



## AGENDA REPORT SUMMARY

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**Meeting Date:** June 28, 2022

**Subject:** Authorize the purchase of a cloud-based Enterprise Resource Planner (ERP) from Tyler Technologies, Inc.

**Prepared by:** John Furtado, Finance Director

**Approved by:** Gabriel Engeland, City Manager

**Attachment(s):**

1 – Cost Proposal Tyler Technology

2 – Scope of Work Document

**Initiated by:**

Staff

**Previous Council Consideration:**

None

**Fiscal Impact:**

The total contract amount for Council approval is \$347,002, plus an additional annual maintenance fee of \$99,436. The implementation funds will come from the Information Technology Fund which was funded with \$350,000 of ARPA funding. The Annual Maintenance fees will be covered by the elimination of currently used ERP and Payroll processing systems.

**Environmental Review:**

Not applicable

**Policy Question(s) for Council Consideration:**

- Does the Council wish to Approve the implantation of a new ERP system?

**Summary:**

- The City currently uses several nonintegrated systems for Financial Management, such as Financial Enterprise for Accounting, ADP for Payroll, and Excel worksheets for budgeting, these multiple systems cause information flow delays and data that is not always reliable, besides the above the current financial system is antiquated and lacks proper technical support, thus making the financial management of the city challenging.
- The Financial Commission reviewed the proposal at their June 20<sup>th</sup> meeting and unanimously voted to recommend that the city council approve the purchase of the new ERP system.

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**Reviewed By:**

City Manager

GE

City Attorney

JH

Finance Director

JE

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**Staff Recommendation:**

In accordance with The City of Los Altos Purchasing Policy "Cooperative Purchasing Programs," authorize the purchase of a Cloud-Based Enterprise Resource Planner (ERP) from Tyler Technologies, Inc., a Delaware corporation, pursuant to the Cooperative Purchasing Contract, for an initial amount of \$347,002, and \$99,436 annually thereafter for an initial term of five years and a total of \$8,44,182, inclusive of annual maintenance over the five-year term.

**Purpose**

To Authorize the Purchase of a new ERP System.

**Background**

The City of Los Altos had been using a financial system named IFIS from SunGard for many years, this firm was acquired by Superior who recommended an upgrade to Finance Enterprise in 2019. This system acts as the cities accounting system, while payroll is processed in ADP and Budgets are produced using excel. Since the City started using these systems (IFIS & Finance Enterprise), the companies owning these systems and providing support to City staff have been subject to several mergers and acquisitions of various companies, from Sungard, to Superior, to the City's current vendor Central Square.

It has become increasingly obvious that Central Square does not have the staff or capability to successfully upgrade the City's current operating systems in ways the City now requires. These systems are also unable to support the features that the City is pursuing. There are several cities that are replacing the above systems with Tyler Technologies.

It is staff's recommendation to move its operating platform to an online / Cloud-based presence where the City can better serve the internal departments as well as regulatory and other agencies that require timely reporting.

Additionally, the city currently uses ADP to process time management, HR and Payroll functions these systems are not integrated to the Financial system dues creating a lot of additional work and reconciliations between the systems, to compound the problems, budgets are developed in excel and are highly susceptible to errors.

Based on these facts, staff recommends the City invest in an Enterprise Resource Planner (ERP). In light of the Cybersecurity and Ransomware concerns, it is further recommended the City invest in a cloud based system that is centrally located, securely accessible, and has a history of demonstrated success.



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An ERP is business process management software that allows the City to use a system of integrated applications to manage all of its internal and external business functions and operations and to automate many back-office functions related to technology, services, and development. ERP software will allow the City to integrate many facets of its operations

On November 30, 2021, staff recommended the City Council program funding for a multi-year project to develop and implement a new ERP system for the City, with an estimated cost of \$350,000. The recommended budget of \$350,000, was approved and included in the 2022/2023 Fiscal Year Information Technology Fund budget.

### **Discussion/Analysis**

The City's Finance Department reviewed and requested demonstrations of various financial systems review the various ERP systems used by other public agencies and decided to bring forward a citywide demonstration with Tyler Technologies for Tyler Munis. On December 6<sup>th</sup> Stakeholders from all departments were invited to review the ERP system demonstration, staff had many questions that were satisfactorily answered by the vendor's presenters.

On April 7<sup>th</sup> the Subcommittee of the Financial commission were invited a demonstration of Tyler Munis, The Subcommittee members had many questions and concerns that were addressed during that meeting and a verbal report was presented to the full Financial Commission at their April 25<sup>th</sup> meeting.

Staff investigated with other agencies to determine which vendors those agencies selected for their ERP system, and the process used to make their selection. It was through this effort that staff found the vast majority of public agencies moving to a new ERP system had selected Tyler Technologies, Inc., (Tyler). Tyler provides integrated information management solutions and services for the public sector with a focus on local governments in the United States. Munis, Tyler's government financial management product, includes modules for financial management, capital projects, purchase orders and contract tracking, procurement, budgeting, human resources, and Payroll functionality with state and Federal reporting out of the box.

The company was founded in 1966 and is headquartered in Plano, Texas and is the largest software company in the nation solely focused on providing software and technology services to public sector agencies including cities, counties, states, and school districts. Tyler's software is widely used by other cities within California, including Pleasanton, Walnut Creek, Benicia, Rohnert Park, Hayward, Santa Barbara, Victorville, Covina, Davis, Encinitas, Redding, Lakewood, Oxnard, Simi Valley, Rancho Mirage, Santa Monica, Pasadena, Temecula, and many others.

Pursuant to the provisions of the cities purchasing policy, the City Council may authorize the acquisition of the ERP system through a joint power or other cooperative purchasing programs. The City's Finance Director as worked with the Assistant City Manager and risk manager and reviewed the request and concurs that leveraging the purchasing power and extensive evaluation of the national Sourcewell cooperative contract 10515-TTI with Tyler complies with the City's



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procurement requirements. Combined with the additional due diligence performed by Staff, utilization of the Sourcewell cooperative contract would likely be less expensive and more efficient than what we could obtain independently.

Employing the Sourcewell Cooperative Contract allowed staff to formally evaluate Tyler's products. Many City staff were requested to assess Tyler's Munis Finance System, to verify these operating systems will provide the service and support they require. The evaluation included the IT Division.

The proposed Tyler Munis system will displace existing software packages that create data silos, with a shared program with a single pane of glass view into the operation. This will allow the City to utilize the combined departmental resources to make decisions based on real-time data. The proposed Tyler software will replace existing software programs used by Finance and all the other city departments.

In addition to various databases and spreadsheets, the following software programs will be replaced by the ERP: Financial Enterprise (Finance), ADP (Payroll), E-Tools (CALPERS reporting), and Consultants to prepare regulatory reports on payroll, CAPERS, and state (Finance).