



## **CITY OF MENIFEE**

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SUBJECT: Agreement Amendment with Tyler Technologies, Inc. for the Enterprise Resource Planning Financial Management Software Solution

MEETING DATE: March 20, 2024

TO: Mayor and City Council

PREPARED BY: Margarita Cornejo, Deputy Finance Director

REVIEWED BY: Travis Hickey, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

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### **RECOMMENDED ACTION**

1. Approve and authorize the City Manager to execute Amendment No. 1, updating the scope of work and terms and conditions to the Software as a Services Agreement (“SaaS”) with Tyler Technologies, Inc. for comprehensive Enterprise Resource Planning Financial Management Software Solution (“MUNIS”) in the amount of \$29,722.50; and
2. Authorize the City Manager to execute future contract amendments to the SaaS Agreement with Tyler Technologies, Inc. contingent on project budget availability.

### **DISCUSSION**

On February 15, 2023, the City Council formally approved the addition of CIP 23-14: ERP Project Implementation as part of the Capital Improvement Program (CIP) and award of a Software as a Services (“SaaS”) agreement with Tyler Technologies, Inc. Through this two-year project the City will ultimately replace the existing financial management system, Eden (set to sunset by March 2027), with a more robust and comprehensive Enterprise Resource Planning (“ERP”) system, the Munis ERP.

Since award of the SaaS agreement and beginning with the spring of 2023, city staff has continued working through the implementation process month over month, with a targeted go-live date of July 1, 2024 for the Financials component of the system, and January 1, 2025 for the Human Resources component. The project is guided by an Executive Steering Committee (represented by the Executive Office, Finance Department, Information Technology, and Human Resources/Risk Management Departments), in collaboration with the various departments and Tyler Technologies, Inc. As the project continues to move forward, staff identified some modifications recommended to the existing SaaS agreement. The total SaaS agreement

compensation amount of \$947,867 would increase by \$29,722 for a new revised total of \$977,589. The proposed agreement modifications would be as follows:

- 1. Terms and Conditions: Acceptance of Deliverables and Control Points & Other.** Within the executed Statement of Work (“SOW”), clarification on existing terms and conditions indicating the City shall have ten business days from the day of delivery to accept each deliverable or control point. If the City does not accept, the City shall notify Tyler in writing, within ten business days and with reasoning. Additionally, the amendment provides for clarification on the Initial Term of the agreement, the timing of billing for the project, as well as provides some applicable terms and conditions for third party components of the ERP; and
- 2. Time and Attendance & Advanced Scheduling modules/components:** Addition and/or expansion of the Time and Attendance and Advance Scheduling module to accommodate Menifee PD personnel migrating from existing timesheet/scheduling system to ERP solution. The additional cost for this would be \$87,588.50 and would increase licenses from 100 to 350. The \$87,588.50 includes one time licensing and implementation costs of \$68,687.50, and annual SaaS costs of \$18,901, subject to an annual adjustment up to 5% beginning with Year 4. By including Menifee PD as part of the Time and Attendance & Advanced Scheduling the City will be able to fully consolidate time and attendance management within one unified system and eliminate the current solution used by the PD, resulting in costs savings and operational efficiencies. Since the department was established in 2020, the City has used a separate Time, Attendance, and Advanced Scheduling solution (“POSS”), from the current EDEN system due to the more complex nature of PD schedules and shifts. With the consolidation of the time and attendance system through Munis, there will be savings of just under \$12k per year for the current POSS system.
- 3. Removal of Inventory Module and Purchasing Integration:** In review of the City’s current operations and other software solutions specific to inventory and procurement, staff has determined the Inventory Module and purchasing integration would not be needed at this time. Therefore, it is recommended to remove these components from the scope of work. This would result in decrease to the existing contract of \$57,866. The \$57,866 includes savings of one-time licensing and implementation costs of \$17,053, and annual savings of SaaS costs of \$40,813, estimated in Table 1 beginning with Year 4 with the maximum annual adjustment.

If approved, the revised SaaS agreement with Tyler will be revised as follows:

**Table 1: SaaS Agreement for Munis System**

Future Years	One Time Costs	On-Going Costs <sup>(1)</sup>	Original Total Annual Costs	Proposed Contract Amendment No. 1		Total Revised Annual Costs
				Additions (Item #2)	Deletions (Item #3)	
Year 1 Costs <sup>(2)</sup>	\$657,843	\$290,024 <sup>(3)</sup>	\$947,867	\$87,588.50	(\$57,866)	\$977,589.50
Year 2 Costs	N/A	290,024	290,024	18,901	(40,813)	268,112
Year 3 Costs	N/A	290,024	290,024	18,901	(40,813)	268,112
Year 4 Costs	N/A	304,525	304,525	19,846	(42,854)	281,517
Year 5 Costs	N/A	319,751	319,751	20,838	(44,996)	295,593
Year 6 Costs	N/A	335,739	335,739	21,880	(47,246)	310,373
Year 7 Costs	N/A	352,526	352,526	22,974	(49,608)	325,892
Year 8 Costs	N/A	370,152	370,152	24,123	(52,089)	342,186
Year 9 Costs	N/A	388,660	388,660	25,329	(54,693)	359,296
Year 10 Costs	N/A	408,093	408,093	26,596	(57,428)	377,261
<b>TOTAL</b>	<b>\$657,843</b>	<b>\$3,349,518</b>	<b>\$4,007,361</b>	<b>\$286,976.50</b>	<b>(\$488,406)</b>	<b>\$3,805,932</b>

(1) Beginning Year 4, Annual Software Subscription Costs will be subject to an annual increase adjustment not-to-exceed 5%. Table 5 reflects maximum annual increase of up to 5% to provide estimated maximum amount(s).

(2) Year 1 (Implementation Year) commenced February 2023 and includes one time implementation costs and annual licensing costs.

(3) Includes \$40,813 of recurring costs included as part of Deletion (Item #3).

Additionally, as the City moves forward in the upcoming months, to maintain continuity in project implementation, staff is requesting the City Manager be pre-authorized to approve any future contract amendments to the SaaS agreement, provided availability of project budget. As of February 2024, the estimated available budget is approximately \$147,410.50, after the proposed Contract Amendment No. 1.

As the project continues in its implementation phase, and staff assesses the various operational components of the system, a comprehensive project update, timeline and budget, will be incorporated as part of the FY2024/25 Mid-Cycle review process.

**STRATEGIC PLAN OBJECTIVE**

Regular City Business

**FISCAL IMPACT**

The fiscal impact for the proposed Amendment No. 1 would result in a net increase to the existing SaaS agreement of \$29,722.50, paid in FY 2023/2024 for year 1, as the addition/expansion of the Time and Attendance modules would be offset by the removal of the inventory module and purchasing integration. Additionally, the annual subscription costs for the additional license would include an increase of \$18,901 for years 2 and 3, and subject to the overall agreement annual adjustment beginning with Year 4. The fiscal impact for the second year of the 2-year budget cycle would be \$18,901 in FY 2024/2025. Additionally, beginning with FY2025/26, with the migration of Menifee PD to the Munis Time and Attendance & Advanced Scheduling system, the

City would realize annual cost savings in eliminating the current software solution being used. No additional budget appropriation(s) is required for the proposed contract amendment at this time.

**ATTACHMENTS**

1. Amendment No. 1
2. Statement of Work
3. Original Agreement