



**BUSINESS OF THE CITY COUNCIL  
CITY OF MERCER ISLAND**

**AB 6287  
June 20, 2023  
Study Session**

**AGENDA BILL INFORMATION**

<b>TITLE:</b>	AB 6287: Financial Management Software Implementation Update	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
<b>RECOMMENDED ACTION:</b>	Receive report; no action necessary.	

<b>DEPARTMENT:</b>	Finance
<b>STAFF:</b>	Matt Mornick, Finance Director Gracie Liu, Financial Systems Analyst Ben Schumacher, Financial Analyst Jennifer Peterson, Accounting Specialist
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	n/a
<b>CITY COUNCIL PRIORITY:</b>	4. Focus efforts and actions to be an environmentally and fiscally sustainable, connected, and diverse community.

<b>AMOUNT OF EXPENDITURE</b>	\$ n/a
<b>AMOUNT BUDGETED</b>	\$ n/a
<b>APPROPRIATION REQUIRED</b>	\$ n/a

**EXECUTIVE SUMMARY**

This agenda bill provides an update to the City Council on efforts to replace the City’s financial management software system. Specifically, the remaining timeline for this multiyear project, implementation goals, and anticipated efficiencies resulting from modern and integrated financial management software.

- At the February 1, 2022, City Council meeting staff presented an organizational needs assessment, the request for proposals (RFP), and vetting process used for a new enterprise-wide financial management software. Staff recommended Tyler Technologies to replace OneSolution, answered Council’s questions, and discussed next steps to negotiate a vendor agreement (see [AB 6007](#)).
- On March 1, 2022, the City Council appropriated financial resources to fund the new financial management software referred to as Enterprise ERP (see [AB 6031](#)), formerly known as Tyler Munis.
- In September 2022, the City entered into a professional service agreement with Tyler Technologies. The phased software implementation began in November 2022.

Seven months into the project, implementation efforts are on track. Core financials including the General Ledger, Budget, Purchasing, and Accounts Payable software modules are scheduled to go live in Q1 2024, with additional modules scheduled to go live in Q4 2024 (e.g., web-based business and occupation (B&O) tax collection module).

## BACKGROUND

### Project Origin

In the 2021-2022 biennial budget work plan, staff identified the need to replace or upgrade the City's financial management software system. OneSolution – the current financial management software system – was purchased by the City in 1997. The version currently in use was last updated in 2009. Although still functional, the current software does not integrate with other software used in the City, requires significant manual data entry, and is no longer supported by the current owner, Central Square.

Due to the availability and quality of other public sector financial management systems, the significant costs associated with upgrading the existing software, and risk and efficiency concerns inherent in the current systems that are not integrated, staff pursued an open competitive process.

In March 2021, staff completed an organization needs assessment that served as the basis for an RFP process to upgrade or replace the City's current financial management software (see [AB 6007](#)). The City issued RFP #21-37 in early August 2021. The RFP incorporated best practices outlined by Government Finance Officers Association (GFOA) to encourage complete and comparable responses from different software vendors.

The RFP cited over 1,300 functional and technical requirements based on the Needs Assessment in conjunction with input from staff from every City department. In September, three responses to the RFP were received from Central Square, Tyler Technologies, Inc., and Rock-Solid ERP.

An interdepartmental evaluation team reviewed the RFP responses based on the vendors proposed solution functionality, corporate experience, project plan/implementation schedule, staffing and organization, and overall cost. After in-depth scripted software demonstrations, rounds of follow-up discussion, and reference calls to peer cities, Tyler Technologies emerged as the recommended vendor.

On March 1, 2022, the City Council appropriated financial resources to acquire and implement new financial management software referred to as Enterprise ERP (see [AB 6031](#)), formerly known as Tyler Munis. In May 2022, the City successfully recruited for and filled the newly created Financial Systems Analyst position, the person responsible for overseeing the software implementation project and the successful maintenance and ongoing use of the new financial management software.

After negotiating the suite of software modules and associated terms and conditions in the contract, the City entered into an agreement with Tyler Technologies Inc. in September 2022. The phased software implementation began late November 2022, following the conclusion of the 2023-2024 biennial budget process.

In February 2023, staff recruited for and filled a limited-term accounting position in the Finance Department. The position has onboarded and absorbed a suite of responsibilities to support the City's day-to-day financial operations while members of the core project team – including five staff from the Finance Department – commit significant time to the new financial management software implementation project.

