



Legislation Text

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AUTHORIZATION TO ENTER INTO A SERVICE AGREEMENT WITH TYLER TECHNOLOGIES, INC., FOR ENTERPRISE RESOURCE PLANNING (ERP) SOFTWARE

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Purpose and Recommended Action

This is a request for the City Council to authorize the City Manager to enter into a service agreement with Tyler Technologies, Inc., (Tyler) for ERP software. This is also a request for Council to approve the expenditure of funds in a not to exceed amount of \$5,393,600 which includes \$1,257,000 for one-time implementation costs and \$4,136,600 in Software-as-a-Service (SaaS) Fees for the first five years of the agreement. The initial term of the service agreement is five (5) years and the agreement also contains the option to extend the agreement for an additional five (5) years in one (1) year increments; however, any extension of the agreement beyond the first five-year period will require future Council approval because it would bring the total dollar amount of the agreement above the not-to-exceed amount.

Background

Since 1995, the city has been using PeopleSoft's Human Capital Management (HCM) and Supply Chain Management (SCM) Financials ERP solutions. In the HCM system, the city has implemented the Core Human Resources, Payroll for North America, and Time and Labor modules. In the PeopleSoft SCM/Financials, the city has implemented Purchasing, Accounts Payable and General Ledger. The city is considering replacing PeopleSoft with a software solution that is mid-range in terms of complexity (Tier 2), less demanding to implement and maintain, and smaller in size but robust and agile enough to fit the city's needs.

On January 2016, the city issued a request for proposals (RFP) for a consultant to provide services related to the procurement of a new ERP system and, optionally, to manage the implementation of the resulting ERP application. BerryDunn was selected as the top vendor for these services and BerryDunn and the city began the ERP System Selection Project in July 2016.

The focus of the ERP System Selection Project has been to identify, define, evaluate and plan for the replacement of the existing system software and for any other relevant applications that support related business processes. The city assessed the current environment and conducted a comprehensive evaluation of the various applications currently in use throughout the city, examined the city's business needs and considered best practices in municipal agencies to determine the requirements and desired functionality for the future system.

Analysis

On November 2016, the city issued an RFP for ERP software and implementation services to replace

PeopleSoft. The city received three responses to the RFP and those proposals were evaluated by a team comprised of employees from the Human Resources, Budget and Finance, and Innovation and Technology Department. As part of the evaluation process, the top three vendors were invited to demonstrate their software products. Each vendor was provided the same script that included scenarios for each functional area of the project and discussion items related to technical and implementation considerations. Employees from throughout the city participated in the demonstrations and provided their input to the evaluation team.

For the top two vendors, the city completed web-conference sessions to complete and in-depth view of the software's functionality; made written inquiries to the vendors to clarify statements and receive Best and Final Offer (BAFO) pricing; and performed reference checks and/or site visits to current users of these software systems.

The team scored Tyler's Munis ERP (Munis) software highest based upon the cumulative results of the evaluation process. Tyler is a leading provider of information management solutions and services to local governments. Tyler's business units have provided software and services to local governments for more than forty years.

Munis is an ERP solution designed specifically for governments and schools that is continually enhanced through an upgrade process. Munis will provide the city with a highly functional end-to-end Finance, Payroll, and Human Resources system that has been successfully implemented by many similar organizations nationwide and several local cities in the Phoenix area.

If this item is approved, the city would begin implementing Munis Financials, Human Capital Management and Payroll modules. The modules are fully integrated and allow users to consolidate budget, accounting, payables, payroll, human resources, and project accounting in one software application. This will create efficiencies by decreasing the use of duplicate data entry and disparate systems. The modules seamlessly share information in real-time, allowing users to follow the trail of transactions throughout the system.

The Financials module is designed to streamline the management of critical financial processes throughout the organization. In the Financials module, the city would be implementing General Ledger, CAFR Statement Builder, Fixed Assets, Budgeting, Project and Grant Accounting, Purchasing, Bid Management, Contract Management, Procurement, Vendor Self-Service, Accounts Payable, Employee Expense Reimbursement, and Purchasing Card Reconciliation.

The Human Capital Management and Payroll module integrates all the tools and processes associated with people and performance. In the Human Capital Management and Payroll Module, the city would be implementing Payroll, Time Entry, Applicant Tracking, Human Resources and Talent Management, Recruiting, Risk Management, and Employee Self-Service.

The service agreement is a SaaS (Cloud) deployment, where 100% of the software, system and infrastructure, upgrade, and maintenance is handled by Tyler including 24/7 disaster recovery services. Full implementation is scheduled to be completed within 18 months of the project kick-off.

Previous Related Council Action

On May 2, 2017 staff provided the City Council with follow-up information on the ERP project during the Budget Workshop.

On April 18, 2017, staff provided the City Council with additional information on the Enterprise Resource Planning (ERP) system selection project.

On March 21, 2017, Staff presented to City Council an update the ERP System Selection Project.

On June 28, 2016, the City Council approved an agreement with BerryDunn for ERP selection and implementation consulting services.

Community Benefit/Public Involvement

A fully integrated ERP solution will streamline business processes, increase efficiency and productivity, improve reporting capabilities, improve compliance with regulatory requirements, increase transparency, and improve customer service. The SaaS deployment model will result in the product being continually updated with the latest technology and eliminate the need to upgrade the software in the future.

Budget and Financial Impacts

The contract not to exceed amount for the first five years of the agreement is \$5,393,600 (\$1,257,000 one-time implementation cost and \$4,136,600 SaaS Fees for five years).

The SaaS fees for the first five years of the agreement are as follows: Year 1: \$143,248; Year 2: \$998,338; Year 3: \$998,338; Year 4: \$998,338; Year 5: \$998,338. For year 6, Tyler will limit the increase to the annual SaaS fees payable to five percent (5%). Tyler will not increase the annual SaaS fees payable for Years 7 and 8. Rates in effect after year 8 shall be based on Tyler's then current rates.

The one-time implementation cost and annual SaaS fees will be allocated to the General Fund, Transportation, Water and Sewer, Landfill, and Sanitation. Expenditures in subsequent years will be dependent on available appropriation.

Cost	Fund-Department-Account
\$2,398,586	2593-72000-550900, Software-Capital
\$2,995,014	2591-18402-522700, Software Maintenance

Capital Expense? Yes

Budgeted? Yes

Requesting Budget or Appropriation Transfer? No

If yes, where will the transfer be taken from?