CITY OF CARSON

Legislation Text

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Report to Mayor and City Council
Monday, November 28, 2016
Discussion

SUBJECT:

CONSIDER AN AGREEMENT WITH TYLER TECHNOLOGIES, INC. FOR THE PURCHASE OF AN ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM (CITY COUNCIL)

I.   SUMMARY

Staff recommends purchase of Munis, a public sector specific Enterprise Resource Planning (ERP) System from Tyler Technologies, Inc. The proposed ERP system would replace IFAS used for Accounting, Purchasing, Inventory, Payroll and Human Resources; MaintStar used for Public Works work order management; HdL used for business license; Quadrant used for cash receipts; and Cheque Guard used by the City Treasurer for check disbursements. The proposed ERP system would also replace manual systems used for budgeting, fleet management, false alarms, permitting, and code enforcement. The City's current financial software, Integrated Finance and Administrative Solution (IFAS7i) is past its end of useful life, and in some cases no longer supported.

Munis is used by many other cities; and is expected to reduce the need for redundant input and data processes, increase efficiencies through the use of an integrated electronic workflow, improve access to business information, improve reporting capabilities, and streamline the City's business operations.

A Request for Proposal (RFP) process was conducted in 2014. A selection for recommendation was made in 2015. On November 9, 2015, the Technology Advancmenet and Innovation Commission was given an overview of Tyler Technologies' MUNIS system and sent a letter of support to the Mayor and City Council on January 25, 2016 (Exhibit No. 1). Contract negotiations have been completed to the City Attorney's satisfaction, with an exception noted later in this staff report regarding subcontractor indemnification. A budget appropriation of $360,135 was carried over from FY15-16 to FY16-17 for purchase of the ERP system. Staff is requesting additional appropriations totaling $285,000, to provide for expected FY16-17 disbursements of approximately $645,000.

II. RECOMMENDATION

1. APPROVE the proposed contract with Tyler Technologies, Inc.
2. ADOPT Resolution No. 16-150 to increase the budget in the Capital Asset Replacement Fund and General Fund (Exhibit No. 5).
3. DIRECT Staff to release a Request for Proposals for an implementation Project Manager.

III. ALTERNATIVES

TAKE another action deemed appropriated by City Council.

IV. BACKGROUND

Current System at End of Life

In 2013, the City was notified that SunGard would no longer support the software version IFAS7i; which the City upgraded in 2011 for some but not all functions. The upgrade was a two-year process that cost about $120,000. SunGard agreed to work with City staff to ensure a successful implementation of each module. Staff was provided a checklist to use for each module during testing of the new version. Each applicable department began parallel processing (testing of the new system compared to the current system to identify potential errors); which was a significant amount of work requiring manual processes and workarounds with each applicable department/division. The current IFAS7i does not have the Administrative Tools needed to perform our daily business operations.

Consideration of Current System Upgrade

Staff was tasked with researching the possibility of upgrading the finance system again with a newer version of IFAS7i, or replacing it with a new system. The cost of upgrading IFAS7i approximated $135,000 plus ongoing annual costs of $95,900 for maintenance and support. Several major issues with the current system and ancillary finance system were identified as follows.

- Workflow fails to operate correctly on a consistent basis, which causes delays when processing purchase requisitions and purchase orders.
- Report generation tools are not user friendly. Not all pre-existing reports where transferred from the previous version upgrade to IFAS7i.
- There is a fee for every upgrade (e.g. the $135,000 noted above); which some software vendors do not charge.
- The system does not provide statistics on database access rates by program, workstation, and time of day.
- The system does not allow end users to create ad-hoc reports quickly, with minimal technical knowledge.

- The system is not user friendly.
- The system does not provide information for system audit trails to identify:
  - Who has permission to use the system;
  - What permission level they have been granted;
  - When they have last used, and what they have done in the system;
  - What changes have been made to the data, when the changes were made, and who made the changes;
  - When users ID's have been added, who added or changed user ID's; and
  - What historical permissions were given.
- The system does not allow end users to email reports to other users with the ability to drill down to detailed information from the report based upon system permissions.
- The system does not allow end-users to email reports to non-users, who would not be able to drill down to the detail from the report.
- The system has working elements in the previous version that are not available in the newer version IFAS7i.
- Human Resource's pre-existing data was omitted during roll-over and subsequently lost. (e.g. emergency contact information, former employee data, etc.).
- Purchasing requisition descriptions do not align in IFAS7i.
- Training questions after implementation always incurred a fee.
- Many examples of new environment features did not cover the old features that would be lost.
- There was no way to save old data in a retrieval manner.
- Clean data cannot be extracted for analysis.
- Some payroll calculations and reporting must be done manually, as the system cannot accommodate federal, state, and local requirements.

