File #: 20-071, **Version:** 1

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SUBJECT: Award of Request for Proposal and Approval of a Five (5) Year $4,526,455 Contract With an Additional $452,645 Contingency to Tyler Technologies for an Enterprise Resource Planning System, Hosting, Hardware, Technical Support, Data Migration, Travel, Training, and Implementation Services

REPORT IN BRIEF
Authorizes the execution of a five (5) year $4,526,455 contract and a $452,645 Contingency to Tyler Technologies for an Enterprise Resource Planning System, Hosting, Hardware, Technical Support, Data Migration, Travel, Training, and Implementation Services.

RECOMMENDATION
City Council - Adopt a motion:

A. Awarding the RFP, Approving the Agreement with Tyler Technologies and authorizing the City Manager or the Assistant City Manager to execute the necessary documents; and,

B. Authorizing the Finance Officer to make the necessary budget adjustments; and,

C. Authorizing the City Manager or the Assistant City Manager to execute zero dollar future contract amendments with Tyler Technologies; and,

D. Authorizing the City Manager or the Assistant City Manager to execute future contract amendments with Tyler Technologies within a 10% contingency; and,

F. Authorizing the City Manager or the Assistant City Manager to execute future contract amendment and encumbrance of funds for the performance bond in year three, four, and five of the contract; and,

G. Authorizing the City Manager or the Assistant City Manager to execute future contract amendments to procure optional items listed in the Investment Summary if funding is approved in the adopted budget; and,

H. Authorizing the Finance Officer to make the necessary budget adjustments for future contract amendments.

ALTERNATIVES
1. Authorize agreement as recommended: or,
2. Refer to staff for further evaluation: or,

3. Deny.

AUTHORITY
Charter of the City of Merced, Section 200 and Merced Municipal Code Section 3.04.180.

CITY COUNCIL PRIORITIES
As provided for in the 2019-20 Adopted Budget.

DISCUSSION
<u>History</u>

The City currently uses an entire suite of integrated software applications provided by Central Square to carry out business functions for the City. These software suites are commonly referred to as an (ERP) Enterprise Resource Planning system. The Central Square enterprise resource planning (ERP) system was built on main frame style technology that was developed in the 1960's and for the past 31 years it has run many of the City's critical business operations, including payroll, utility billing, GMBA, business licenses, building permits, code enforcement, work orders, and more.

The current Central Square ERP software suite is no longer meeting the business needs of departments. The system has been unable to keep up with the ever-changing pace of technology during the 31 years the City has been running the system. Staff are demanding greater access to real time data in the field and the ability to route and assign work electronically. Citizens are demanding greater transparency and flexibility to request services when and where they want.

The current ERP suite is unable to process graphical information. The system can currently only process text-based information. This worked fine in the 1980's and 1990's where graphical information was not readably accessible. As technology has moved forward so has the requirements to have direct access to graphical map data.

The current ERP software suite is based upon technology made in the late1960's. Most of the current ERP software was written in a programming language called RPG. This language has not been taught in college computer science curriculum in decades. As the computer professionals from that generation are reaching retirement age, it is increasingly difficult to find qualified professionals to enhance and maintain these systems.

The City had two highly skilled professionals that worked on the ERP software suite, but both retired in 2013 & 2014 respectively. All recruitment efforts have failed to find a local qualified candidate. Currently the City outsources the responsibility to maintain the system to a former Central Squared employee located outside of California.

With all the deficiencies of the current ERP software suite a decision was made to transfer some of the support and maintenance responsibility of the system back to the vendor while a transition plan was crafted to look for a new system.

In 2014 the City entered a five-year contract to transition from running our own mainframe style hardware and in-house staff, to contracted services with Central Square for them to own the hardware and provide part of the staffing to support the ERP system. The City renewed this

agreement for another five years in June of 2019 and is set to terminate in June 2024. By transitioning to a cloud-based model we were able to extend the life of the system as we looked at the best way forward to move off the Central Square ERP system. The City negotiated terms in the most recent renewal contract that will allow the City to end the contract early and terminate components of the Central Square ERP system as we transition to a new ERP system. The terms in the contract allow the City a high degree of flexibility and cost savings as we knew we were going to release an RFP for a new ERP software while still in contract with Central Square.

