

**City of Culver City, California
Agenda Item Report**

Meeting Date: 08/22/2011		Item Number: <u>C-9</u>	
CITY COUNCIL AGENDA ITEM: Approval of a Professional Services Agreement with Tyler Technologies for the Purchase, Implementation and Software Maintenance/Support of a New Financial System			
Contact Person/Dept.: Jeff Muir/Finance		Phone Number: (310) 253-6016	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☒	Attachments: ☒
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification:(E-Mail) Meetings and Agendas – City Council (08/17/2011); (E-Mail) Tyler Technologies – Jennifer Wahlbrink(08/17/2011)			
Department Approval: Jeff Muir (08/09/11)		City Attorney Approval: Carol Schwab (by H. Baker) (08/15/11)	
Chief Financial Officer Approval: Jeff Muir (08/09/11)		City Manager Approval: John M. Nachbar (08/17/11)	

RECOMMENDATION:

Staff recommends the City Council approve a professional services agreement with Tyler Technologies, Inc. for the purchase, implementation and software maintenance/support of the City's new finance system (Munis Finance System).

BACKGROUND:

On November 9, 1998, the City Council (1) awarded a contract to JD Edwards (JDE) to purchase their enterprise financial system and (2) authorized contracts with various third-party vendors to implement it. At that time, JDE was able to deal with all the potentially significant issues that were expected to occur when system dates moved to the year 2000. Due to the urgency and hard deadline, JDE was implemented quickly so that it was up and running by January 1, 2000. After implementation, many JDE clients began to indicate that upgrades to the system were not very stable and resulted in problems with the system. To address these issues, JDE was forced to release additional system upgrades to correct the initial upgrades. A few mandatory upgrades to the system were installed between 2000 and 2004. From a technical standpoint, these system upgrades were extremely complicated and consumed a significant amount of staff hours and consultant time to complete. From an end-user standpoint, the upgrades did not provide any new functionality, they just fixed some operational bugs in the system. Since system upgrades require many hours of staff time to compile, install, test and retest, the City made a decision to remain on the base system unless forced to upgrade by JDE. Therefore, the City is using a finance system that is basically 10 years old.

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Since the original implementation of JDE, technology has improved dramatically and the software industry has gone through a major consolidation. In 2003, JDE was acquired by Peoplesoft, which was subsequently acquired by Oracle in 2005. Oracle had originally intended to force JDE customers to move onto an Oracle product, but decided to continue support of JDE when over 50% of JDE customers indicated they would look for other systems if the JDE product was discontinued. Oracle has decided that instead of discontinuing the entire JDE product, they are discontinuing support of older versions of JDE software. Recently, it was announced that the City's version of JDE will no longer be supported after 2012.

Currently, the JDE software is running on two (2) central servers whose performance drives the entire financial system. The servers have been very reliable, with no downtime whatsoever. Both servers were last upgraded in 2003 and have outlived their useful lives and warranties. In addition, the Microsoft Windows 2000 operating system and database that runs on the servers is no longer supported by either Microsoft or Oracle. As the servers continue to age, the probability of a server failure increases. If they do fail, the financial system would not run and would most likely be unavailable for several days while replacement parts were found (assuming they are available) and the servers were rebuilt. When the servers are replaced, it is mandatory that it be done in conjunction with an upgrade or replacement of the financial system because the City's current version of JDE will not run on new server technology and new software will not run on old server technology.

