



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6031
March 1, 2022
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6031: Authorization of Enterprise Financial Management System Purchase	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Award RFP 21-37 to Tyler Technologies Inc and authorize the City Manager to negotiate and execute an agreement in an amount not to exceed \$587,000.	

DEPARTMENT:	Finance
STAFF:	Matt Mornick, Finance Director Lajuan Tuttle, Deputy Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Utility Overhead Charges Budget Policy 2. Capital Improvement Program Overhead Charges Budget Policy
CITY COUNCIL PRIORITY:	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.

AMOUNT OF EXPENDITURE	\$ 986,000
AMOUNT BUDGETED	\$ 250,000
APPROPRIATION REQUIRED	\$ 736,000

SUMMARY

EXECUTIVE SUMMARY

This agenda bill seeks authorization to replace the City's financial management software system.

- On February 1, 2022, the City Council reviewed [AB 6007](#) which introduced the needs assessment, Request for Proposals, and vetting processed staff engaged to select an Enterprise Financial Management software system.
- After a rigorous vetting process, staff recommends Tyler Munis by Tyler Technologies, Inc. to replace the existing financial management software system. The total acquisition cost of \$587,000 includes the first year of the software subscription, implementation services, and a project contingency.
- Staff also recommends the City Council authorize the creation of a new Systems Analyst position. This is an ongoing staff position to manage and advance the new system. The estimated annual cost for this position is \$127,000 (2022 cost estimate).
- And finally, implementation of the new system will require contract support to oversee and manage the implementation in a one-time amount of \$272,000.

BACKGROUND

The 2021-2022 Finance Department work plan identified the need to review the existing financial management software. Although still functional, the current software cannot provide data in an efficient and timely manner without significant time devoted to manual data entry. Due to the availability and quality of other public sector Enterprise Resource Planning (ERP) 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 as part of the 2021-2022 biennial budget (GT0106 – Enterprise Resource Planning System Scoping).

In March 2021, the City hired BerryDunn consultants to conduct a software needs assessment and facilitate an RFP process to upgrade or replace the City's existing financial management software. Beginning in May 2021, the consultants worked closely with the project team and representative staff from all City departments in drafting a needs assessment and a detailed RFP.

In August 2021, the City issued RFP #21-37 seeking proposals from qualified 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. The RFP was posted on the City's website and notice was advertised in the Seattle Daily Journal of Commerce. A total of 47 vendors were notified directly.

In September 2021, the City received three responses to the RFP from Central Square, Tyler Technologies, Inc., and Rock-Solid ERP. Inclusive of the proposals was pricing information on deployment models (e.g., cloud vs. on-premise software hosting). From these proposals, the City invited all three vendors for further consideration. In November and December 2021, the City conducted in-depth scripted demonstrations of the proposed software systems.

IMPLEMENTATION RESOURCES

After completing a comprehensive review and assessment, staff recommends procurement of the Munis software system from Tyler Technologies, Inc. to replace the financial management software system. The table below outlines the full extent of the budgetary impacts of the acquisition and implementation of Tyler Munis enterprise-wide financial management software solution:

Replacement of the City's Financial Management System (\$ in thousands)	One-time	Annual Ongoing	Total
Tyler Technologies Implementation Services	\$ 281	-	\$ 281
Recurring Subscription Costs	-	156	156
Project Contingency (20% of 3-year project costs)	150	-	150
Tyler Technologies Subtotal	\$ 431	\$ 156	\$ 587
Systems Analyst (tied to CPI-W)	-	127	127
Finance Department Contract Support	132	-	132
Professional Services – Implementation Project Management	140	-	140
Implementation Support Subtotal	\$ 272	\$ 127	\$ 399
TOTAL	\$ 703	\$ 283	\$ 986

**Subscription rate constant thru years 1 - 5, a one-time 5% increase in year 6, constant thru years 6 - 10.*

Allocation of Implementation Costs

At the February 1 meeting, the Council requested additional information on the potential for allocating a portion of the software purchase and implementation costs to benefiting Funds in addition to the General Fund.

Guidance from the State Auditor's Office (SAO) BARS manual indicates that officials may charge a portion of the costs for their central overhead services to restricted funds, like utility funds or special revenue funds, only to the extent that each fund benefits from those services. Utility funds and other funds with restricted revenue sources should only reimburse the General Fund for costs incurred to render services to those funds. SAO further recommends a written cost allocation plan that reflects which costs will be allocated, to which funds, and on what basis of allocation to ensure that charges are fair, equitable and valid over time. (BARS [3.9.5.20](#) and [3.9.5.110](#)).

