FileLocal

700 5th Avenue, Suite 4350
PO Box 94669
Seattle, WA 98124-4669

Executive Board:

Andy Cherullo, Chair
City of Tacoma

Jan Hawn
City of Bellevue

Susy Haugen
City of Everett

Glen Lee
City of Seattle

Executive Board Agenda

May 26, 2015

SEATTLE MUNICIPAL TOWER CONFERENCE ROOM 4070
SEATTLE, WA

1. **CALL TO ORDER**
   - A. Introductions
2. **PUBLIC COMMENT***
3. **APPROVAL OF APRIL 27, 2015 MEETING SUMMARY** **PAGE 2**
4. **REVIEW OF APRIL FINANCIAL STATEMENT** **PAGE 5**
5. **DISCUSSION ITEMS**
   - A. Resolution FL2015-03: 2016 Budget **PAGE 9**
     - I. Briefing Paper: Resolution FL2015-03
     - II. Resolution FL2015-03
     - III. Exhibit A: 2016 Budget
   - B. Resolution FL2015-04: 2014 Financial Report **PAGE 19**
     - I. Briefing Paper: Resolution FL2015-04
     - II. Resolution FL2015-04
     - III. Exhibit A: 2014 Financial Report
6. **OTHER BUSINESS**
   - A. Soft Launch Go/No Go Discussion
     - I. City of Seattle **PAGE 31**
     - II. City of Tacoma **PAGE 40**
7. **NEXT MEETING:**
   - A. Executive Board Meeting: July 27, 2015 at 12:00 noon
8. **ADJOURNMENT**

*A public comment period is provided to allow the public to briefly present information, topics or issues that they feel should be considered by the board. Presentation should be limited to three minutes and be summary in nature. The board may decide to discuss the topic briefly at that time or to request its placement on a future agenda.

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Executive Board:

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City of Tacoma

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City of Seattle

Executive Board Meeting Summary

April 27, 2015

SEATTLE MUNICIPAL TOWER CONFERENCE ROOM 4070
SEATTLE, WA

KEY: Underlined text indicates actions/decisions.
Bold/italicized text indicates follow up items.

Standing Items

1. CALL TO ORDER

The April 27, 2015, meeting of the Washington Multi-City Business License and Tax Portal Agency (FileLocal) was called to order at 12:23 p.m. and held in Conference Room 4070 of the Seattle Municipal Tower Conference in Seattle, Washington.

ROLL CALL

Board Members Present: Andy Cherullo (phone), Jan Hawn (phone), Susy Haugen (phone), Joseph Cunha (Seattle Alternate)

Board Members Absent: Glen Lee (Joseph Cunha attended in his place)

Staff and Others: Jamie Carnell, Ezra Hodge, Jay Long (phone), David Linehan (phone), Laurie McVay

2. PUBLIC COMMENT

There were no public comments.

3. APPROVAL OF MEETING SUMMARY

On a motion made by Jan Hawn and seconded by Susy Haugen, the board approved the March 23, 23015, meeting summary unanimously.

4. REVIEW OF FINANCIAL STATEMENT

There were no questions about the March Financial Statement.

*A public comment period is provided to allow the public to briefly present information, topics or issues that they feel should be considered by the board. Presentation should be limited to three minutes and be summary in nature. The board may decide to discuss the topic briefly at that time or to request its placement on a future agenda.

5. DISCUSSION ITEMS

A. 2016 Budget Draft: Jamie briefly reviewed the annual budget approval process as indicated in the FileLocal Resolution FL2015-03 Briefing Paper.

I. Key areas of change for this budget include

a. Utilizing the carryover funds of $146,578 as an Operating Reserve for 2016.

b. A $500 increase in bank fees to allow the use of electronic checks.

c. Capital Cost Recovery: charges to Bellevue, Everett, and Tacoma and payment to Seattle.

d. CPI-U adjustment decreased.

II. Andy Cherullo asked for a quick review of the Adoption Rates.

a. Jamie explained that the rates were initially determined with the goal of going live in 2014 and since that did not occur, the rates for the subsequent years were lowered.

B. Proposed Product Roadmap: Jamie reviewed why we are developing a roadmap, how it is being done, and the effect of the roadmap on 2016 budgeting.

I. Why: The Agency, acting as the product manager and a conduit for the cities and e-Gov, has an increased responsibility for strategic development of FileLocal in partnership with e-Gov Systems. The Agency is responsible for the quality of the product, setting priorities of system changes, and ensuring all changes are handled in a responsible manner.

The roadmap is a tool for managing change requests and onboarding new cities. Due to the delayed launch there is a growing list of items identified during testing that have not been addressed. Additionally there are eight (8) cities interested in joining FileLocal.

II. How: The priorities guiding the development of the roadmap include:

a. Providing a reliable, usable, and secure website for local business licenses and FileLocal B&O taxes.

b. Sustaining a customer satisfaction rate of 98% or higher

c. Expanding the market share to 85% of business and preparers filing and paying through FileLocal

d. Expanding member cities to include all cities in Washington with B&O taxes.

The goal is to develop a regular cadence of year-to-year milestones; changes, enhancements, testing, and technology upgrades.

III. **Effect on 2016 Budget**: The Operations Committee decided to allocate the carryover funds ($146,578) to an Operating Reserve which would be used for any major product issues that arise in 2016.

Determining which medium-low priority change requests to address in 2016 is a complex issue. The Operations Committee came up with two options: (1) allocate a specific dollar amount to be used for these changes or (2) review the current list of items and select specific items to be addressed and provide the board with recommendations and cost estimates for a revised budget in September. The Operations Committee recommended option 2, the board concurred.

In August, e-GovSystems and the Agency program team with review all the change requests and review with the Operations Committee at their September meeting.

6. PROJECT IMPLEMENTATION STATUS

A. Development is on a stable road; e-Gov has fallen into a good cadence.

B. That is not the case with the cities and their data interchanges, there is still a lot of development work being done and a full end-to-end test has not yet occurred with all the data interchanges in place and functioning. The Go/No Go Special Meeting of the Board, scheduled for May 14th, is critical. The board will need to review the risks and make a decision on the May Soft-Launch. If the May soft launch is a No Go, then the soft launch would be disregarded and we would aim for a July Full Launch.

C. Andy Cherullo asked whether July would need to be a full launch or if we could do a soft in July and push the full to September. Andy's concern is that no businesses would have had an opportunity to access the site prior to the full launch. Jamie noted that we could make the site available to some businesses in June, but that implementation adjustments would need to be made.

7. ADJOURNMENT

On a motion made by Andy Cherullo and seconded by Joseph Cunha, the Board adjourned at 12:48 p.m.

Respectfully Submitted,

Susy Haugen
Secretary, FileLocal

FileLocal

700 5th Avenue, Suite 4350
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Seattle, WA 98124-4669

FileLocal
Financial Statements
April 30, 2015

TABLE OF CONTENT	PAGE
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF ACTIVITIES	2
SCHEDULE OF BUDGET AND REMAINING BUDGET	3

Your one stop for local business licensing and tax filing

www.filelocal.org

FILELOCAL
STATEMENT OF FINANCIAL POSITION
APRIL 30, 2015

ASSETS		
Cash	$	699,342
Accounts Receivable		-
Prepaid		25,312
Total Current Assets		724,654
TOTAL ASSETS		724,654
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable		2,236
Total Current Liabilities		2,236
TOTAL LIABILITIES		2,236
NET ASSETS		
Net assets, unrestricted		722,418
TOTAL NET ASSETS		722,418
TOTAL LIABILITIES AND NET ASSETS	$	724,654