In 2018 the City released an RFP for a Needs Assessment, and Procurement Services for an ERP. The City selected NexLevel, who was acquired by SDI, to help select and negotiate a contract for a new ERP Vendor. SDI is a highly qualified vendor that works exclusively with municipalities. One of its core businesses is helping local government's procure ERP systems. SDI has performed similar scopes of work as outlined in our RFP for the City of Folsom, City of Fremont, City of Galt, City of Glendale, City of San Ramon, and City of Santa Clara.

Over the last year the City has gone through an extensive needs assessment across all City departments to document the needs and requirements of a new ERP system. This assessment included workshops with departments, interviews with department stakeholders, and an extensive review on our current ERP system. Over 60 City staff members contributed to this process. The results of the process produced 92 pages of high level system requirements.

In 2019 the City released an RFP for an Enterprise Resource Planning (ERP) system and implementation services. The City received three proposals for a new ERP system. The vendors were Central Square, Tyler Technologies, and Ciber proposing Oracle Technology. The pricing estimates for each vendor is broken down in the chart below.

Vendor	Pricing
Central Square	$2,605,190
Tyler Technologies	$3,719,689
Ciber (Oracle)	$6,404,428

The City, with consultation services from SDI, performed an assessment of all three proposals and determined all three of them met the minimum requirements of the RFP. Each vendor was invited to an onsite one-week (POC) Proof of Capabilities demonstration at City Hall. The City and SDI crafted a highly scripted demonstration where each vendor would be required to show how their software matched and aligned to the system requirements documented in the RFP.

Each vendor brought between seven to eleven staff members onsite to City Hall for a week to demonstrate all the system requirements of their software. Each ERP module was demonstrated to selected staff, supervisions, managers, and directors of the departments. Over 60 City staff contributed to the proof of capacities demonstration over a three week period.

At the end of the three weeks of POC's staff that participated in the process evaluated the vendors and submitted their comments to an evaluation group consisting of 24 staff members across all City departments. The evaluators reviewed the feedback from the subject matter experts for each business unit on how each vendor demonstrated the ERP system requirements the best. Below is a

