, excessive manual processes, limited reporting capabilities, little integration, and numerous work-arounds as well as not meeting our customer needs and expectations. In summary:

- Our aging legacy systems are inadequate
- Stand alone/fragmented efforts are being developed to address these inadequacies
- An ERP system would provide strategic advantage in recruiting, fundraising and student services

- Implementing an ERP system would give us an opportunity to re-define and improve all business processes
- Improving our student and information processes and providing web-enabled, self-service applications would allow us to maximize the use of technology (walk our talk – “The Maine Idea”) and position us to be the first class institution we deserve to be

### **Cost and Funding Proposal**

In April 2001, Chancellor McTaggart asked System Office staff to develop a proposal for implementation, subject to consultation with KPMG Consulting and other colleges and universities who had recent experience. In addition, an updated assessment of ERP vendors experienced in implementing Higher Education student systems was conducted (mainly PeopleSoft, SCT (Banner), and Datatel) in order to estimate the costs of implementation. In August, Joanne Yestramski and Julian Haynes made a presentation to Presidents’ Council and the UMS CFO’s and obtained their buy-in and support. Also, the ad-hoc Effectiveness/Efficiency committee of the Board of Trustees was briefed in August and gave their support. A financial plan for funding the projected one-time costs of installing an ERP system and a proposal for the System and Universities to share the ongoing costs was communicated as part of these presentations. The financing plan is as follows:

- **One-Time Costs:** Approximately \$10 million to be funded by the System Office via tax-exempt financing issued in the summer of 2002. Expenditures for implementation will be drawn down over a period of 4 years and will include the cost of consulting, software and training. Incremental hardware costs are not expected to be significant due to the robust state of our UNET system.
- **On-Going System Maintenance & Support Costs:** Approximately \$1 million upon full implementation. The System will contribute half these costs (represents the current maintenance cost budget for the legacy system) and the universities will share the remainder.
- **Universities Responsible For Funding Local Costs:** System universities will fund desktop equipment replacement and staff dedicated to project implementation.

Preliminary plans are to implement administrative systems in the following sequence with full implementation by year 2006:

- Financial & Admissions
- HRIS & Development
- Student

Payback for this complicated project is difficult to estimate but would result from a

legacy systems, improved billing procedures (especially for grant administration), and revenue enhancement provided by improved enrollment and fundraising strategies and customer service improvements. Also, there is the additional risk of deferring implementation including lack of vendor support and operational integrity over the near term and falling behind our competitors and outside organizations in technical capabilities.

Although implementation of our ERP system has been in the planning stage for many years, timing couldn't be better for this project to begin. Certain vendors have demonstrated successful ERP implementations in university systems around the country, implementation costs are coming down as vendors and consultants gain experience and the economy softens, experienced staff and project managers are now available, user groups are growing in importance, e-commerce applications are built into the latest releases of the top tier vendor systems, and collaborative opportunities with other Higher Educational institutions, especially in Maine, are real possibilities.

### **Next Steps**

1. Obtain approval from the Board of Trustees for \$10 million ERP implementation to be financed by tax-exempt financing.
2. Organize a Steering Committee who will represent the interests of the overall University System and maintain an institution-wide perspective.
3. Select a vendor, lead consultant and internal project manager, and begin the planning and organization phase by January 1, 2002.

### **5. TEXT OF PROPOSED RESOLUTION:**

THAT the Board of Trustees:

1. Authorize a maximum of \$10 million for an Enterprise Resource Planning System (ERP) for the University of Maine System, with funding to come from University revenue bonds to be issued in the summer of 2002, and with internal resources to fund the project until issuance of the bonds; and
2. Approve the Reimbursement Resolution, as shown in Attachment A, and authorize the Treasurer to issue bonds in the summer of 2002.

**UNIVERSITY OF MAINE SYSTEM  
BOARD OF TRUSTEES  
REIMBURSEMENT RESOLUTION**

Be it resolved that, for the purposes of Treasury Regulation § 1.150-2, the University of Maine System reasonably expects to (1) incur debt to reimburse expenditures (including expenditures made within the last 60 days) temporarily advanced from unrestricted funds, such expenditures to be made to pay the cost, or a portion of the cost, of implementing an Enterprise Resource Planning System over the next five years, and (2) that the maximum principal amount of debt to be issued for this project including for reimbursement purposes is Ten Million Dollars (\$10,000,000).

September 24, 2001