FILE LOCAL
STATEMENT OF ACTIVITIES
FOR THE MONTH AND YEAR-TO-DATE ENDED APRIL 30, 2015

	MARCH	YTD
REVENUES		
User fees	-	-
Reimbursable cost	-	
City of Seattle	-	368,997
City of Bellevue	-	53,714
City of Tacoma	-	86,841
City of Everett	-	24,996
Total reimbursable cost		534,548
Total revenues	$ -	$ 534,548
EXPENSES		
Accounting fees	1,000	4,253
Agency IT Costs	-	600
Bank fees	18	128
Conference costs	1,000	1,000
Insurance	416	1,672
Labor costs	55,059	55,059
Legal fees	4,526	5,766
License and membership fees	506	676
Technology Costs	16,000	16,000
Total expenses	78,526	85,154
CHANGE IN NET ASSETS	$ (78,526)	$ 449,394

FILELOCAL
SCHEDULE OF BUDGET AND REMAINING BUDGET
FOR THE YEAR TO DATE ENDED APRIL 30, 2015

	Budget	YTD Actual	% of Budget	Remaining Balance
REVENUES				
User fees	$58,106	$ -	0%	$58,106
Reimbursable cost				
City of Seattle	368,997	368,997	100%	-
City of Bellevue	53,714	53,714	100%	-
City of Tacoma	86,841	86,841	100%	-
City of Everett	24,996	24,996	100%	-
Total reimbursable cost	534,548	534,548	100%	
Total revenues	592,654	534,548	90%	58,106
EXPENSES				
Labor costs	314,740	55,059	17%	259,681
Contracts	36,440	6,053	17%	30,387
Overhead	43,807	8,042	18%	35,765
Technology Costs	230,133	16,000	7%	214,133
Operating Reserve	184,493	-	0%	184,493
Total operating expenses	809,613	85,154	11%	724,459
CHANGE IN NET ASSETS	(216,959)	449,394		
NET ASSETS, AS OF JANUARY 1, 2015	216,958	273,024		
NET ASSETS, AS OF APRIL 30, 2015	(1)	722,418		
Schedule I - Contracts				
Accounting	$20,000	$4,253	21%	$15,747
Auditing	10,220	-	0%	10,220
Insurance	5,500	1,672	30%	3,828
Bank fees	720	128	18%	592
Total	$36,440	$6,053	17%	$30,387
Schedule II - Overhead				
Legal	$25,000	$5,766	23%	$19,234
Conference costs	-	1,000	0%	-
Office and operating supplies	5,110	-	0%	5,110
Printing	5,110	-	0%	5,110
Licenses/Memberships	5,110	676	13%	4,434
Agency IT costs	3,477	600	17%	2,877
Total	$43,807	$8,042	18%	$35,765

FileLocal

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FileLocal Resolution FL 2015-03 Briefing Paper

Date: May 26, 2015

Issue: Shall the Washington Multi-City Business License and Tax Portal Agency ("Agency") Executive Board approve the draft 2016 budget?

Recommendation: The Portal Agency Executive Board should pass Resolution FL 2015-03 approving the draft 2016 budget.

Rationale: The Washington Multi-City Business License and Tax Portal Agency Interlocal Agreement Section 13 sets a process for approving the annual budget. The process steps are as follows:

- No later than May 1 present a proposed budget to the Executive Board. The proposed budget was presented at the April 27 Executive Board meeting.
- No later than June 15 the Executive Board shall (1) review and revise the draft budget as it deems appropriate; (2) approve the draft budget by Supermajority Vote, and (3) forward the same to the principals no later than July 1.
- A final budget must be approved by December 31.

The Operations Committee discussed the draft budget at their May 11 meeting, requested modifications, and approved the draft budget included as an attachment to Resolution FL 2015-03.

The key areas of change discussed with the Operations Committee are:

- Adjustment of user fee adoption rate from 20% to 10% due to launch delay.
- Addition of $146,578 to the Operating Reserve to be used for possible emergency production issues in the system.
- Increase in bank fees to allow agency to use electronic checks.
- Capital Cost Recovery Charges to Bellevue, Everett and Tacoma.

- Capital Cost Recovery Payments to Seattle.

The Operations Committee also agreed to revisit the budget at the September Board meeting to discuss additional funds for technology improvements in the system in 2016. The recommendation to the board is to revisit and possibly revise the budget in September once more is known about the usage of the system post launch and the immediate improvements needed in 2016. The Operations Committee will also bring the board a set of recommendations for adding new cities in 2016 which may reduce cost allocations.

RESOLUTION NO. 2015-03

A Resolution of the Washington Multi-City Business License and Tax Portal Agency Executive Board adopting a draft 2016 Budget.

Whereas, the Washington Multi-City Interlocal Business License and Tax Portal Agency ("Portal Agency") Executive Board Interlocal Agreement ("Agreement") requires the Executive Board to adopt a draft Portal Agency 2016 budget by June 15;

Whereas, the Program Manager shall present a proposed budget to the Executive Board no later than May 1 prior to the commencement of the budget period, together with the Operation Committee's recommendations with respect to the proposed budget;

Whereas, the Portal Agency Manager developed a draft 2016 budget;

Whereas, the Executive Board reviewed a proposed budget on April 27, 2015;

Whereas, the Operations Committee reviewed a draft budget on April 13, 2015 and recommended a draft 2015 budget on May 11, 2015;

Whereas, the draft budget must be approved by a supermajority vote, and

Whereas, the approved draft budget must be forwarded to Principals;

Now Therefore,

BE IT RESOLVED by the Executive Board of the Washington Multi-City Business License and Tax Portal Agency:

SECTION 1. The Executive Board hereby adopts the draft 2016 budget for the Portal Agency as set forth in Exhibit A to this Resolution.

SECTION 2. The Executive Board directs the Portal Agency Program Manager to forward the approved draft budget to the Principals by July 1, 2015.

ADOPTED this _____ day of _____, 2015.

ATTEST:

Washington Multi-City Business License and Tax Portal Agency Executive Board
Seattle, Washington

_____
Board Secretary

_____
Board Chair

FileLocal

Draft 2016 Budget

Below are the changes made to the 2016 budget:

1) Adjustment to bank fees to reflect e-check services from Bank.
2) CPI-U adjustment was made for 2015
3) Fund balance carryover from previous years is added to operating reserve
4) Adjusted user fee adoption rate for 2016-2018 due to launch delays.

Washington Cities Business License and Tax Portal Agency
2016 Budget
May 26, 2015

	2016	
Revenue		
Fund Carryover	146,578	
User Fees	48,378	<1>
Reimbursable Costs		<2>
- City of Seattle	394,887	
- City of Bellevue	57,483	
- City of Tacoma	92,933	
- City of Everett	26,750	
Total Reimbursable Costs	572,053	
Capital Cost Recovery Charges		
- City of Bellevue	8,000	<8>
- City of Tacoma	12,000	<8>
- City of Everett	4,000	<8>
Total Capital Cost Recovery Charges	24,000	
Total Revenue	**791,009**	
Expenditures		
Labor	324,182	<3>
Contracts	38,520	<4>
Overhead	43,868	<5>
Technology Costs	214,472	<6>
Operating Reserve	145,966.35	<7>
Capital Cost Recovery Payments	24,000	<8>
Total Expenditures	**791,009**	
Excess (Deficit)	-	

<u>Assumptions and Notes</u>

<1> User fees are estimated based on the amount of 2012 actual filers.

<2> Reimbursable costs are allocated based on the allocation percentages defined in the Interlocal Agreement.

<3> Labor costs represent 2.5 FTE loaned in from City of Seattle. The total costs include salaries, fringe benefits, related payroll taxes and other allocated overhead costs. The labor costs are estimated based on actual 2013 with a CPI-U adjustment.

<4> Professional fees include accounting, insurance, and bank charges are based on the existing contracts or estimate of what cost will be.

<5> Overhead includes legal, supplies, printing, memberships and allocated information technology costs.

<6> Technology costs include fixed annual hosting and licensing fees, services based on the usage, and other associated fees. User fees are estimated based on the numbers of actual 2012 transaction count.

<7> The operating reserve is estimated based on 15% of total expenditure budget.