breakdown of the evaluations of the three vendors based upon a pass or fail from each department and the usability of the proposed solutions.
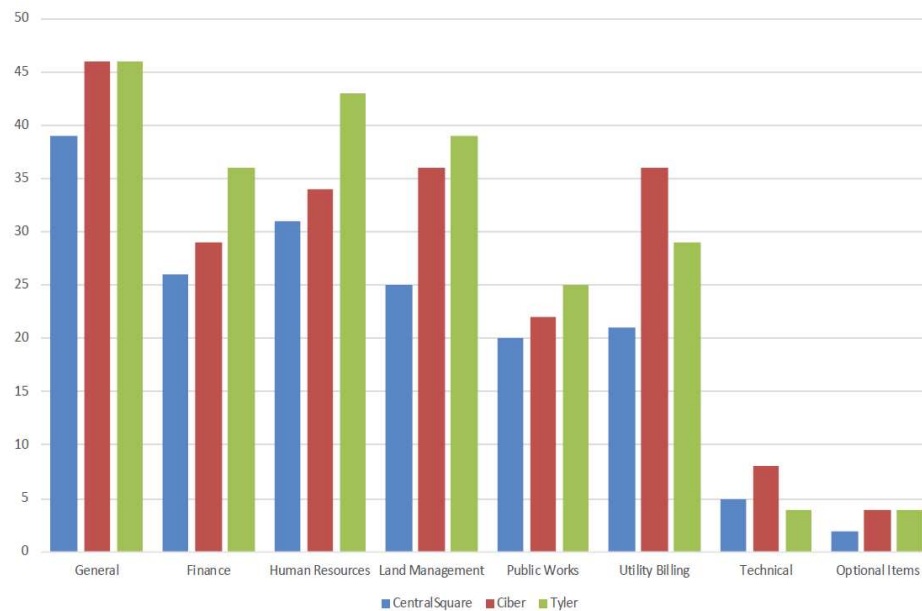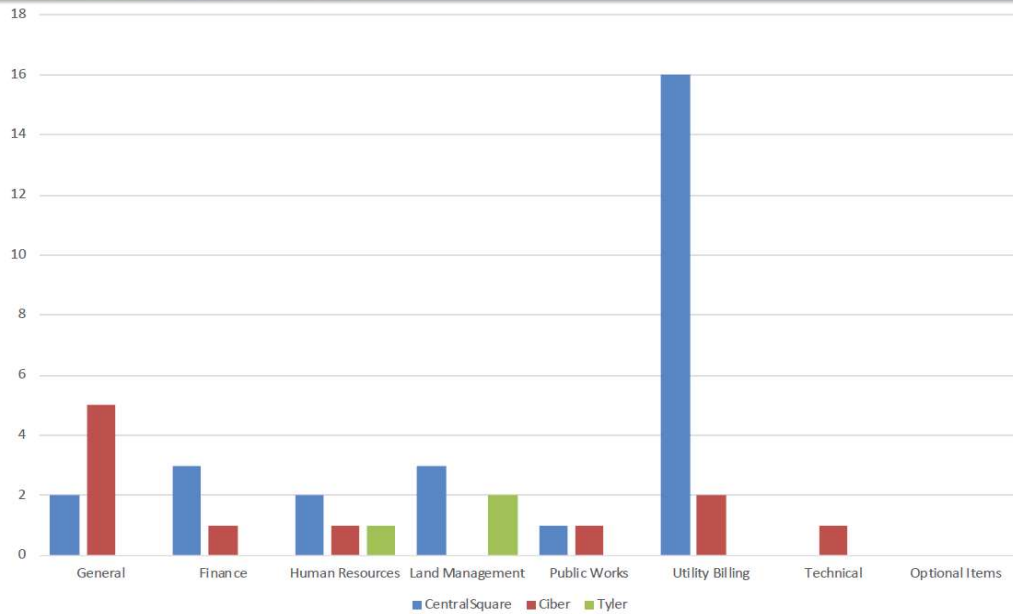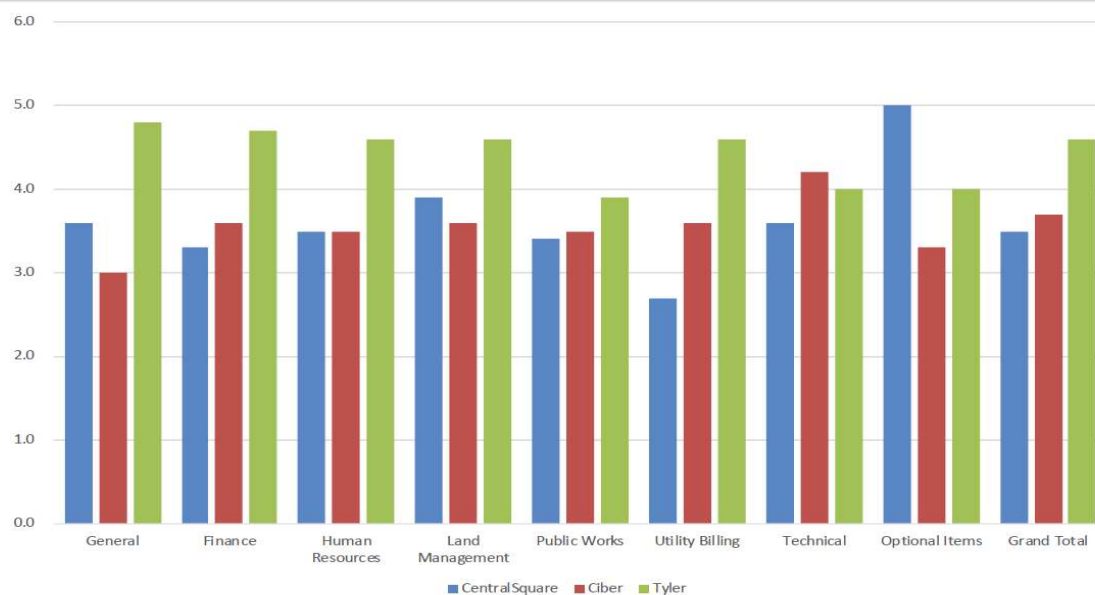
The evaluation group unanimously agreed Tyler Technologies was the best overall fit for the City. The evaluation group submitted their results for review to the ERP steering committee, who, in turn, accepted their recommendation to move to a tentative RFP award and contract negotiation phase with Tyler Technologies.

Tyler Technologies has been developing and creating software for municipalities for 35 years. Tyler offers a broad range of software packages for State, Local, and Federal government agencies. The City currently uses Tyler Technologies software to operate our public safety Computer Aided Dispatch (CAD) and the Police Department Records Management system. The City has continued a strong strategic partnership using this CAD/RMS software for the past 28 years. The City transitioned the Police CAD/RMS system from a mainframe style hardware to a modern graphical computer system with Tyler Technologies in 2010.

