



Staff Reports

File #: 6-2020, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Steve Potter, City Manager

Prepared By: Liz Habkirk, Deputy City Manager

TITLE:

Enterprise Resource Planning (ERP) software for managing information and systems for payroll, human resources, utility billing, collections, and other financial services

RECOMMENDED ACTION:

Adopt a resolution: (1) authorizing the City Manager to execute a contract with Tyler Technologies, Inc. for: (a) providing software, hardware, and implementation services to upgrade the City's Enterprise Resource Planning (ERP) system and providing annual maintenance for five years in the amount not to exceed \$3,959,200; and (b) providing an option for an additional five years of annual maintenance at the City's discretion not to exceed an additional \$1,631,892; (2) authorizing the City Manager to amend the FY 2019/20 Budget Staffing Plan to add two Limited Term Accounting Technicians and add one Limited Term Systems Analyst in the Finance Department; and (3) approving the transfer of \$2,425,000 from the Non-Recurring General Fund to the IT Replacement Fund and the appropriation of \$4,425,000 in the IT Replacement Fund for the ERP Implementation Project budget, as documented in Budget Adjustment No. BE2003501.

DISCUSSION:

The City of Napa relies on three core enterprise systems to manage financial and human resources (IFAS), utility billing (AS 400) and point of sale purchasing transactions (One Step). IFAS was implemented over 10 years ago, while AS400 was built in-house in the late 1990s. The current systems have created significant concerns in recent years including issues around integration, cost of maintenance, difficulty of adaptation to City needs, and the inefficiencies caused by these issues. Most significantly, the vendor will no longer provide software support for the IFAS system beyond this calendar year. In December 2019, the City migrated the servers hosting the IFAS system onsite because the previous data center would not host unsupported servers.

Most importantly, these systems do not offer any ability for the City to increase functionality to meet new and changing needs. Because of these concerns, in 2019 the City, in partnership with Napa County, undertook a competitive procurement process to determine the enterprise resource planning (ERP) system that was best positioned to serve the City into the future. A cross departmental selection committee of over 25 City staff was formed to evaluate proposals from the five vendors who responded. Based upon the responses, the committee narrowed the selection down to three vendors who were invited to demonstrate capabilities and functionality of their systems. The result of those demonstrations is a recommendation from the committee that the City enter into an agreement with Tyler Technologies, Inc. Napa County also intends on approving a contract with Tyler Technologies,

which the County will be implementing in parallel with the City's process. Because of this Tyler is offering the entities a 14% discount on annual subscription costs. Although each agency will have a separate contract with Tyler, there are significant additional benefits in running parallel implementations and learning from each other and sharing solutions during each phase.

Tyler Technologies provides integrated information management solutions and services for the public sector with a focus on local governments in the United States. Tyler's government financial management product includes modules for financial management, human resources, utility billing, payroll, and cashiering. Tyler's software is widely used by other cities/counties within California including Walnut Creek, Hayward, Santa Barbara, Davis and Santa Monica.

The City will benefit from this system upgrade in a variety of ways, including:

- Review and improvement of business processes/workflows to significantly improve the efficiency and effectiveness of customer service.
- The ability to have a single database that holds information and can provide real-time representation of payments and other transactions.
- E-government services will become more community-friendly, including enhanced customer service web portals for utility billing.
- Many manual processes will be automated and converted to paperless recordkeeping.
- The need for redundant data entry, storage and paper processing will be reduced.
- A user-friendly system that can be accessed by staff at all levels.
- Customer information and data will be in centralized in electronic form, including general customer information, account summaries, billing and payment activity, alerts and more.

The implementation process is expected to be completed by October 2022, and City staff from all departments will participate at varying levels throughout the project to ensure the resulting system is an improvement.

This effort will involve a significant time-commitment from many department staff, and the City Manager has worked with Department Directors to identify the appropriate personnel to participate in this process. Staff from the City Manager's Office will serve in a Project Manager capacity, while the Human Resources and Finance Departments will play a primary role in ensuring the success of the implementation and provide staff to assist at all role levels.

Additionally, core steering committee of staff from the City Manager's Office, Finance Department, Human Resources, and the IT Division, as well as a Departmental Representative from Public Works, will assist the Project Manager in engaging staff throughout the process to help redesign business workflow, collaborating with Tyler representatives in building the new system, participating in testing modules and addressing any action items necessary post go-live. All staff who have responsibilities within the new system will be appropriately trained.

The project is anticipated to occur over three phases:

- PHASE 1: Payroll & Human Resources - April 2020 with a go-live date of July 1, 2021
- PHASE 2: Utility Billing & Collections - July 2020 with a go-live date of October 1, 2021
- PHASE 3: Financials - July 2021 with a go-live date of July 1, 2022

In addition to approval of the contract document, staff recommends that the City Council approve the addition of three new limited term positions in the Finance Department effective April 1, 2020:

- Two Limited Term Accounting Technician positions
- One Limited Term Systems Analyst position

The Accounting Technicians in the Finance Department will assist by back-filling regular employees who will be spending significant time participating on the implementation team. The Systems Analyst will be assigned as a “Power User” on the implementation team and provide direction on the modules impacting the Human Resources functions. The Human Resources Department will coordinate with the new Analyst to ensure all HR processes are reviewed and any workflow improvements are implemented. The anticipated costs for these positions through project implementation is \$1,015,000.

The need for a comprehensive upgrade of the City’s enterprise resource planning system was recognized several years ago, and, accordingly, the City planned for this upgrade by setting aside reserves to assist in financing the purchase and implementation project. The Non-Recurring General Fund currently has \$0.75 million in appropriations for this project, with another \$0.5 million budgeted in FY 2020/21.

The total anticipated project cost for the ERP System Implementation is \$4,425,000 which includes approximately 5% in contract contingencies for the project. The Implementation Project Budget will include the contract costs for the Tyler’s software, implementation services, and one-year of annual subscription costs (with the remaining contract years paid for by the IT Division’s operating budget) totaling \$2,834,128. The Project Budget will also include the costs of the limited term positions, totaling \$1,015,000, and other anticipated project support expenses including leased office space, onsite server migration and service agreement, furniture and fixtures, IT support contracts and team trainings of approximately \$448,000.

FINANCIAL IMPACTS:

The FY 2019/20 budget appropriated \$0.750 million in the Non-Recurring General Fund for this project, with another \$0.500 million appropriated in FY 2020/21, for a total of \$1.250 million appropriated. After a review of the City’s current project tracking processes, the Finance Department has created a new tracking key in the IT Replacement Fund to improve the tracking of IT project expenses. To use the key properly, the budget currently appropriated in the Non-Recurring General Fund needs to be transferred to the IT Replacement Fund. As the Non-Recurring General Fund has sufficient fund balance, staff requests to transfer \$1.250 million from the Non-Recurring General Fund to the IT Replacement Fund in FY 2019/20 for this project. The \$0.500 million currently budgeted in FY 2020/21 will be removed through the mid-cycle adjustment process. Additionally, staff requests to transfer another \$1.175 million from the Non-Recurring General Fund to the IT Replacement Fund, bringing the total transfer to \$2.425 million. Finally, staff requests to appropriate \$2.000 million of budget from the IT Replacement Fund. The IT Replacement Fund has \$2.000 million in unassigned fund balance available for appropriation.

CEQA:

The City Manager has determined that the Recommended Action described in this Staff report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

DOCUMENTS ATTACHED:

ATCH 1 - Resolution

EX A - Contract and Statement of Work

EX B - Budget Adjustment No. BE2003501

NOTIFICATION:

None.