<8> Per Interlocal Agreement, capital cost recovery should be paid on an annual basis beginning in 2015. The amount include the capital cost recovery for both 2015 and 2016.

Washington Cities Business License and Tax Portal Agency
Projected User Fees, Transaction Fees, and Payment Processing Fees
May 26, 2015

	Seattle	Bellevue	Tacoma	Everett	Total
User Fees ($4 per filing)	$ 24,202	$ 10,190	$ 9,640	$ 4,344	$ 48,378
Transaction Fees Charged by E-Gov ($1.25 per count) <1>					$ 38,472

<1> Estimated based on current fee schedule between Kubra and City of Seattle. FileLocal Operating Committee will need to make final decision on Kubra fees.

Transaction Counts

	Seattle	Bellevue	Tacoma	Everett	Total
2012 Actual Transaction Counts *	212,457	30,927	50,000	14,392	307,776
% Allocation *	69%	10%	16%	5%	100%

** Per the Interlocal Agreement, 2012 actual transaction counts are used to estimate transaction fees and to determine cost allocation percentages among participating cities.*

2. Numbers of Filings

	Seattle	Bellevue	Tacoma	Everett	Total
2012 Actual Filings **	60,506	25,475	24,100	10,863	120,944

*** The 2012 Actual Filings represents the adjusted 2012 actual transaction counts by zero filers and estimated multiple transactions happening for one city. The numbers of filings are used to estimate user fees and payment processing fees.*

Adoption Rate (Five Years)

	2014	2015	2016	2017	2018
Adoption Rate Recommended by E-Gov	15%	40%	50%	60%	70%
Adjusted Adoption Rate ***	0%	20%	10%	20%	40%

**** The adjusted adoption rate reflects the adjustments made to the recommended adoption rate as a result of the expected live operation in the second quarter of 2015.*

Washington Cities Business License and Tax Portal Agency
Expenditure Budget Details (2015 - 2016)
May 26, 2015

		Proposed 2016 Revision	2017	2018	2019	2020
Personnel costs assumes max rate, 35% burden and 3% cola each year	**FTE**					
Portal Manager (assumes existing position salary)	1	157,890	162,626	167,505	172,530	177,706
Administrative Specialist (assume mid range)	0.5	37,469	38,593	39,751	40,944	42,172
Project Manager/Business Analyst (assume mid range)	1	128,823	132,688	136,668	140,769	144,992
Labor Total	*2.5*	*324,182*	*333,908*	*343,925*	*354,243*	*364,870*
Consultants and Service Fees						
Outside Accounting Services		20,890	21,349	21,819	22,299	22,790
State Auditor		10,445	10,675	10,909	11,149	11,395
Insurance and WCIA Fee		5,745	5,871	6,000	6,132	6,267
Bank Fees		1,440	573	586	599	612
Consultants and Service Fees, Total		*38,520*	*38,468*	*39,315*	*40,180*	*41,064*
Overhead						
Legal		26,112	26,687	27,274	27,874	28,487
City of Seattle Technology Fees		2,089	2,135	2,182	2,230	2,279
Office and Operating Supplies		5,222	5,337	5,455	5,575	5,697
Printing		5,222	5,337	5,455	5,575	5,697
Licenses/Memberships		5,222	5,337	5,455	5,575	5,697
Overhead Total		*43,868*	*44,833*	*45,820*	*46,828*	*47,858*
Info. Technology						
ASP Hosting fees		24,000	24,000	24,000	24,000	24,000
SAAS per Year		150,000	150,000	150,000	150,000	150,000
Portal Improvements (agreed to as part of budget process each year)						
USPS Address Validation (assumes 50,000 new address validations at .04 cents to be trued up after one full year of operation)		2,000	2000	2000	2000	2000
Transaction Fees (cost per transaction is $1.25 - uses the same adoption rate as user fees as well as the baseline budget allocation transaction count of 307,776 from updated 2012 #'s)		38,472	220,860	309,204	331,290	353,376
Info. Technology, Total		*214,472*	*396,860*	*485,204*	*507,290*	*529,376*
Total Operating Budget		**621,042**	**814,069**	**914,263**	**948,540**	**983,167**
Reserves						
Operating Reserve - 15%		93,156	8,354	15,029	5,142	5,194
Prior Year(s) Reserve		93,768				
Current Year Reserve		*-612*	*822,423*	*929,292*	*953,682*	*988,362*
Total Budget		*620,431*				

Washington Cities Business License and Tax Portal Agency
Projected Reimbursable Costs and Capital Recovery Fees
May 26, 2015

1. Reimbursable Costs	
Total Expenditures	620,431
Fund carryover	-
User fees	48,378
Costs to be allocated	572,053
- Seattle	394,887
- Bellevue	57,483
- Tacoma	92,933
- Everett	26,750
Total estimated reimbusable costs (revenue)	572,053
2. Capital Recovery Fees	
Bellevue	8,000
Tacoma	12,000
Everett	4,000
Total Capital Recovery Fees	24,000

	2015	2016	2017	2018	2019	2020	2021
CPI-U-Sea-Tac-Bell MSA	0.74%	2.42%	2.38%	2.41%	2.35%	2.35%	2.34%

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FileLocal Resolution FL 2015-04 Briefing Paper

Date: May 26, 2015

Issue: Shall the Washington Multi-City Business License and Tax Portal Agency ("Agency") Executive Board approve 2014 Financial Statements?

Recommendation: The Agency Executive Board should pass Resolution FL 2015-04 approving the 2014 Financial Statements.

Rationale: FileLocal became a local government agency in 2014, under RCW 43.09.230, filing financial information is required by the 30th of May annually to the Washington State Auditor's Office:

- RCW 43.09.230 requires every local government to file financial reports covering the full period for each fiscal year, in accordance to the forms and methods prescribed by the State Auditor.
- Francis and Company has prepared Attachment A for the Boards Approval before filing with the Washington State Auditor.
- 2014 Financial Statements must be submitted by May 30, 2015.

RESOLUTION NO. 2015-04

A Resolution of the Washington Multi-City Business License and Tax Portal Agency Executive Board approving the 2014 Financial Reports for Submittal to Washington State Auditor.

Whereas, RCW 43.09.230 states the state auditor shall require every local government to submit financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor;

Whereas, the Agency Accounting firms has prepared the 2014 Financial statements in accordance with the forms and methods prescribed by the state auditor;

Now Therefore,

BE IT RESOLVED by the Executive Board of the Washington Multi-City Business License and Tax Portal Agency:

SECTION 1. The Executive Board hereby approves the submittal of the 2014 Financial reports to the Washington State Auditor as set forth in Exhibit A to this Resolution.

SECTION 2. The Executive Board directs the Portal Agency Program Manager to submit the 2014 Financial reports to the Washington State Auditor by May 30, 2015.

ADOPTED this _____ day of _____, 2015.

ATTEST:

Washington Multi-City Business License and Tax Portal Agency Executive Board

Seattle, Washington

Board Secretary

Board Chair

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the Washington Multi-City Business Licenses and Tax Portal Agency (FileLocal) for the fiscal year ended December 31, 2014. As this information is presented in summary form, it should be read in conjunction with the financial statements and footnotes as a whole.

FileLocal is a public agency formed as a nonprofit corporation on March 1, 2014 as authorized by the state Interlocal Cooperation Act (Ch. 39.34.RCW) and Chapter 24.06 RCW. FileLocal's primary purpose is to offer a web-based service that will make it easier for businesses to obtain business licenses and pay local Business & Occupation (B&O) taxes to its member cities. In 2014, the cities of Bellevue, Everett, Seattle and Tacoma came together to form FileLocal. The four founding cities are the "Principals" and have representation on the Executive Board which governs FileLocal. Additional Washington cities may apply to join FileLocal, either as a principal or as a subscriber. Principals have voting rights on the Executive Board; Subscribers have nonvoting representation on the Executive Board.