The City currently has two budget policies specific to overhead allocations. The *Utility Overhead Charges Budget Policy* allocates General Fund administrative service costs and building maintenance costs to the three Utility Funds (Water, Sewer & Stormwater Funds). See Exhibit 1. The *Capital Improvement Program Overhead Charges* budget policy allocates General Fund administrative service costs to the Street Fund and the Capital Improvement Fund. See Exhibit 2. In both policies, Finance budget and accounting service costs are allocated based on the percent of an individual Funds' percentage ownership of the City's total biennial budget for all funds combined. For example, if the Water Fund total biennial budget is 15% of the total budget for all funds combined, the Water Fund would be charged 15% of eligible Finance Department costs.

The one-time costs specific to software implementation and contingencies are not qualified uses of Real Estate Excise Tax (REET) or Fuel taxes. Given revenue restrictions, staff recommends one-time implementation and contingency costs be limited to funding from the General Fund and the three Utility Funds. One-time costs will be allocated based on the individual Funds' percentage of the prior biennial budget as compared to the City's total biennial budget for the same period. This basis is consistent with existing Utility Overhead Charges Budget Policy. The breakdown by fund for one-time costs is detailed in the table below:

Replacement of Financial Management System - Implementation	Total One-Time Cost	Allocation of Cost			
		Water Fund 15.0%	Sewer Fund 15.8%	Stormwater Fund 3.7%	General Fund
(\$ in Thousands)					
Tyler Technologies Implementation Services	\$ 281	\$ 42	\$ 44	\$ 10	\$ 184
Tyler Technologies Project Contingency (20% of 3-year project costs)	\$ 150	\$ 23	\$ 24	\$ 6	\$ 98
Contract Implementation Support	\$ 272	\$ 41	\$ 43	\$ 10	\$ 178
Total	\$ 703	\$ 106	\$ 111	\$ 26	\$ 460

The ongoing costs of software subscription services and the Systems Analyst position are eligible for cost allocation consistent with current overhead allocation plans. Staff recommends allocating these costs to the Street Fund, the Capital Improvement Fund, the three Utility funds and the General Fund. Consistent with existing budget policies, the costs will be allocated based on the individual Funds' percentage of the prior biennial budget as compared to the City's total biennial budget for the same period. The breakdown by fund for ongoing costs is detailed in the table below:

Replacement of Financial Management System	Total Ongoing Costs	Allocation of Cost			
		Street Fund 4.8%	Capital Impr Fund 3.9%	Utility Funds 34.5%	General Fund
(\$ in Thousands)					
Recurring Subscription Costs	\$ 156	\$ 7	\$ 6	\$ 54	\$ 89
Systems Analyst (tied to CPI-W)	\$ 127	\$ 6	\$ 5	\$ 44	\$ 72
Total	\$ 283	\$ 13	\$ 11	\$ 98	\$ 161

RECOMMENDATION

Staff is seeking City Council approval and budget authorization to award RFP #21-37 to Tyler Technologies for the purchase of Tyler Munis Financial Management software, the additional one-time resources needed to implement the system, and a new Systems Analyst position to implement and maintain the systems ongoing functionality.

RECOMMENDED ACTION

1. Award RFP #21-37 to Tyler Technologies, Inc., a Maine-based company, for a Financial Management Software System to replace the City's current financial software system.
2. Authorize the City Manager to negotiate and execute an agreement with Tyler Technologies, Inc., in an amount not to exceed \$587,000 which includes the first year of the software subscription, implementation services, and a \$150,000 project contingency, with future funding contingent on Council budget approval.
3. Authorize a new, full-time Systems Analyst position in the Finance Department at an estimated annual cost of \$127,000 (for 2022) to facilitate the financial management software implementation and oversee the ongoing maintenance, staff training, and development of the software system's overall functionality.
4. Authorize one-time funding not to exceed \$272,000 to facilitate the successful implementation the new financial management software system.
5. Appropriate \$736,000 and authorize staff to allocate the project funding to the Street, Capital Improvement, Water, Sewer, Stormwater and General Funds in accordance with existing overhead allocation budget policies.