As each department began testing the upgraded system, they encountered errors at every step. SunGard was unable to provide support to correct those errors timely; and scheduling staff time to perform testing became extremely difficult. When SunGard was able to assist and move our staff past a particular error in the testing environment, processes that were being tested were incorrect and didn't provide the same result as our current software. After several months of little progress, staff determined to not pursue additional upgrades with SunGard. The IFAS system is a dated product with base architecture that is no longer the industry standard.

Taking into consideration the cost to upgrade the system, the lack of SunGard's attention to the City, the lack of major improvements to the system, and the scope of work being similar to a new system implementation; staff believed it would not be in the best interest of the City to upgrade the IFAS7i system. With that determination, staff changed focus to begin looking for a replacement finance system, preferably an ERP system to be used by all departments.

Benefits of an ERP System

Our goal and objective is to replace the City's current 22-year-old financial system from

SunGard Public Sector with a fully integrated ERP application. An ERP system becomes an organization's management system, using a software application to incorporate all facets of the business. This includes automation and facilitation of the data-flow between critical back-office functions (e.g. general ledger, cash management, purchasing, inventory management, budgeting, human resources, payroll, etc.) with public service functions (e.g. business license, planning permits, code enforcement, and maintenance work order management).

The City's current financial system, IFAS7i, is not fully integrated with Cash Receipts, Cash Management, Business License, Permits, Planning, Code Enforcement and Fleet Management. This results in redundant data input, as well as reporting and data errors. Integration of an ERP system will reduce redundancy of data processes and increase efficiencies through the use of electronic workflow and self-service, including improved access to business information.

Following is a list of modules proposed in the ERP solution:
- Accounts Receivable
- Accounts Payable
- Budgeting
- General Ledger
- Cash Receipts
- Purchasing
- Human Resources
- Time and Attendance
- Payroll
- eProcurement
- Project Accounting
- Work Orders
- Fleet/Facilities Management
- Project & Grant Accounting
- Fixed Asset Accounting
- Business License/Tax
- False Alarm Tracking
- Employee Self Service
- Electronic Workflow
- Permitting
- Inspections/Planning
- Citizen Self Service
- Code Enforcement
- Inventory Management
- Fixed Assets
- General Billing
- Citizen Self Service
- Forms Processing

Request for Proposal Process

On September 18, 2014, the City released an RFP for an ERP system. The RFP listed key features and functions desired in order to improve the quality and quantity of services offered to the public, as well as internal management of the City's resources. While compiling the 'need analysis' - Systems Development Life Cycle (SDLC) (Exhibit No. 2) to include in the RFP, staff determined that many processes were being performed manually; outside of the City's software, as its operational use is limited in many areas. Staff is using spreadsheets and manual workarounds to complete their tasks. Inefficiencies and redundant/manual processes have been identified as the primary areas to be addressed by new software.

The Purchasing Division published RFP P14-09 for Enterprise Resource Planning (ERP) System that is Public Sector Specific. Four (4) responses were opened by the City Clerk's office on November 3, 2014 at 5:00 p.m.

BIDS RECEIVED:

Company	Bid Amount
HdL Companies	*Business License software only*
New World Systems	$1,373,070
Tyler Technologies, Inc. (MUNIS System)	$ 863,000
SunGard Public Sector	No Bid

Two (2) of the four (4) bids received (HdL Companies and SunGard Public Sector) were considered deficient and/or non-responsive. Therefore, staff proceeded to obtain product demonstrations from New World Systems and Tyler Technologies, Inc. Both companies conducted demonstrations at City Hall in April 2015. Surveys were sent to all staff in attendance. The Information Technology Manager reviewed all the surveys and found that 90% preferred Tyler Technologies, Inc.

It is staff's opinion that Tyler Technologies MUNIS system is the best ERP system investment for the City. When the ERP system is fully implemented, the City will no longer have the need for the following support and systems, with a total annual cost of approximately $150,420.

Abtech - HP Server Software & Hardware Maintenance Support	32,050
Bender Engineering - MaintStar - Public Works	7,850
Cheque Guard - City Treasurer	1,820
HDL - Business License Software Support	11,200
Quadrant - Cash Receipt System - City Treasurer	1,600
Sungard Public Sector IFAS- Software Maintenance & Support	95,900
Annual Costs to be replaced with ERP system	$150,420

Information from Other Cities using Munis

A list of 58 other California cities using Munis is included with this report (Exhibit No. 3). On February 25, 2016, sixteen (16) City staff members from the Finance, City Treasurer, Human Resources, Public Works Department and Information Technology visited the City of Culver City. Culver City has been using the MUNIS system for three (3) years and has realized significant benefits as follows.