DISCUSSION:

With the 2012 deadline for the discontinuation of support for the City's version of JDE software quickly approaching, staff was tasked with researching the possibility of upgrading the finance system with a newer version of the JDE software versus replacing it with a completely new system. Before beginning this process, several major issues with the current JDE system and all ancillary finance systems were identified as follows:

JDE Finance System

- Look and feel is old and 'clunky'
- Not intuitive to use
- Easy, user-friendly ad-hoc reporting is not available
- A significant amount of work requires manual processes and workarounds because it is not tailored for the public sector

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- Upgrades take a significant amount of staff time and require specialized technical expertise
- Remote access is limited
- Comprehensive self service functionality does not exist
- Comprehensive, user-definable workflow does not exist
- A user-definable dashboard with such items as key performance indicators, daily tasks, workflow approvals, etc. does not exist
- Online payment functionality does not exist

Ancillary Finance Systems

- Information is difficult to access and consolidate because the City currently uses several disparate systems
- Employee time is tracked with a system that was developed in-house and only one staff member has intimate knowledge of the system to maintain it
- The third-party cash receipting system is updated and supported by a single-person vendor

Oracle

- Customer service is substandard
- Focus is on large, multi-national corporations
- Client contacts change frequently and the City is not notified of the change

Upgrading the System

To determine if the current JDE system should be upgraded rather than replaced, staff requested pricing information and a software demonstration from Oracle. Oracle responded that staff would have to go through an authorized Oracle business partner for this request.

Staff arranged a demo with a business partner who showed the main features of the latest version of JDE. The system still looks clunky, seems to rely on a high level of technical expertise, and generally does not appear to be too different from the 10-year old version the City is currently using.

The business partner was required to obtain the cost for upgraded software from Oracle. It took Oracle a month and a half to give the price to the business partner because Oracle's pricing division in South America was "very busy". After several iterations, the business partner quoted the City approximately \$80,500.

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The City issued an RFP to three (3) Oracle business partners to provide professional services for the upgrade. The scope of work that each vendor provided was exactly what would be required for a new system implementation. The proposal of the vendor with the qualifications that best met the City's requirements was priced at \$399,000. Therefore, the total cost to upgrade JDE to the current version of the software would be close to \$500,000 (\$80,500 + \$399,000).

Taking into consideration the cost to upgrade the system, lack of Oracle's attention to the City, lack of major improvements to the system, and the scope of work being similar to a new system implementation, staff believed it would not be in the best interest of the City to upgrade the JDE finance system. With this determination, staff changed focus to begin looking at replacing the finance system.

Replacing the System

Staff identified five software vendors who were either currently being awarded contracts with municipalities across the country or were already being used by municipalities across the country. The five firms are, in alphabetical order: Lawson, New World Systems, SunGard, Tyler Technologies, and Unit 4. To prequalify for participation in an RFP process, each of these vendors provided a two hour preliminary demonstration of their software capability and discussed why they would be the best solution for Culver City. Each of the five firms successfully prequalified to proceed.

An RFP was prepared and issued to all five vendors. After a thorough review of the RFP responses, industry/customer opinion, and pricing, Lawson and Unit 4 were eliminated from continuing forward. As the City was reviewing Lawson's proposal, Lawson was acquired by Infor and Golden Gate Capital. Considering the unknown direction of new ownership and the internal cultural issues that arise as a result of an acquisition, the risk in selecting Lawson increased tremendously. Unit 4 is a subsidiary of a company based in the Netherlands which is just now trying to grow their business in the US. In addition, they submitted the proposal with the second highest price (Lawson was the highest). The evaluation team believed that Unit 4 was too new to the US and California public sector markets to justify the quoted price. In both cases (i.e. Lawson and Unit 4), the evaluation team did not feel that the quality of the software was sufficient to outweigh the risks and cost associated with each company.

New World Systems, SunGard, and Tyler Technologies were given a detailed script (Attachment A) and were asked to address each item of the script in a one-day, on-site demonstration. An evaluation team comprised of staff from General Accounting,

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Budget, Payroll, Accounts Payable, Finance Administration, Purchasing, Human Resources, and Information Technology attended the demonstrations.

Once the three demonstrations had been completed, the evaluation team met to discuss the vendors and their software capabilities. After some discussion, the team decided that Tyler Technologies' Munis software was the best overall choice for the City's current and future needs.