Financial Highlights

- In 2014, the first year of FileLocal, the founding four cities contributed a total of $355,733.
- As of December 31, 2014, FileLocal reported a total net position of $273,023, all of which was unrestricted.

Overview of the Financial Statements

FileLocal's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as clarified by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements amend GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and other pronouncements. FileLocal is considered a stand-alone enterprise fund, and the financial statements are presented using the economic resource measurement focus and accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recognized in the period in which they are incurred.

The Statement of Net Position presents information about all of FileLocal's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. When net position is compared for several years, increases and decreases may serve as a useful indicator of whether FileLocal's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position present information on how FileLocal's net position changed during the year. All changes in net position are reported as soon as the event occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows presents information on FileLocal's cash receipts, cash payments, and changes in cash during the year.

The basic financial statements can be found following this MD&A.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found following the basic financial statements.

Financial Analysis

Condensed Statement of Net Position	2014
Current assets	$314,219
Total assets	314,219
Deferred outflows of resources	-
Current liabilities	41,196
Total liabilities	41,196
Deferred inflows of resources	-
Unrestricted	273,023
Total net position	$273,023

The Statement of Net Position represents assets, liabilities and net position. The current assets were $314,219 at December 31, 2014, including cash of $314,059 and prepaid of $160. The total liabilities of $41,196 were primarily payable to City of Seattle. The amount of net position is the total assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources and over time may serve as a useful indicator of FileLocal's financial position. The total net position was $273,023. There was no net position invested in capital assets or restricted net position.

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position	2014
Reimbursable Costs	$355,733
Total revenue	355,733
Operating expenses	
Accounting fees	20,000
Agency technology costs	2,649
Bank fees	465
Conference costs	459
Insurance	4,384
Contract labor costs	40,567
Legal fees	11,356
License and membership fees	1,658
Office and operating supplies	1,172
Total expenses	82,710
Total change in net position	273,023
Net position, end of year	$273,023

Debts
Other than accounts payable, FileLocal had no debt as of December 31, 2014.

Capital Assets
FileLocal had no capital assets as of December 31, 2014.

Future Outlook
FileLoal is expected to begin its online services to businesses in 2015.

The 2015 budget is summarized below:

Fund Carryover	$216,959
User fees	58,106
Reimbursable cost	534,548
Total revenues	592,654
Contract labor	314,740
Contracts, other services	36,440
Overhead	43,807
Technology costs	230,133
Operating reserve	184,493
Total operating expenses	$809,613

Request for Information
This financial report is designed to provide a general overview of FileLocal's finances for all those with an interest in FileLocal's finances. Questions concerning any information provided in this report should be addressed to: FileLocal, 700 Fifth Avenue, Suite 4350 PO Box 94669, Seattle, Washington 98124-4669.

WASHINGTON MULTI-CITY BUSINESS LICENSES AND TAX PORTAL AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS		
CURRENT ASSETS		
Cash	$	314,059
Prepaid		160
Total current assets		314,219
TOTAL ASSETS	**$**	**314,219**
DEFERRED OUTFLOWS OF RESOURCES		-
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$	41,196
Total current liabilities		41,196
TOTAL LIABILITIES		**41,196**
DEFERRED INFLOWS OF RESOURCES		-
NET POSITION		
Unrestricted		273,023
TOTAL NET POSITION	**$**	**273,023**

See Notes to Financial Statements

WASHINGTON MULTI-CITY BUSINESS LICENSES AND TAX PORTAL AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

OPERATING EXPENSES		
Accounting fees	$	20,000
Agency technology costs		2,649
Bank fees		465
Conference costs		459
Insurance		4,384
Contract labor costs		40,567
Legal fees		11,356
License and membership fees		1,658
Office and operating supplies		1,172
Total operating expenses		82,710
Operating (loss)		(82,710)
NON - OPERATING REVENUES (EXPENSES)		
Reimbursable costs		355,733
Total non-operating revenues (expenses)		355,733
INCREASE IN NET POSITION		273,023
NET POSITION - BEGINNING		-
NET POSITION - ENDING	$	273,023

See Notes to Financial Statements

WASHINGTON MULTI-CITY BUSINESS LICENSES AND TAX PORTAL AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and for claims	$	(41,674)
Net cash (used) by operating activities		(41,674)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITES		
Reimbursable costs		355,733
Net cash provided by non-capital financing activities		355,733
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net cash provided by capital and related financing activities		-
CASH FLOWS FROM INVESTING ACTITIVITES		
Net cash provided by investing activities		-
NET INCREASE IN CASH		314,059
CASH, BEGINNING OF THE YEAR		-
CASH, END OF THE YEAR	$	314,059

Reconciliation of Operating Loss to Net Cash Flows Provided (Used) By Operating Activities		
Operating (Loss)	$	(82,710)
Adjustments to reconcile operating (loss) to		
net cash provided (used) by operating activities:		
Changes in assets and liabilities		
Increase in prepaid		(160)
Increase in accounts payable		41,196
Net cash (used) by operating activities	$	(41,674)

See Notes to Financial Statements

WASHINGTON MULTI-CITY BUSINESS LICENSES AND TAX PORTAL AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As authorized under the state InterLocal Cooperation Act (Ch.39.34.RCW) and Chapter 24.06 RCW, the Washington Multi-City Business and Tax Portal Agency (FileLocal) was established on March 1, 2014 and is expected to begin offering its services to businesses in 2015. FileLocal is an instrumentality of its member cities, formed to carry out exclusively governmental activities to offer a web-based service that will make it easier for businesses to obtain business licenses and pay local Business & Occupation (B&O) taxes to its member cities. There are currently four founding cities: Bellevue, Everett, Seattle and Tacoma. The financial statements of FileLocal have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government entities. FileLocal has elected to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 to the extent that it does not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

FileLocal is a special purpose government agency which offers a web-based service that will make it easier for businesses to obtain business licenses and pay Local Business & Occupation (B&O) taxes to its member cities. During 2014, the Executive Board was the primary governing body of FileLocal. It was comprised of members from all four founding cities. FileLocal did not have any component units as of December 31, 2014.

Basis of Accounting and Reporting

FileLocal is considered a single enterprise fund which is accounted for on an economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources associated with its activities are included on the statement of net position. Net position is reported in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Operating statements present increases (revenues and gains) and decreases (expenses and losses) in net position. FileLocal discloses changes in cash flows by a separate statement that presents its operating, noncapital financing, capital and related financing, and investing activities.

FileLocal uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

FileLocal distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses result from providing services in connection with the FileLocal's principal ongoing operations. The operating expenses include contract labor cost, professional fees, office supplies and other operating expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WASHINGTON MULTI-CITY BUSINESS LICENSES AND TAX PORTAL AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Cash and Cash Equivalent
For cash flow purposes, highly liquid investments with an original maturity of less than three months are considered cash equivalents.

Deferred Outflows/Inflows of Resources
FileLocal's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* and also in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements amend GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments* and other pronouncements.

As of December 31, 2014, FileLocal had no deferred outflows or inflows of resources.

Net Position
The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is net position. In the financial statements, net position is classified in the following three components:

- Net Investment in Capital Assets, net of debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2014, FileLocal did not have net position invested in capital assets.

- Restricted – This component of net position consists of external constraints imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net assets. As of December 31, 2014, FileLocal did not have a restricted net position.

- *Unrestricted* – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets". As of December 31, 2014, FileLocal had total unrestricted net position $273,023.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

WASHINGTON MULTI-CITY BUSINESS LICENSES AND TAX PORTAL AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of financial-related legal or contractual provisions.

NOTE 3 - CASH

FileLocal has a deposit account at Wells Fargo, which is covered by Federal Deposit Insurance (FDIC). Over time, the deposit amount may exceed the deposit insurance limit. FileLocal has not experienced any losses.