- The ability to delivering accurate reports and information to council and other public agencies.
- The ability to access data, graphs and charts integrated within the system.
- Saved time and increased efficiency.
- Elimination of duplicate data entry, thereby reducing errors.
- Less paper and supplies are used.
- Web-based benefit enrollment has been expanded to new hires.
- All employees can make benefit changes through the Web portal during open enrollment.
- Better and faster assistance for their citizens (Web Portal).
- The use of document imaging to tie images of source documents to detailed transaction history.

Staff also learned about Culver City's implementation pitfalls. A primary drawback was the staff time dedicated to the project. The consequences were delays on implementation of the system. Culver City staff strongly recommended that each department dedicate a staff member that is knowledgeable of their department business processes, to be involved in the implementation process and prepared to invest many hours of overtime. In addition to the Culver City site visit, staff had discussions with staff from the cities of Pasadena, Redondo Beach, and Beverly Hills. The general consensus is the Tyler Munis system is a powerful tool; but necessary resources must be dedicated and care must be exercised to ensure a successful implementation.

- Staff members who are considered subject matter experts must be able to dedicate time to implementation and training, yet facilitate their existing workload. Either these staff members will need to work a considerable amount of overtime, or temporary staff must be hired to perform some of the existing routine tasks, or work must be deferred. The likely solution will be a balanced combination of all three. Overtime and temporary staff will require additional funding.
- To take advantage of the new system's capabilities, many City business processes will change. In order to make those changes, the Municipal Code, various City Council Policies, and various Administrative Policies will need to be updated. Updates take time to thoroughly vet, write, and prepare reports to City Council. Municipal Code amendments will require City Attorney time.
- To stay on task, and hold Tyler accountable for all deliverables, the City must dedicate a project manager to the implementation. This project manager must have both project management and ERP system expertise to be successful. We have not

identified anyone on City staff who can serve as the project manager and abandon their normal duties for 2-3 years. Therefore, staff recommends the City prepare an RFP for a professional project manager, which will require additional funding.

In summary, the City cannot expect to simply write a check for the purchase of the software and expect the system to be ready for immediate use. Lessons learned from Culver City, Redondo Beach, Pasadena, and Beverly Hills, as well as the City's own history of system implementations, indicate that resources must be dedicated to the implementation or it will not be successful and/or complete.

Proposed Contract for Tyler Technologies, Inc.

The initial term of the contract will end 6 years after Tyler makes the software available to the City for downloading. After the initial term, the City has the option of renewing the contract on the same terms and conditions for another 6-year term, and them for 2-year terms after that. The total not-to-exceed amount for the software purchase and initial term, including maintenance and support, is $1,032,627. Approximately $750,000 of this amount is for one-time fees that would not be carried into subsequent terms. After the software is purchased and implemented, the only remaining costs are for maintenance and support. The City has negotiated caps on the annual increase of maintenance and support costs during the initial term to control costs.

	Contract
Tyler Software License	$ 299,666
Data Conversion	84,550
Other Services, including reports/forms library	84,450
Tyler Implementation	183,300
3rd Party Hardware, Software, Services (cashiering)	4,022
Tyler Travel Expenses (not to exceed)	95,400
Annual Maintenance – Year 1 ($64,216, waived)	-
Annual Maintenance – Year 2	66,550
Annual Maintenance – Year 3	68,547
Annual Maintenance – Year 4	71,289
Annual Maintenance – Year 5	74,853
Totals	**$1,032,627**

Although most contract issues were satisfactorily resolved through negotiations with Tyler, the City Attorney's office still has some concerns about certain provisions of the Agreement. The typical contract recommended by the City Attorney's Office requires express assurances and indemnification for the work of all subcontractors. This contract has all the usual references to subcontractors deleted. Instead, the contract provides that any proposed future use of subcontractors by Tyler will prospectively require both the express written approval of the City, as well as the City to be indemnified for the work of the subcontractor.

Another subcontractor issue is the current contract in Exhibit No. 4 contains an End User License Agreement with a company named "Of Software Ltd." for Tyler's use of third party software. The License Agreement disclaims warranties and liability from "Of Software Ltd."

The software is a document rendering functionality embedded in the Tyler Forms Processing module named "DocOrigin." The services provided by Tyler require the use of this type of software, which Tyler is providing through this subcontractor. Tyler will not provide express assurances or general indemnification to the City for this software. Tyler will not expressly assure the City that if there are defects in the third party software that a functional equivalent will be provided. Instead, Tyler claims that the general contract which warrants Tyler's overall services is sufficient assurance. Rather than general indemnification, Tyler offers to the City a "pass through" of only the intellectual property indemnification the software company provides to Tyler. The terms of that indemnification are unclear. Tyler provides no other indemnification for this software.

