



STAFF REPORT
9/14/2022

TO: Honorable Mayor and City Council Members

FROM: Nathan Statham, Finance Director

SUBJECT: Resolution No. 2022-86 authorizing the purchase and implementation of a new enterprise resource planning system.

STAFF RECOMMENDATION:

Approve Resolution No. 2022-84 authorizing the purchase and implementation of a new enterprise resource planning system and appropriate a total project budget not to exceed \$1,380,000.

BACKGROUND:

The City currently utilizes Tyler Technologies, Inc. (Tyler)'s Eden product as a full ERP. The system was implemented in 2002 and is not fully capable of handling the City's increased system needs. The Current system is employed for financial reporting, business licenses, building permits, payroll, vendor and procurement tracking, utility billing and human resources (partial). In late 2021 the City was made aware that Tyler was planning on phasing out the Eden system due to obsolescence. In February of 2022 the City was notified that a sunset date of March 1, 2027 had been implemented.

Given that a full ERP system implementation is likely to exceed 2 years from initial planning to go-live, City staff began evaluating options in December of 2021 to determine a path forward. Based on a fiscal analysis and reviews of other available products, it was determined that the most equitable approach for the City would be to move from Tyler Eden to Tyler Munis, Tyler's current product. City staff sat through demos for the utility billing, financial, permitting and HR/payroll modules in December of 2022.

DISCUSSION/ANALYSIS:

Implementing a new ERP system will be a monumental undertaking for the City. The ERP system cost does not represent the full cost of implementation. The project budget below outlines areas where additional direct costs will be incurred. In addition to this, Council will see delays in other City activities as the implementation progresses. This new system will add significant new functionality in multiple areas as outlined below. All City departments and a significant number of City staff will be involved in setting up, implementing and learning the new system.

New system enhancements:

Some of the included new system enhancements in addition to a more modern and capable platform are listed below:

- Fully functional permitting system - The City currently inputs permit charges in the system, but workflow tracking is done outside of the system manually with paper files. The new system will allow residents to submit, track, edit and pay for permits all from an externally accessible user account interface.
- Fully functional business license, cannabis and TOT tax payment portal – The City currently asks businesses to fill out PDF or paper tax returns and submit them in person or via email. There is no error checking for correct inputs and the business is unable to track the status of their returns or payments. The new system will have fully integrated business user functionality allowing for input, tracking and payment of all City taxes and payments.
- Project and grant accounting – projects and grants are currently tracked through account coding and getting a real time project or grant balance is a manual process prone to errors. The new system will have a fully integrated project and grant accounting component.
- Paperless functionality – Currently departments retain varying levels of paper records. Digital records are stored in separate file systems outside of the current ERP system. This adds time for looking up the records. The new system will have full in-system document retention functionality. Scanned records will be accessible directly from all components of the system.

Procurement process:

Tyler is an industry leading municipal software provider with clients in the 2,000 municipality range. There are very few alternative providers in this space and the number one consideration identified by staff was a fully integrated ERP product. Many vendors in the municipal software space sub out to other software providers for specific modules. City staff evaluated other software products and Tyler was the one product that covered the City's needs.

This item was not competitively evaluated given following benefits of continuing service with Tyler:

- The City currently employs Tyler Cashiering at a cost of \$29,000. Utilizing another provider would require the City purchase and train customer service staff in the utilization of the new system. Tyler Cashiering would seamlessly transition to the new Tyler product.
- License fees are not being charged for product modules that the City has already paid license fees for. Total savings from license fee removals is \$274,000.
- Currently the City uses Executime for time and attendance tracking, this product is integrated with Tyler, the City would potentially need to purchase a new time and attendance system with related hardware if another vendor were utilized.
- Since this is a Tyler to Tyler product, the City will be able to keep the current system running concurrent with the existing system without paying annual maintenance fees for both systems.

The summary quoted system cost from Tyler Munis is shown below:

Summary	One Time Fees	Recurring Fees
Total Tyler License Fees	\$ 268,806.00	\$ 101,692.00
Total SaaS	\$ 0.00	\$ 95,144.00
Total Tyler Services	\$ 677,775.00	\$ 13,500.00
Total Third-Party Hardware, Software, Services	\$ 2,363.00	\$ 0.00
Summary Total	\$ 948,944.00	\$ 210,336.00
Contract Total	\$ 1,145,780.00	
Estimated Travel Expenses excl in Contract		
Total	\$ 38,360.00	

Project budget:

The below project budget will vary by category as the implementation process progresses. Costs incurred in some categories will offset other categories e.g. specialized consultants could be engaged for utility billing or City staff could handle the tasks utilizing more overtime. The optimal mix will depend on the circumstances in play at the particular stage of the project.

System implementation	\$948,944
Annual fee (1 st year)	\$210,336
Project manager	\$39,400
Additional training	\$12,000
Specialized consultant staff	\$46,300
Staff over-time (1,500 hours)	\$84,660
Travel expense (Tyler team)	\$38,360
Total project budget	\$1,380,000

Anticipated implementation timeline:

The primary installation module is the financial module since all other modules build into the established chart of account structure in the financial module. The City's current chart of accounts contain inconsistencies incorporated over the years. The initial project push will be to update the current chart of accounts in the Eden system to transition to the new system. It will greatly simplify the transition to start on the first day of a fiscal year which is anticipated in the implementation timeline below.

This outline is a big picture outline of the project implementation. Concurrent implementations are anticipated in the permit and human resources modules. If staffing levels preclude concurrent implementation the total project implementation time line will be extended.

<u>Mile Stone</u>	<u>Anticipated Completion Window</u>
Contract finalization and approval	By December 2022
Update to chart of accounts	Jan 1, 2023 – June 30, 2023
New system setup	July 1, 2023 – June 30, 2024
Go live for financial system	July 1, 2024

Go live Permit module	Sept 30, 2024
Go live human resources module	Sept 30, 2024
Go live project and grant management	Dec 31, 2024

FISCAL IMPACT:

The project is not expected to exceed \$1,380,000. Funding sources for this project are:

- \$531,200 from the general fund with cost allocations of approximately \$149,400 from the water and \$149,400 from the sewer funds respectively.
- \$550,000 from ARPA funds.

The City currently has \$550,000 in ARPA funds earmarked for this project and has assigned fund balance in the general fund of \$600,000. The proposed funding would un-assign \$68,800 to be applied toward unassigned reserves.

This action appropriates \$531,200 in the general fund (101), \$149,400 in the water fund (178), \$149,400 in the sewer fund (361) and \$550,000 in the grants fund (152) and approves transfers between respective funds to facilitate project funding.

ALTERNATIVES:

1. Approve Resolution No. 2022-86 authorizing the purchase and implementation of a new ERP system.
2. Not move forward with the purchase and implementation of a new ERP system at this time.

ATTACHMENTS

Resolution 2022-86