NOTE 4- RISK MANAGEMENT

FileLocal is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, natural disasters, etc. FileLocal manages the risks through its participation in a risk pool provided by Washington Cities Insurance Authority (WCIA). The coverage applies to general liability, automobile liability, stop-gap coverage, errors or omissions liability and employee benefit liability occurring anywhere in the United States of America, its territories and possessions or Canada. WCIA agrees to pay all covered losses subject to the limits and other terms and conditions specified in the agreement between WCIA and its members.

There were no claims against FileLocal in 2014.

NOTE 5 - RELATED PARTY

FileLocal was established by four founding cities, and each city was required to reimburse operating costs in excess of user fees received, based on the methodologies defined in the Inter-local Government Agreement. During 2014, a total contribution of $355,733 was made by the four founding cities.

City of Seattle provided labor and technology services to Filelocal and these costs were billed to FileLocal for reimbursement. During 2014, City of Seattle charged total contract labor cost of $40,567 and technology cost of $2,649 to FileLocal. $40,567 was outstanding payable to City of Seattle as of December 31, 2014.

FileLocal

Subject: FILELOCAL CITY IMPLEMENTATION GO/NO GO DECISION REPORT FOR SEATTLE

DATE: MAY 26, 2015

Topics

1. Project Overview
2. Decision Scope
3. Decision Process
4. Decision Factors
5. Concerns
6. Results of Decision
7. Executive Board Decision

Summary of Processes

1. PROJECT OVERVIEW

The purpose of the project is to streamline access and improve ease for businesses to acquire and renew business licenses, prepare and file B&O tax returns and pay balances owing for multiple jurisdictions via a 'web portal'. The portal will be a new online web application that provides a shared access point (URL) to these services, has underlying connections with existing back-end city systems, and efficiently exchanges data and completes workflows.

This implementation project includes systems and processes covering multiple vendors and the cities of Seattle, Bellevue, Tacoma, and Everett. It will configure the workflows and master data in the vendors' software application, connect the data interchanges with the cities' back-end systems, integrate the front-end workflows with the cities' back-end workflows, test and roll-out the service functionality to the business community, and coordinate the portal's support and customer service with the cities' functions.

Another track running in parallel to the portal implementation will develop and implement a sustainable governance structure and ownership model needed to oversee the portal in operation, make shared data agreements, coordinate stewardship of shared data and workflows, manage cities' and vendor support service level agreements, ensure security, quality assurance, regulatory compliance and audit control services are provided, resolve strategic issues, and determine the portal's evolution roadmap. These activities are the responsibility of the Washington Multi-City Business License and Tax Portal Agency (FileLocal) and will be addressed as part of this report.

2. Decision Scope

The scope of the Go/No Go decision includes the following question:

Question: Is the City of Seattle ready to launch with FileLocal in May 2015?

Considerations of schedule and the technology platforms are key to this Go/No Go decision. If the decision is a "No" decision, then the Executive Board will take into account considerations of schedule and technology when selecting the next implementation options in the Results of Decision section below.

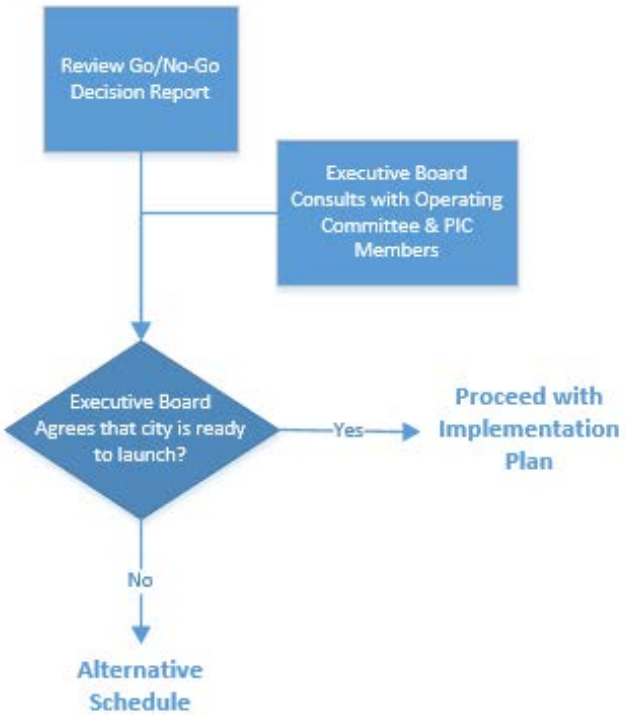
3. Decision Process

The Project Executive Board has full responsibility for the Go/No Go Decision, with the Program Manager having authority to make the final decision. The diagram below presents the decision process.

The Executive Board should consult with their cities' members of the Operating Committee and Portal Implementation Committee (PIC) prior to the Go/No Go meeting.

If both the Executive Board agrees that the answer is "Yes," then the work of the project will proceed to the execution of the project implementation plan.

Note that if a "No" decision is made, then Executive Board will select an alternate schedule for implementation and will re-visit the go/no go decision prior to city launch.



4. Decision Factors

This section presents factors to consider before making the Go/No Go Decision.

A. FileLocal System API Report Summary

A summary of the delivered functionality based on the requirements traceability matrix from e-Gov systems.

Requirements for Phase 1 Soft Launch
77% of Total Phase 1 Requirements Have Been Satisfied

Module	Status	Early Flights Plan/Actual	Final Flight Plan/Actual	Primary Reason for Final Flight Additional Requirements
Accounts	102%	60/61	21/21	Reflects difficulty visualizing requirements until basic functionality was delivered
License	100%	36/36	15/15	Reflects difficulty visualizing requirements until basic functionality was delivered
Tax	90%	27/28	56/47	Complex forms with high variability across cities, testing not yet complete
Payments	100%	40/40	0	
Reporting	100%	20/20	0	
Communications	96%	24/23	1/1	
Data Interchanges	100%	29/29	19/19	Changes to Accounts, License, Tax, and Payments necessitated changes to web services
Help	98%	40/39	28/28	Changes to Accounts, License, Tax, and Payments necessitated changes to Help
Operations (inc. security)	102%	51/52	13/13	Security platform upgraded and audit identified additional areas for improvement
General Usability	100%	9/9	1/1	Includes first set of ADA enhancements
Non-Functional	100%	46/46	1/1	
Extendibility	100%	3/3		
Total Phase 1 Soft Launch	100%	**385/386**	**158/149**	

B. System Security Report Summary

Leviathan conducted a combined Penetration Test and Code Review of FileLocal in April. During this time Leviathan encountered a number of constraints and issues during testing which had a material impact on the final results, which reflects on the state of operational maturity and security of the system. While the system is not in production, Leviathan would expect to find a fully functioning production system ready to go with Operations, System Management and Technical Change Management in place. Leviathan did not find this to be true, while it is not a direct security threat there is a need for a full operational readiness to be in place prior to an actual launch. Leviathan's testing has a built in presumption the system and operations were ready to launch to ensure at launch any potential security threat could be adequately dealt with on an operational level. Leviathan found that the operation of the system was not adequate for



launch. The inability to execute normal operations provides additional opportunities for attackers and additional difficulties for an organization seeking to defend against an attack. Specific findings include:

- Current build not available for testing
- Delays on setup/configuration due to single staff member not being available
- Version and Change Control not well documented
- Could not test API access as a City
- Additional security code findings and no clear understanding if previous findings were being dealt with.

Leviathan recommends another full combined Penetration Test and Code Review occur before launch after all development has been done and the City of Seattle has done a full end-to-end test and all critical and high defects have been addressed. Leviathan will be asking e-Gov for documentation showing full operational readiness as part of the test.