### Software Module Implementation

Work to fully configure and deploy Enterprise ERP entails grouping together software modules or core business processes being phased into production on the new system while progressively going live with additional modules as the implementation progresses and a foundation has been established.

The phased approach is common among local governments of similar size and project scope. This typically involves going live on core financials including the General Ledger, Budget, Purchasing, and Accounts Payable first, followed by other modules including software to process payments for City services and a module to construct a web-based portal to collect B&O taxes. Timing for the phased implementation is outlined below.

IMPLEMENTATION PHASE	2022			2023												2024												
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
1 - Core Financials																												
1A - Tyler Payments																												
2 - Web-based B&O Tax Collection																												

## ISSUE/DISCUSSION

### Enterprise ERP System Modules

Enterprise ERP is made up of different software subsystems – referred to as modules – designed to work together and facilitate different tasks associated with managing the City’s day-to-day finances.

In total, the project team will work to configure, deploy, and train City staff to use 16 different software modules: 14 in Phase 1 that make-up core financials and system-wide modules to manage all documents and forms as well as power data analytics and financial reporting. In Phase 1A, one module will be rolled out to accept payments both online and over the counter for bills, fees, and service payments. The final project phase, Phase 2, includes developing a customized module that powers a web-based platform to accept business and occupation (B&O) tax payments, replacing the current manual paper-based equivalent.

In general, to complete each project phase the project team works through four stages.

1. **Current & Future State Analysis.** The project team first establishes a high-level understanding of each module’s capabilities. Staff then evaluate options for working in the new software, current business processes, and how business workflows can be improved upon in the new software.
2. **Module Configuration & Refinement.** The software vendor and the project team install each software module on the City’s servers. The module is tested, then iteratively refined based on the desired setup and workflow outcomes.
3. **Data Conversion.** The purpose of this task is to transition the City’s financial data from legacy systems to Enterprise ERP. The data is first mapped from the legacy system into the new format, then reconciled and transferred to Enterprise ERP.
4. **System Validation.** Once installed, configured, and populated with verified data, each software module is tested and approved to ensure it is working as expected.

### Foundational Project Components

Most of these software modules are powered by a standard exchange to share common data within the Enterprise ERP system and with third-party software used elsewhere in the City. For example, the City uses distinct software tools to manage customer information and transactions related to parks and recreation programs and events, development and construction permits, utility billing, and court fees, to name a few.

In total, the City uses 16 different third-party software systems. To varying degrees, each third-party system requires developing an interface to exchange information on a daily basis with Enterprise ERP. This is a core

component of the overall project and will result in new efficiencies, quicker analyses, and service improvements to the public.

In addition to software interfaces, establishing a system to manage user permissions and information access, a comprehensive training plan to equip staff to make full use of the new software tools, and an updated Chart of Accounts (COA) are all foundational components to the project's overall success.

Put simply, the COA is the map staff use to track every unique City revenue, expenditure, asset, and liability overtime. Guided by the Washington State Budgeting, Accounting, and Reporting System (BARS) and the rules that outline how local governments in Washington must manage their finances using the same accounting standards, the Mercer Island project team spent two months developing a new COA. The new accounting framework simplifies internal tracking, cleans up unused legacy information, and improves biennial budgeting and the tracking of resources and liabilities overtime.

### *New Capabilities and Efficiencies*

Upgrading to new financial management software positions the City to improve day-to-day operations, how staff use their time, and the kind and timeliness of information that can be shared. This new investment positions staff to do more value-oriented analytical work by freeing up time spent on transactional processing and data entry. Below are some examples of process improvements the project team is working towards implementing once the core financial modules go live.

### **ACCOUNTS PAYABLE**

The current City process to pay for goods and services is outdated. Electronic invoices are stored outside the City's financial software, often in multiple locations. Paper invoices are manually scanned and stored, resulting in a significant use of staff time.

Enterprise ERP has a centralized database with a fully digital process to pay for goods and services. All invoices are accessible to staff from within the financial management software's database, eliminating the need for paper invoice storage or digital storage outside the software. It simplifies the invoicing process and gives staff centralized and easy access to essential information. This efficiency will change current processes, especially when considering paper checks and 1099-forms.

The current financial software requires the City to make all payments via paper check. This requires staff to print, fold, and mail hundreds of checks on a weekly basis. With Enterprise ERP, payments will be processed via Automated Clearing House (ACH), eventually phasing out paper checks entirely. This reduces the risk of fraud and improves the overall use of staff resources.

