

Creating Budget Consistency for an ERP Software Upgrade



Leveraging financing to invest in new software.

Difficulty in Budgeting for a Large Software Upgrade

Many educational institutions struggle with budgeting for software system improvements since they have to balance the benefits of system upgrades with many other critical campus projects. Unlike new facilities, a software system isn't visible or flashy - but it is the central backbone that helps run the organization. Investing in a new ERP system can significantly increase operational efficiency.

A private university system headquartered in New York City with 30 schools worldwide, had been on the same ERP platform for more than 15 years. The school had repeatedly patched the nearly obsolete system to keep it functioning but recognized it was operating at a minimum capacity.

With its aging ERP system and rapid growth in enrollment and campus expansion, the school needed to implement a new system quickly. The school knew they had to invest more than \$15 million for this upgrade and the biggest stumbling block was the upfront implementation costs required to get started. Not only did the school have to pay for ongoing costs and licensing fees for their existing system during the transition, they also needed to plan for approximately \$6 million of implementation costs over the first 24 - 30 months. This critical step provides the support, data mapping, and conversion needed to get the school up-and-running on the new system - and it is often the most unpredictable and costly part of the process.

How to Address Short-term Budget Constraints

When the school began evaluating funding options, it became clear that a variety of providers could offer a standard loan to fund part of the project. Unfortunately, the structure did little to mitigate the short-term budget constraints for the implementation phase, making the option too costly. The school needed to work with an organization that could help alleviate some of their budget constraints and deliver a more cost-effective option.

ERP Software Upgrade



School:

Private University System

Challenge:

Budgeting for a new software system while maintaining the existing system during the implementation phase.

Solution:

Interest-only payments to address budget constraints during the implementation phase.

Financing:

\$1 Buyout

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The school had an ongoing relationship with First American Education Finance, which had helped finance a number of previous projects, including facilities improvements, build-outs, and technology refresh programs, but had not considered working with First American for a software project.

Working together, First American and the school designed an affordable funding solution that addressed their short-term budget constraints. The project cost of \$6 million for software modules, licensing, and implementation was financed in two phases over 54 months.

During the first 15 months of each phase, the school made low, interest-only payments. In order to maintain budget consistency and accommodate their existing system costs, the size of those monthly payments remained constant with an increase occurring in months 16 - 54 of each phase. Removing budget unpredictability was important for the school because they were being billed monthly by vendors based on the percentage of project completion, which routinely varied.

In order to simplify working with multiple vendors, First American served as the project manager during the two implementation phases. The First American team played a significant role in handling invoices from each vendor and issuing monthly payments. This saved the school staff a substantial amount of time managing invoices.

Improving Operational Efficiency

The university implemented a new ERP system with First American's funding solution while preserving cash flow for a major building renovation they were committed to completing. Gaining a competitive advantage was possible with a modern software system that enabled the school to:

- Improve reporting across departments
- Automate routine tasks and enhance efficiency
- Increase the speed of information processing
- Reduce paper-based information & systems
- Improve reliability & decrease maintenance issues
- Cloud based mobility & accessibility

Unique ERP Implementation Financing Solution