Response from e-Gov Systems regarding Leviathan findings:
e-Gov Systems values the feedback from Leviathan and is approaching all testing efforts as a means to work together to provide high levels of security readiness for the FileLocal system. However, it is important to note a number of considerations when interpreting the summary of Leviathan's findings:

- The system was being tested while it was still under the last stages of development
- Key employees were granted PTO leave during this window prior to this testing window being selected
- Documentation for the final system was still being revised/developed, as the system had only been in the production environment for a matter of weeks
- API access possibly could have been tested "as a City" (using City connections) but a custom setup for Leviathan to simulate a city with its own configuration was not fully understood by all parties until the week of testing
- In coordination with FileLocal, specific previous findings by Leviathan are either in development or planned for future development

In summary, e-Gov Systems acknowledges that the timing and duration of the testing window generated obstacles to testing that were not fully representative of the actual readiness of the system, not anticipated, and, in one case, was not planned for. These factors, combined together, impeded certain testing efforts. While this does not represent a direct security risk (the system wasn't penetrated during the limited testing), and e-Gov Systems does not shoulder the full burden of all of the findings/blocks to testing, e-Gov Systems recognizes the prudence of Leviathan's feedback. This will include making sure all secondary and supporting processes and documentation are fully in place and working with Leviathan on a future test to grant direct API testing access.

e-Gov Systems is fully committed to working with Leviathan and FileLocal to meet the agreed upon levels of security readiness for the deployment of the FileLocal system.



C. Performance Testing Results

Keynote Systems was contracted to perform three full system performance tests in April. Keynote has not been able to complete one full performance test due to server and load balancer issues with the e-Gov production server. One test of creating accounts was successful on April 29th and they were able to simulate around 13,000 simultaneous users. Other completed tests were successful due to production and load balancer issues. The testing of the page responses also showed the response time is slower than industry standards even when the site was not having production and load balancer issues.

e-Gov has replaced the load balancer and is working with Venyu to ensure production servers are ready. Another Keynote performance test will be run in June prior to the next launch decision meeting.

D. PCG City Readiness Report

PCG conducted a readiness review for the City of Seattle in early March. As of May 18, Seattle was unable to provide an update on the status of prior recommendations. Nevertheless, for the same reasons outlined in the Go/No Go report for Tacoma, PCG does not recommend proceeding with the soft-launch for Seattle at this time.

E. End-to-End Testing Results

End to End PASS 3 testing ran for approximately 15 days. Bellevue, Seattle and Tacoma have finalized their web services development however; since they were not complete prior to or during PASS3 testing, full functionality could not be tested against each respective city's the business rules.

Although full end to end testing was impeded by web services the cities were able to execute between ~25%-53% of all test cases. There were no major system defects reported during testing, the critical and high defects identified have to do with business processes and are being addressed.

Seattle, Tacoma, and Bellevue have made progress in finalizing web service connections to FileLocal. SCS web services are now complete. While Seattle and Tacoma are finishing development of the PCS Renew GBL web service, all other PCS web service connections are complete.

F. City Readiness

This section presents a summary of findings related to the readiness of the city to move forward with FileLocal, including technology, people, contracts, and processes. This information was gathered during May 2015 in meetings with the individual task owners.

Milestone	Status	Comments
Launch Timeline		Launch date in question. Timeline being reevaluated as part of Go/No Go Decision
Contracts/ Agreements		Seattle has scheduled a review meeting with all responsible parties will be done this week. Operations Support Plan, Help Desk and Problem Management plan need to be finalized before final signatures.
Technology		Progress has been made in finalizing Seattle's web service connections to FileLocal. Not all of the issues have been resolved and technical team is continuing to setup, test and troubleshoot their PCS services. SCS webs services are now complete. There appears to be some business logic missing in some of Seattle's web services.
City Processing		Most business processes staying the same with use of SELF to input data. Some outlying processes need to be stood up.
Customer Service		A review of the Help Desk support plan with Seattle has been scheduled.
Testing		Testing is in the red due to the delays with web services connections. No full test of system until interfaces have been completed.
Treasury		FileLocal has provided all documentation to Seattle Treasury group. Seattle will need to use this information to develop the internal reconciliation process. Unclear how this is being done and whose responsibility this is in Seattle.
Overall Rating		Progress has been made but not enough to be at a go decision for Seattle. Full end-to-end testing needs to be done once all interfaces are developed and tested. Need to ensure Help Desk plan is reviewed and Seattle's help desk ready to incorporate FileLocal. Service Level Agreement still needs to be reviewed and assurance Treasury is prepared all need to be completed before a go launch.

For a more complete summary of city readiness, please see the City Readiness Checklist for Seattle: https://mcbltp.box.com/s/dmlmke38vwflo2ezachjrxgf8shdpr8q

5. Concerns

This section presents a summary of concerns related to moving forward with FileLocal.

A. **Testing is incomplete**: Not all of the required test cases were able to be tested during E2E P3 testing due to issues with the web services and critical and high defects.

B. **Timing**: Not all of the city code has been finalized and will need to be promoted to production according to the city release calendar.

C. **Implementation Plan**: The number of changes required to launch is high with more changes planned for subsequent launches. Additional testing windows and city participation is required with every new code release.

6. Results of Decision

This section presents the course of action from either a "Go" decision or a "No Go" decision to move forward with the city launch with FileLocal.

A. If the Executive Board makes a "Go" decision, the implementation project will proceed with the city launch with FileLocal as outlined in the Integrated Implementation Plan (see Appendix).

B. If the Executive Board make a "No Go" decision, the Executive Board will select from the following list of alternatives to set direction for the implementation project team.

The Executive Board should select all that apply:

Launch scheduling:

- ☐ Request that Seattle launch in the next quarterly release window on the cities' release calendar
- ☐ Request that Seattle negotiate a special window on the cities' release calendar to launch

Testing:

- ☐ City launch is delayed until end-to-end testing with all data interchanges are completed
- ☐ City launch is delayed until all critical and high defects are resolved
- ☐ Performance, banking & security testing complete

Development:

- ☐ CRs required to be completed for soft launch – all CRs incl. tax calculations
- ☐ High priority full launch CRs completed for July launch
- ☐ Remaining CRs to be completed post-launch

Number of Businesses:

- ☐ Small group of businesses, including only those doing business in Seattle
- ☐ Small group of businesses, including some that do business in both Seattle and Tacoma

☐ All businesses can use FileLocal

Training & Communications:

☐ Direct mailings, select businesses, taxpayer and city user quick start guides, first three training videos

☐ Commercial broadcasts, community events, training videos four through eight

7. Executive Board Decision

Question: Should the City of Seattle move forward with their plans to launch with FileLocal in May 2015?

Municipality	Name	Answer
City of Bellevue	Jan Hawn	
City of Everett	Susy Haugen	
City of Seattle	Glen Lee	
City of Tacoma	Andrew Cherullo	

Appendix: Supporting Project Documentation

1. Functional API Report – summary of full launch CR

Remaining Requirements
33% of Total Phase 1 Requirements Remain

Module	Phase 1 Full Launch	Phase 1 Post Launch	Primary Focus of Remaining Requirements
Accounts	14	14	Enhance experience for preparers, user can close a business, edit consolidation information
License	22	1	Everett GBL renewal, enhance printing options, expand upload and attachment options, support regulatory licenses
Tax	12	8	Enhance form setup, support uploading tax forms and attachments
Payments	0	2	Payments for regulatory licenses
Reporting	3	2	Analytics capability, additional views of Payment Batch Report
Communications	15	0	Client emails for preparers, configurable 'notification ribbon', additional email options, inter-city and eGov communications
Data Interchanges	3	2	Interface to DOR, support 2-way file attachments with city SOR
Help	12	1	Additional methods for SME to create/upload help articles and users to access help
Operations (inc. security)	16	0	Streamline flow for Seattle and Tacoma GBL renewal, security enhancements
General Usability	15	6	Additional ADA coverage, user can 'save' every page
Non-Functional	0	0	
Extendibility	1	0	Support processing and storage of additional file types, interface to new system types (e.g. IVR)
Total Remaining	**113**	**36**	
Total Remaining as % of Total	**16%**	**5%**	

2. End-to-End P3 Testing Summary Report: https://mcbltp.box.com/s/tptmofdqzed95smrs58l6tnd14udbi8i

3. City Readiness Checklist for Tacoma: https://mcbltp.box.com/s/98a4ear0y94wohk2blz6xq6g9x1agpos

4. FileLocal Integrated Implementation Plan: https://mcbltp.box.com/s/krtl0xayz8iq8g2hcj1tmb1w8idrmq7n

Subject: FILELOCAL CITY IMPLEMENTATION GO/NO GO DECISION REPORT FOR TACOMA

DATE: MAY 26, 2015

Topics

1. Project Overview
2. Decision Scope
3. Decision Process
4. Decision Factors
5. Concerns
6. Results of Decision
7. Executive Board Decision

Summary of Processes

1. PROJECT OVERVIEW

The purpose of the project is to streamline access and improve ease for businesses to acquire and renew business licenses, prepare and file B&O tax returns and pay balances owing for multiple jurisdictions via a 'web portal'. The portal will be a new online web application that provides a shared access point (URL) to these services, has underlying connections with existing back-end city systems, efficiently exchanges data, and completes workflows.