Second, OneSolution does not have the ability to print 1099 (tax) forms. This information is currently downloaded and manually entered into a third-party website. With Enterprise ERP, the City will no longer need the third-party software, saving money, staff time, and improving overall data security.

### **PROJECT MANAGEMENT**

The project ledger (PL) module in Enterprise ERP offers new ways to manage projects associated with the City's Capital Improvement Program (CIP). With PL, capital project managers can create greater specificity for data tracking purposes when defining budget estimates, tracking budget actuals, and managing project phases all within the software itself. Capital project managers from every department will be trained to use

the PL as a centralized project database for the entire life cycle of a project, which creates two new efficiencies.

First, it eliminates the need for independent Excel spreadsheets to create and track capital project activity (e.g., phases, milestones, budget, etc.). With a centralized functional database for capital projects, PL eliminates the need for staff to enter financial data multiple times.

Second, because capital project data will now live in a centralized location, it enables a greater variety of reporting capabilities against data that was previously unavailable or unfeasible for staff to produce. For example, because a project's "phase" is now a data field in the new financial system staff can filter their projects based on what part of the life cycle they are currently in. This ease of access to data related to workflow will simplify communication between staff at all levels.

## **FINANCIAL REPORTING**

Enterprise ERP provides powerful reporting tools that will fundamentally change the kind and timeliness of information the City can access. Information pulled from the current financial management software is entirely based on predetermined reports established in 2009 and 2010. These reports processed from the software require significant reformatting, making it difficult to access and analyze data.

For example, two tables in the quarterly financial status update previously required finance staff to run 60 different OneSolution reports. Each report had to be reformatted and processed so the data could be analyzed. The total time associated with this task was 2-3 days, repeated with every quarterly status update presented to the City Council.

With the new software, staff can leverage the Tyler Reporting Service (TRS) to directly query financial data from the database and build customized financial status reports. This one-time effort results in a customized report that takes one minute to process. The result – staff will save 9 to 12 days annually in preparing the City Council quarterly financial status update.

Tyler Reporting Service equips staff throughout the City to design reports unique to each department or for a desired reporting outcome. With training and proper permission configuration, staff will learn to design reports that meet their department's specific needs, as well as those for the City Council, pulling real-time data out of the database efficiently and effectively.

Overall, the new financial management software will springboard efforts to improve business processes and enhance the City's overall customer experience, for both internal and external customers, particularly as staff become more adept with using the systems' tools.

## **NEXT STEPS**

The overall implementation project is currently on track. The core project team has completed 12 of the 16 Enterprise ERP software module orientations and current and future state analyses. Work on the remaining four current and future state analyses is nearly complete.

Earlier this month the staff team began to build the security permissions framework, also known as the role-based access control framework. This guides how City staff are granted access to the information necessary to effectively perform their job duties.

In July, the project team will begin work with the software vendor to install and configure each software module on the City’s servers. This is an iterative process that requires time to fine tune software settings and conduct quality assurance tests, ensuring each module has the desired setup and intended workflow outcomes.

The conversion process for current and historical financial data from OneSolution will also begin in July. This undertaking will parallel efforts to create an interface so each third-party business software can exchange information daily with Enterprise ERP.

IMPLEMENTATION PHASE 1	2022			2023												2024												
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Current & Future State Analysis																												
Configuration & Refinement																												
System Validation																												
REMAINING FOUNDATIONAL WORK ITEMS (PHASE 1)	2022			2023												2024												
Data Conversion																												
Role Based Access Control																												
System Integration																												
Staff Training																												

Once Enterprise ERP is fully installed, integrated with the City’s various business systems, and populated with verified current and historic data, each software module will go through a series of quality assurance tests to ensure it is working as expected while staff undergo a comprehensive training curriculum to use the new software.

Core financials including the General Ledger, Budget, Purchasing, and Accounts Payable software modules are scheduled to go live in Q1 2024, with the Tyler payments and web-based business and occupation (B&O) tax collection module scheduled to go live in Q4 2024.

Once the software is fully implemented, a future project phase could entail layering onto the new financial management software a public-facing financial data platform. These web-based reporting tools would require time and resources to create and maintain and could increase transparency in financial reporting and equip the City with new tools to engage the community.

**RECOMMENDED ACTION**

Receive report; no action necessary.