Some of the differentiating factors that set Tyler Technologies apart from the other vendors are:

- Tyler Technologies' Munis software was the most user friendly and intuitive to use
- Tyler has leveraged leading edge technology to have more robust features than the other vendors
- As Tyler updates their software with new technology and additional features, they provide a written guarantee, called the "Evergreen Philosophy", which states that the City will not be charged extra license fees for any future enhancement, feature or upgrade

To further validate the decision to select Tyler Technology and their Munis software as a replacement for our JDE software, conference calls were held with the City of Lakewood, the City of Chino, and a consultant who did the majority of work on the City of Redondo Beach's implementation of Munis. Responses to questions ranging from company culture to support services to system usability were overwhelmingly positive. They all identified issues encountered during implementation, but acknowledged that the issues are fairly common in large system implementation projects and are easily avoided with detailed planning and extensive testing prior to "going live" with the system. They all provided "lessons learned" from their implementations and on-going use of the system. Finally, they all offered to assist City staff should anything arise as we move forward in the process.

A client list for Tyler Technology's California customers and Tyler awards outside of California can be found in Attachment B.

FISCAL ANALYSIS:

Tyler Technologies' proposal includes costs for Tyler software, business partner software and equipment, Tyler consulting services, and maintenance/support for a total of \$912,476.00. The proposal also includes the first year maintenance and support cost for \$72,138.00 which has been discounted by \$91,182. Staff estimates

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the cost for new servers, associated hardware and software to be approximately \$50,000. Staff recommends an additional \$100,000 be approved to cover costs related to backfilling critical positions in Accounting and Payroll so that current service levels can be maintained concurrently while the project is ongoing.

Staff also recommends a contingency of \$100,000, or approximately 10% of the first year cost.

Sufficient funds exist to cover the total cost of the purchase of software and hardware, as well as cover the cost of professional services for the implementation:

Funding Source

Source	Available Amount
Financial System Replacement, P-636 (42000636)	\$2,179,165
TOTAL AVAILABLE FUNDING	\$2,179,165

Estimated Finance System Cost For Two Years

Component	Estimated Cost
Tyler Technologies – Project Cost	
Software (includes discount of \$148,680)	\$375,240
Professional Services for Implementation	\$396,525
Tyler Travel	\$95,341
Tyler-Provided Hardware	\$45,370
Tyler Project Cost Subtotal	\$912,476
Tyler Technologies – Annual Maintenance and Support	
Annual Maintenance, FY 2011-12 (includes discount of \$92,550)	\$72,138
Annual Maintenance, FY 2012-13	\$164,094
Tyler Maintenance Cost Subtotal	\$236,232
Additional Project Costs	
Culver City-Provided Hardware	\$50,000
Additional Project Labor	\$100,000
Contingency, if necessary	\$100,000
Additional Project Costs Subtotal	\$250,000
TOTAL TWO YEAR COST ESTIMATE	\$1,398,708

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ATTACHMENTS:

1. Attachment A: Detailed Demonstration Script
2. Attachment B: Tyler Technologies Client Listing

MOTION:

That the City Council:

- 1) Approve a professional services agreement in an amount not-to-exceed \$912,476.00 with Tyler Technologies to provide software, business partner software and equipment, and professional services to replace the JDEdwards Finance System; and,
- 2) Authorize the Chief Financial Officer to approve change orders to the contract in the aggregate amount not-to-exceed \$100,000.00, if necessary; and,
- 3) Authorize the Chief Financial Officer to approve additional labor charges for project labor in an amount not-to-exceed \$100,000.00; and,
- 4) Authorize payment of \$72,138.00 to Tyler Technologies for one year of financial software maintenance/support to be effective upon installation of the software; and,
- 5) Authorize payment of \$164,094.00 for the annual maintenance/support renewal with Tyler Technologies for the second year and each successive year until the maintenance agreement is terminated or substantially changed by either party; and,
- 6) Authorize the City Attorney to review/prepare the necessary documents; and
- 7) Authorize the City Manager to execute such documents on behalf of the City.