Tyler currently has over 1,900 public sector entities using their MUNIS product and 500 entities using the EnerGov product they proposed in their RFP submission. There are 70 other cities' in California running the proposed MUNIS software.

Tyler Technologies has won numerous other ERP system RFPs in recent years within California for local municipalities including:

City of Rancho Mirage,

City of Santa Fe Springs,
City of Berkeley,
City of Poway,
City of Fontana,
City of Cathedral City,
City of Hanford,
City of Burlingame,
and more.

Tyler Technologies has also won over 50 RFPs to replace the antiquated Central Square ERP the City is currently running. They are activity working on implementation and data migration of numerous Central Square systems to their Tyler Technologies systems.

The Tyler Technologies proposal includes a partnership with Koa Hills to help with the migration of the data from Central Square ERP system. Koa Hills has assisted Tyler on several other projects to extract data from the Central Square ERP system. Koa Hills consists of former Central Square employees that work on data extraction and data transition to new ERP systems.

Tyler Technologies is a rapidly growing company that offers additional technology solutions that would easily integrate into the new ERP software suite proposed in the RFP. Examples of other software suites and services they offer include Parks and Recreation suites, Open Data Portal, and Document Management Systems.

The Tyler Technologies ERP software suite will help address many of the deficiencies when compared to the current ERP software suite. The new ERP system will contain many new features and functionality that the City will leverage to improve staff operational efficiency, allow easier citizen access to city services online, and encourage new and existing businesses performing work within the City to submit requests electronically to improve staff efficiency.

Currently the City does not have a planning software module. The new ERP will allow the full submission, markup, resubmission, and payment of plans and building permit documents electronically.

The ERP software suite will also provide electronic versions of purchase orders, business licenses, building permits, utility bills, time cards and time attendance changes for public safety departments including shift swaps and call backs.

Once fully implemented the electronic routing and submission should provide significant time savings for internal and external business processing times. For example, purchase orders are currently printed and processed on a triplicate carbon copy print out that requires a physical wet signature. Once printed and signed the purchase order is distributed via inter office mail to city hall, then routed to the correct department. This process can take up to two days in some scenarios before departments receive the purchase order to order goods or services. The new Tyler ERP software should complete this process in minutes, while maintaining a strict accounting and approval process.

The City expects to start phase one of the ERP implementation within sixty (60) days from the execution of the contract. We anticipate it will take approximately four (4) years to complete all phases of the project. The projects consist of six (6) phases with implementation of each phase

based upon the chart below. The dates outlined below are estimated and there may be some variation of the actual start and go-live dates.

Phase	Functional Areas	Modules	Start Date	Go-Live Date
1	**Financials**	• Accounting General Ledger • Accounts Payable • Budgeting • Capital Assets • Cash Management • Contract Management • Project & Grant Accounting • Purchasing • eProcurement • Accounts Receivable including Loans • General Billing • Tyler Cashiering	April 2020	May 2021
	System Wide	• Munis Analytics & Reporting ○ Tyler Reporting Services ○ Munis Office ○ HUB • Tyler ReadyForms Processing • Tyler Content Manager SE		
1b	**Socrata**	• Socrata - Advanced Reporting	May 2021	July 2021
1c	**CAFR Statement Builder**	• *Comprehensive Annual Financial Report*	May 2022	August 2022
2	**Enterprise Asset Maintenance**	• Asset Maintenance • Asset Performance • Inventory • Fixed Assets	June 2021	May 2022
3	**EnerGov**	• Business Management Suite • Citizen Self Service - Business Management • Citizen Self Service - Community Development • Development Suite • E-Reviews • Workforce Apps • IVR API Connector • IVR Gateway • Report Toolkit • Requestor Access License • Tyler 311 • Tyler GIS • EnerGovAdv Server Extensions Bundle	August 2021	September 2022
4	**Human Capital Management**	• Payroll w/Employee Self Service • HR & Talent Management • ExecuTime Time & Attendance • Employee Expense Reimbursement	October 2022	July 2023
5	**ExecuTime Advanced Scheduling**	• Advanced Scheduling • Advanced Scheduling Mobile Access	August 2023	January 2024

| 6 | **Utility Billing** | • Utility Billing CIS • UB Interface • Citizen Self Service • Central Property File | August 2023 | May 2024 |

The investment summary outlines the $4,526,455 cost for the ERP system and implementation services over the duration of the five (5) year contract.