This implementation project includes systems and processes covering multiple vendors and the cities of Seattle, Bellevue, Tacoma, and Everett. It will configure the workflows and master data in the vendors' software application, connect the data interchanges with the cities' back-end systems, integrate the front-end workflows with the cities' back-end workflows, test and roll-out the service functionality to the business community, and coordinate the portal's support and customer service with the cities' functions.

Another track running in parallel to the portal implementation will develop and implement a sustainable governance structure and ownership model needed to oversee the portal in operation, make shared data agreements, coordinate stewardship of shared data and workflows, manage cities' and vendor support service level agreements, ensure security, quality assurance, regulatory compliance and audit control services are provided, resolve strategic issues, and determine the portal's evolution roadmap. These activities are the responsibility of the Washington Multi-City Business License and Tax Portal Agency (FileLocal) and will be addressed as part of this report.

2. DECISION SCOPE

The scope of the Go/No Go decision includes the following question:

Question: Is the City of Tacoma ready to launch with FileLocal in May 2015?

Considerations of schedule and the technology platforms are key to this Go/No Go decision. If the decision is a "No" decision, then the Executive Board will take into account considerations of schedule and technology when selecting the next implementation options in the Results of Decision section below.

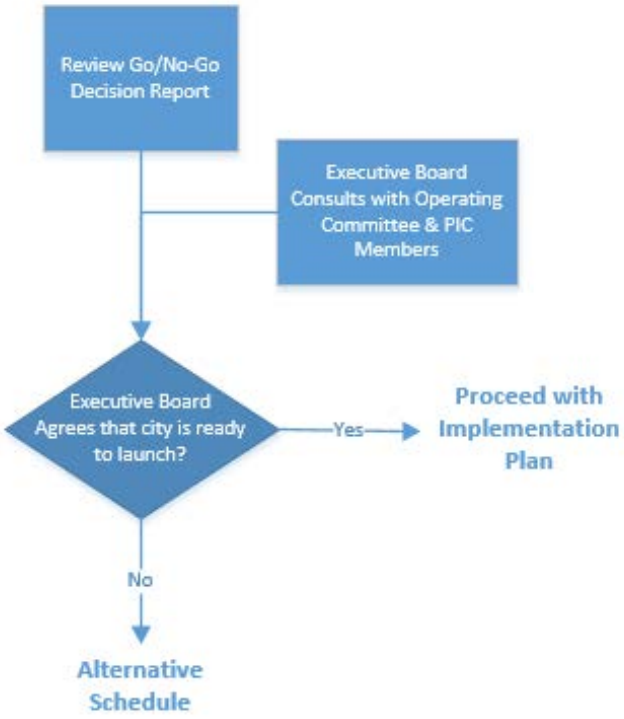
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The Executive Board should consult with their cities' members of the Operating Committee and Portal Implementation Committee (PIC) prior to the Go/No Go meeting.

If both the Executive Board agrees that the answer is "Yes," then the work of the project will proceed to the execution of the project implementation plan.

Note that if a "No" decision is made, then Executive Board will select an alternate schedule for implementation and will re-visit the go/no go decision prior to city launch.



4. Decision Factors

This section presents factors to consider before making the Go/No Go Decision.

A. FileLocal System API Report Summary

A summary of the delivered functionality based on the requirements traceability matrix from e-Gov systems.

Requirements for Phase 1 Soft Launch
77% of Total Phase 1 Requirements Have Been Satisfied

Module	Status	Early Flights Plan/Actual	Final Flight Plan/Actual	Primary Reason for Final Flight Additional Requirements
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License	100%	36/36	15/15	Reflects difficulty visualizing requirements until basic functionality was delivered
Tax	90%	27/28	56/47	Complex forms with high variability across cities, testing not yet complete
Payments	100%	40/40	0	
Reporting	100%	20/20	0	
Communications	96%	24/23	1/1	
Data Interchanges	100%	29/29	19/19	Changes to Accounts, License, Tax, and Payments necessitated changes to web services
Help	98%	40/39	28/28	Changes to Accounts, License, Tax, and Payments necessitated changes to Help
Operations (inc. security)	102%	51/52	13/13	Security platform upgraded and audit identified additional areas for improvement
General Usability	100%	9/9	1/1	Includes first set of ADA enhancements
Non-Functional	100%	46/46	1/1	
Extendibility	100%	3/3		
Total Phase 1 Soft Launch	100%	**385/386**	**158/149**	

B. System Security Report Summary

Leviathan conducted a combined Penetration Test and Code Review of FileLocal in April. During this time Leviathan encountered a number of constraints and issues during testing that had a material impact on the final results, which reflects on the state of operational maturity and security of the system. While the system is not in production, Leviathan would expect to find a fully functioning production system ready to go with Operations, System Management and Technical Change Management in place. Leviathan did not find this to be true, while it is not a direct security threat there is a need for a full operational readiness to be in place prior to an actual launch. Leviathan's testing has a built in presumption the system and operations were ready to launch to ensure at launch any potential security threat could be adequately



dealt with on an operational level. Leviathan found that the operation of the system was not adequate for launch. The inability to execute normal operations provides additional opportunities for attackers and additional difficulties for an organization seeking to defend against an attack. Specific findings include:

- Current build not available for testing
- Delays on setup/configuration due to single staff member not being available
- Version and Change Control not well documented
- Could not test API access as a City
- Additional security code findings and no clear understanding if previous findings were being dealt with.

Leviathan recommends another full combined Penetration Test and Code Review occur before launch after all development has been done, the City of Tacoma has done a full end-to-end test and all critical and high defects have been addressed. Leviathan will be asking e-Gov for documentation showing full operational readiness as part of the test.

Response from e-Gov Systems regarding Leviathan findings:
e-Gov Systems values the feedback from Leviathan and is approaching all testing efforts as a means to work together to provide high levels of security readiness for the FileLocal system. However, it is important to note a number of considerations when interpreting the summary of Leviathan's findings:

- The system was being tested while it was still under the last stages of development
- Key employees were granted PTO leave during this window prior to this testing window being selected
- Documentation for the final system was still being revised/developed, as the system had only been in the production environment for a matter of weeks
- API access possibly could have been tested "as a City" (using City connections) but a custom setup for Leviathan to simulate a city with its own configuration was not fully understood by all parties until the week of testing
- In coordination with FileLocal, specific previous findings by Leviathan are either in development or planned for future development

In summary, e-Gov Systems acknowledges that the timing and duration of the testing window generated obstacles to testing that were not fully representative of the actual readiness of the system, not anticipated, and, in one case, was not planned for. These factors, combined together, impeded certain testing efforts. While this does not represent a direct security risk (the system wasn't penetrated during the limited testing), and e-Gov Systems does not shoulder the full burden of all of the findings/blocks to testing, e-Gov Systems recognizes the prudence of Leviathan's feedback. This will include making sure all secondary and supporting processes and documentation are fully in place and working with Leviathan on a future test to grant direct API testing access.

e-Gov Systems is fully committed to working with Leviathan and FileLocal to meet the agreed upon levels of security readiness for the deployment of the FileLocal system.