If the City experiences any issues or problems with Tyler's subcontractor "Of Software Ltd." and the third party software program "DocOrigin," the City will be limited to seeking redress from Tyler (and not the third party) through the unclear indemnification agreement Tyler has with its subcontractor and the general terms of the contract between the City and Tyler. Those general terms include provision by Tyler of the entire suite of software services detailed in the contract (which includes the functionality provided by the "DocOrigin" software), a warranty that Tyler will perform these services to the highest professional standards, and indemnification for all Tyler work, operations, and activities.

Tyler's representatives have reiterated to the City that the "DocOrigin" software is used in practically every Tyler contract. As a result, Tyler asserts it is motivated to both protect its interests as it relates to the use of such software, particularly the impacts of any third party intellectual property claims, as well as to ensure Tyler's ability to continue to provide such functionality to its client base should the "DocOrigin" software no longer be able to meet Tyler's needs for its Tyler Forms Software.

Timing of Implementation

Implementation for the following functional areas and each of the modules related to the functional areas has been divided into the following major phases. This timeline is an estimate, and subject to change.

Phase 1
Start Date: January 2017
Go-Live Date: October 2017 or as defined in the Project Plan
Functional Areas: Core Financials

- Accounting General Ledger
- Cash Management
- Project & Grant Accounting
- Budgeting
- Requisitions
- Purchase Orders
- eProcurement
- Accounts Payable
- Accounts Receivable
- General Billing
- CAFR Statement Builder
- Fixed Assets

- Tyler Cashiering

System Wide
- Tyler Reporting Services
- Tyler Forms Processing
- Munis Office
- Role Tailored Dashboard
- Tyler Content Manager SE

Phase 2
Start Date: July 2017 or as defined in the Project Plan
Go-Live Date: April 2018 or as defined in the Project Plan
Functional Areas: Core Human Resources/Payroll
- Payroll w/Employee Self Service
- HR Management

Phase 3
Start Date: January 2018 or as defined in the Project Plan
Go-Live Date: October 2018 or as defined in the Project Plan
Functional Areas: Community Development/Revenues
- Permits and Code Enforcement
- Business License
- Central Property
- Citizen Self Service

Phase 4
Start Date: July 2018 or as defined in the Project Plan
Go-Live Date: January 2019 or as defined in the Project Plan
Functional Areas: Work Orders
- Work Orders, Fleet & Facilities Management
- Inventory

V. FISCAL IMPACT

The total contract price for Munis is $1,032,627. In addition, the City will need to purchase hardware to host the system in-house. As noted above, staff expects overtime and temporary help will be necessary for a successful implementation. Finally, staff plans to return to City Council with a contract recommendation for a Project Manager. At this time, the estimated cost of the Project Manager is $300,000, with $60,000 to spent in FY16-17.

	FY16-17	Future Periods	Total
Tyler Contract	$ 504,000	$ 528,627	$1,032,627
Hardware	41,000	-	41,000
Overtime/Temp Help	40,000	120,000	160,000
Project Manager	60,000	240,000	300,000
Totals Quantified	**$ 645,000**	**$ 888,627**	**$1,533,627**
Appropriation carried over from FY15-16	360,135		
Approximate Budget Amendment Needed	$ 284,865		

The FY16-17 budget already includes $360,135 carried over from FY15-16 for Phase I of the implementation. Based on the estimates of FY16-17 disbursements noted above, staff requests a total budget amendment of $285,000, as follows.

Capital Asset Replacement Fund	$ 185,000
General Fund (overtime/temp + project mgr)	100,000
Total Budget Amendment Requested	**$ 285,000**

The Capital Asset Replacement Fund has an estimated ending fund balance of $953,856 at June 30, 2017.

The Unassigned General Fund Balance is estimated to be $2,277,652 at June 30, 2017, as shown in the General Fund Budget Summary (Exhibit No. 6).

VI. EXHIBITS

1. Letter of Support - Technology Advancement & Innovation Commission. (pg. 11)

2. Systems Development Life Cycle (SDLC). (pgs. 12 - 28)

3. List of Cities using MUNIS. (pg. 29)

4. Proposed Tyler Technologies, Inc. Contract. (pgs. 30 - 168)

5. Resolution No. 2016-150, amending the FY16-17 General Fund budget (pgs. 169 - 170)

6. General Fund Budget Summary - Fiscal Year 2016-17 (pgs. 171)

Prepared by: Robert Eggleston, Information Technology Manager; Kathryn Downs, Director of Finance; and Brian Wright-Bushman, City Attorney's Office