The contract outlines the payment terms for the ERP Software, hosting, data migration, training, travel and implementation services. The City generated a sample outlay document to show funding requirements over the next five (5) years. The sample cost structure makes several assumptions, but payments will be based upon the actual milestone as outlined in the contract.

Date	Phase 1	1B	1C	2	3	4	5	6	Total
3/1/20	31,156	3,440	1,689	13,022	43,054	7,539	2,655	5,126	107,680
4/1/20	239,353								239,353
5/1/20	33,467								33,467
6/1/20	33,467								33,467
7/1/20	33,467								33,467
8/1/20	33,467								33,467
9/1/20	33,467								33,467
10/1/20	33,467								33,467
11/1/20	33,467								33,467
12/1/20	33,467								33,467
1/1/21	33,467								33,467
2/1/21	33,467								33,467
3/1/21	150,303	3,440	1,689	13,022	43,054	7,539	2,655	5,126	226,827
4/1/21	66,342								66,342
5/1/21	66,342	10,320							76,662
6/1/21				61,804					61,804
7/1/21				16,739					16,739
8/1/21				16,739	81,345				98,084
9/1/21				16,739	37,720				54,459
10/1/21				16,739	37,720				54,459
11/1/21	14,000			16,739	37,720				68,459
12/1/21				16,739	37,720				54,459
1/1/22				16,739	37,720				54,459
2/1/22				16,739	37,720				54,459
3/1/22	124,625	13,760	1,689	59,059	80,774	7,539	2,655	5,126	295,227
4/1/22				30,239	37,720				67,959
5/1/22				30,239	37,720				67,959
6/1/22					37,720				37,720

Date									
7/1/22			15,464		37,720				53,184
8/1/22			4,797		189,594				194,391
9/1/22			4,797		60,433				65,229
10/1/22						116,707			116,707
11/1/22				14,000		40,761			54,761
12/1/22						40,761			40,761
1/1/23						40,761			40,761
2/1/23						40,761			40,761
3/1/23	124,625	13,760	5,067	52,086	132,398	59,607	2,655	5,126	395,325
4/1/23						40,761			40,761
5/1/23						40,761			40,761
6/1/23						68,286			68,286
7/1/23						68,286			68,286
8/1/23							16,603	81,679	98,282
9/1/23							8,637	10,753	19,389
10/1/23						1,928	8,637	10,753	21,317
11/1/23							8,637	10,753	19,389
12/1/23							8,637	10,753	19,389
1/1/24						14,000	8,637	10,753	33,389
2/1/24								10,753	10,753
3/1/24	124,625	13,760	6,756	52,086	172,215	30,154	7,302	24,848	431,748
4/1/24								36,928	36,928
5/1/24								36,928	36,928
6/1/24									
7/1/24									
8/1/24									
9/1/24									
10/1/24								14,000	14,000
11/1/24						1,928			1,928
12/1/24									
1/1/25									
2/1/25									
3/1/25	124,625	13,760	6,756	52,086	172,215	30,154	10,621	20,502	430,721
Total	1,400,66	72,242	48,704	511,558	1,352,28	658,232	88,330	299,903	4,431,91

The above breakdown has a $94,538 difference when compared to the investment summary by Tyler. This discrepancy is caused by the payment terms the city negotiated with Tyler Technologies. Tyler requires payment upfront for software. The City negotiated the payment terms for the software to be spread out based upon the phasing of the project milestones. Tyler quoting software could not calculate this based upon our unique contracts causing this discrepancy.

All the vendors that proposed solutions made assumptions based upon the City system requirements. Once the City entered the negotiation phase with Tyler Technologies there was a more exhaustive examination of the proposal and what needed to change to meet the all of the city's

requirements.

There was $806,766 difference between what Tyler proposed and software and services the City required. Below is a list of software and services that was required to be added to the investment summary.

- Staff training for the new ERP system
- Additional Tyler staff Travel expense
- Additional software licenses for business licenses application
- Additional software licenses for advanced time scheduling software
- Utility Billing software to record water consumption from water meters
- Hardware for time and attendance software
- Additional data migration services for Koa Hills
- Additional data migration services from Tyler
- User acceptance testing support for data migration
- Performance bond
- Change management professional services

As with all complex multi-year projects there will be unforeseen expenses that will occur. These changes could result from aligning City business processes to match the ERP system software, regulatory/law changes, additional training, or modification to the Tyler Technologies software to account for unique business requirement of the City. An example of a unique business requirement would be our memorandum of understanding (MOU) negotiated with a bargaining unit could impact the payroll module. Tyler Technologies ERP software has the flexibility to account for many common scenario's, but possibly might not fit our unique MOU requirements. This would require custom modification to the ERP Software suite. The City recommends having the flexibility to account for changes that will occur over the next five (5) years.