C. Performance Testing Results

Keynote Systems was contracted to perform three full system performance tests in April. Keynote has not been able to complete one full performance test due to server and load balancer issues with the e-Gov production server. One test of creating accounts was successful on April 29th and they were able to simulate around 13,000 simultaneous users. Other completed tests were not successful due to production and load balancer issues. The testing of the page responses also showed the response time is slower than industry standards even when the site was not having production and load balancer issues.

e-Gov has replaced the load balancer and is working with Venyu to ensure production servers are ready. Another Keynote performance test will be run in June prior to the next launch decision meeting.

D. PCG City Readiness Report

Pacific Consulting Group (PCG) conducted a readiness assessment for the City of Tacoma in early March which predated several recent and significant project activities. As of the date of this report, there are several uncompleted activities that we believe are critical to the successful implementation of FileLocal for Tacoma, including:

- Full and successful completion of end-to-end testing
- Resolution of all material defects identified in the Leviathan security review
- Successful completion of the Keynote performance test
- Successful bank testing
- Confirmation by Tacoma that their new business processes operate successfully with the new FileLocal system
- Successful completion of end user training

Until completion of the above activities can be confirmed, PCG do not recommend proceeding with the soft-launch for Tacoma.

E. End-to-End Testing Results

End to End PASS 3 testing ran for approximately 15 days. Bellevue, Seattle and Tacoma have finalized their web services development however; since they were not complete prior to or during PASS3 testing, full functionality could not be tested against each respective city's the business rules.

Although full end to end testing was impeded by web services the cities were able to execute between ~25%-53% of all test cases. There were no major system defects reported during testing, the critical and high defects identified have to do with business processes and are being addressed.

Seattle, Tacoma, and Bellevue have made progress in finalizing web service connections to FileLocal. SCS web services are now complete. While Seattle and Tacoma are finishing development of the PCS Renew GBL web service, all other PCS web service connections are complete.

F. City Readiness

This section presents a summary of findings related to the readiness of the city to move forward with FileLocal, including technology, people, contracts, and processes. This information was gathered during May 2015 in meetings with the individual task owners.

Milestone	Status	Comments
Launch Timeline		Launch date in question. Timeline being reevaluated as part of Go/No Go Decision
Contracts/Agreements		A meeting to review the draft SLA with Tacoma was held on May 8th. No substantive changes requested. Operations Support Plan, Help Desk and Problem Management plan need to be finalized before final signatures.
Technology		Progress has been made in finalizing Tacoma's web service connections to FileLocal. Not all of the issues have been resolved and Tacoma's technical team is continuing to setup, test and troubleshoot their PCS services. SCS webs services are now complete.
City Processing		Tacoma's use of a business analyst specifically for this body of work has been helpful. Tacoma will still be using manual processes with FileLocal.
Customer Service		Feedback from Tacoma on the Help Desk support plan has been received. The FileLocal team will review the feedback with eGov and report any update back to Tacoma. Customer Service is ready for launch in Tacoma.
Testing		Testing is in the red due to the delays with web services connections. No full test of system until interfaces have been completed.
Treasury		FileLocal has developed FAQ's specifically for Treasury staff and held meetings with KUBRA to ensure everyone understood the Paymentech relationship. The team's understanding is this is under control but we remain cautious.
Overall Rating		Great progress has been made but not enough to be at a go decision for Tacoma. Full end-to-end testing needs to be done once all interfaces are developed and tested.

For a more complete summary of city readiness, please see the City Readiness Checklist for Tacoma: https://mcbltp.box.com/s/98a4ear0y94wohk2blz6xq6g9x1agpos

5. Concerns

This section presents a summary of concerns related to moving forward with FileLocal.

A. **Testing is incomplete**: Not all of the required test cases were able to be tested during E2E P3 testing due to issues with the web services and critical/high defects.

B. **Timing**: Not all of the city code has been finalized and will need to be promoted to production according to the city release calendar.

C. **Implementation Plan**: The number of changes required to launch is high with more changes planned for subsequent launches. Additional testing windows and city participation is required with every new code release.

6. Results of Decision

This section presents the course of action from of making either a "Go" decision or a "No Go" decision to move forward with the city launch with FileLocal.

A. If the Executive Board makes a "Go" decision, the implementation project will proceed with the city launch with FileLocal as outlined in the Integrated Implementation Plan (see Appendix).

B. If the Executive Board make a "No Go" decision, the Executive Board will select from the following list of alternatives to set direction for the implementation project team.

The Executive Board should select all that apply from the following:

Launch scheduling:

- ☐ Request that Tacoma launch in the next quarterly release window on the cities' release calendar
- ☐ Request that Tacoma negotiate a special window on the cities' release calendar to launch

Testing:

- ☐ City launch is delayed until end-to-end testing with all data interchanges can be completed
- ☐ City launch is delayed until all critical and high defects are resolved
- ☐ Performance, banking & security testing complete

Development:

- ☐ CRs required to be completed for soft launch – all CRs incl. tax calculations
- ☐ High priority full launch CRs completed for July launch
- ☐ Remaining CRs to be completed post-launch

Number of Businesses:

- ☐ Small group of businesses, including only those doing business in Tacoma
- ☐ Small group of businesses, including some that do business in both Seattle and Tacoma
- ☐ All businesses that can use FileLocal

Training & Communications:

- ☐ Direct mailings, select businesses, taxpayer and city user quick start guides, first three training videos
- ☐ Commercial broadcasts, community events, training videos four through eight

7. Executive Board Decision

Question: Should the City of Tacoma move forward with their plans to launch with FileLocal in May 2015?

Municipality	Name	Answer
City of Bellevue	Jan Hawn	
City of Everett	Susy Haugen	
City of Seattle	Glen Lee	
City of Tacoma	Andrew Cherullo	

APPENDIX: SUPPORTING PROJECT DOCUMENTATION

1. Functional API Report – summary of full launch CR

Remaining Requirements
33% of Total Phase 1 Requirements Remain

Module	Phase 1 Full Launch	Phase 1 Post Launch	Primary Focus of Remaining Requirements
Accounts	14	14	Enhance experience for preparers, user can close a business, edit consolidation information
License	22	1	Everett GBL renewal, enhance printing options, expand upload and attachment options, support regulatory licenses
Tax	12	8	Enhance form setup, support uploading tax forms and attachments
Payments	0	2	Payments for regulatory licenses
Reporting	3	2	Analytics capability, additional views of Payment Batch Report
Communications	15	0	Client emails for preparers, configurable 'notification ribbon', additional email options, inter-city and eGov communications
Data Interchanges	3	2	Interface to DOR, support 2-way file attachments with city SOR
Help	12	1	Additional methods for SME to create/upload help articles and users to access help
Operations (inc. security)	16	0	Streamline flow for Seattle and Tacoma GBL renewal, security enhancements
General Usability	15	6	Additional ADA coverage, user can 'save' every page
Non-Functional	0	0	
Extendibility	1	0	Support processing and storage of additional file types, interface to new system types (e.g. IVR)
Total Remaining	**113**	**36**	
Total Remaining as % of Total	**16%**	**5%**	

2. End-to-End P3 Testing Summary Report: https://mcbltp.box.com/s/tptmofdqzed95smrs58l6tnd14udbi8i

3. City Readiness Checklist for Tacoma: https://mcbltp.box.com/s/98a4ear0y94wohk2blz6xq6g9x1agpos

4. FileLocal Integrated Implementation Plan: https://mcbltp.box.com/s/krtl0xayz8iq8g2hcj1tmb1w8idrmq7n