We recommend granting the authority for the City Manager or Assistant City Manager to execute change orders, budget transfers and encumber additional funds during the duration of the five (5) year contract. We recommend allowing a 10% contingency for the project.

In Fiscal Year 2017/2018 the City created CIP project number 118033 to start to save money to fund the ERP Project. Currently the City has accumulated and reserved $2.1 million for this project.

The Cost allocation by Department estimated for the ERP project is documented in the chart below.

DEPT./DIVISION	Allocation
CITY COUNCIL	$11,585
CITY MANAGER	$44,074
CITY CLERK	$19,465
CITY ATTORNEY	$41,664
FINANCE	$116,353
PURCHASING	$10,386
FIRE PROTECTION	$411,264
POLICE-GEN'L FUND	$859,063
PARKS	$78,432

ECON DEVELOPMENT	$22,970
VISITORS CENTER	$7,134
ENGINEERING	$82,024
PLANNING&PERMIT	$57,266
INSPECTION SVCS.	$69,553
STREET MAINT.	$110,521
PKS&COMM SVCS-ADM.	$48,190
ZOO	$12,662
PKS&COMM SVCS-FACILS.	$11,110
PW OPS ADMIN	$83,146
Police-Animal Control/CodeEnf	$4,353
MEASURE 'C' FIRE	$110,479
MEASURE 'C' POLICE	$175,559
MEASURE 'C' PUBLIC WORKS	$297
BELL STATION FACILITY	$5,716
HOUSING ADMIN	$122,846
WASTEWATER	$158,257
WWTP	$317,815
ENVIR. CONTROL	$29,011
STORM DRAINS	$47,601
LAND AP. SYSTEM	$31,898
WATER SYSTEM	$440,755
REFUSE COLLECTION	$422,903
STREET SWEEPING	$63,066
STREET TREES	$48,088
GREEN WASTE	$35,388
RECYLING	$46,138
AIRPORT	$23,989
FLEET MGMT.	$166,275
PERSONNEL	$33,167
INFO SYSTEMS	$105,836
RISK MGMT ADMIN.	$13,234
PARKING AUTHORITY	$26,924
	$4,526,455

There will be additional costs to implement the ERP software that is not included in this contract. Below outlines several additional items that will have funding impacts to the City that is not included in the Tyler Technologies contract.

1: The City will need additional services to help migrate data from the old ERP System to the new ERP System. The City currently contracts with Thor group to help support and maintain the current system. The City will need to extend this contract to help with data migration services. This contract will be brought forward to council as a separate item.

2: The migration of data from the old ERP system to the new system is a complex and labor-intensive process. For certain modules of the current Central Square ERP system it is more cost effective to

extend the contract of current ERP software suite in a read only environment than migrate the data. A read only environment allows staff to make inquiries to the old historical data, but not add or change data in the old system. Staff will bring back to council read only contract amendments of our Central Square ERP software suite as products are transitioned to the new ERP system.

3: The City has a contract for professional services with SDI for ERP vendor selection and phase 1 project management of the ERP system. The City will need additional project management services from SDI to help ensure a successful implementation on the new ERP system. This contract amendment will be brought forward to council as a separate council consent item.

4: The City will need to execute a contract purchase and license software that Tyler Technologies does not directly develop called Bluebeam. Tyler Technologies integrated with Bluebeam to enable advanced features requirement by the Community Development Department. This contract will be brought forward to council as a separate council consent item.

5: There will be staffing costs that will need to be incurred to account for back filling of staff during the implementation and transition to the new ERP system.

6: The Tyler contracts includes a performance bond to protect the city's interests during this project. The performance bond in the contract is good for two years and will need to be renewed and purchased based upon the market rate and status of the project in years 3,4, and 5.

IMPACT ON CITY RESOURCES

There is currently $2.1 million in funding available within the project. Additonal funding will be need in future fiscal years and will be allocated during the budget process. Funding for this contract will be allocated in account 672-0403-617-65-00   Project number 118033 in the amount of $4,526,455 over multiple fiscal years.

ATTACHMENTS
1. City of Merced RFP for ERP and Implementation Services
2. ERP RFP System Requirements
3. Tyler contract