



CITY OF MENIFEE

SUBJECT: Award Enterprise Resource Planning (ERP) Financial Management Software Solution (MUNIS) Contract

MEETING DATE: February 15, 2023

TO: Mayor and City Council

PREPARED BY: Margarita Cornejo, Deputy Finance Director

REVIEWED BY: Regina Funderburk, Chief Financial Officer
Ron Puccinelli, Chief Information Office

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Incorporate ERP Project Implementation as CIP 23-14 within the current Fiscal Year (FY) 2022/2023 CIP Program; and
2. Award and authorize the City Manager to execute a Software as a Services (SaaS) Agreement with Tyler Technologies, Inc. for a comprehensive Enterprise Resource Planning (ERP) Financial Management Software Solution (MUNIS) for FY 2022/2023, in the amount not-to-exceed \$947,867; from DIF Citywide Account No. 524-4220-53155; and
3. Authorize the City Manager to execute nine optional one-year amendments for FYs 2023/2024 thru 2031/2032; and
4. Approve award of Professional Services Agreement with Third Stage Consulting for as needed Project Management support services related to the ERP Implementation Project in the amount not-to-exceed \$550,000; and
5. Adopt a Budget Amendment Resolution appropriating \$91,667 to the IT Fund (Fund 110) to Account 110-4555-58168 (Professional Services) for FY 2022/2023 professional consulting services with Third Stage Consulting.

DISCUSSION

The Finance Committee reviewed and recommended submittal of this item to the City Council at its meeting held on February 7, 2023.

Since incorporation in 2008, the City of Menifee has used the Tyler Eden Financial Management System (almost 15 years). As the City has continued to develop, so has the volume and complexity of its financial transactions along with the need for additional streamlined solutions.

Additionally, Tyler's Eden system, with an original copyright date of 1997, now has a final sunset date of March 1, 2027, at which time Tyler will discontinue availability and support of this solution. Essentially, the City will no longer receive updates, security patches or support. Running outdated or end-of-life software could present significant risks to the City as it relates to being more vulnerable to cyber threats, business disruptions and missed opportunities for increased efficiency and effectiveness due to the absence of new technologies and productivity tools and features.

As part of the FY 2021/2022 Budget, Council approved the appropriation of \$1,125,000 from Development Impact Fee (DIF) 524 (General Government: City Hall, Facilities, Vehicles, Equipment) specifically towards replacement of the City's current financial management system with an ERP system. DIF funds, specifically Fund 524 provides dedicated funding for City Hall, Public Works facilities, Internet infrastructure, and Public Works and City vehicles necessary to provide city services. The acquisition of an ERP system is an eligible expense as it provides the principal system for financial recordkeeping and other core functions like human resources operations. On December 7, 2022, the appropriated budget of \$1,125,000 was carried forward into the current fiscal year to continue the efforts of this project.

An ERP is a more comprehensive software system that helps organizations automate and manage core business processes for optimal performance. Specific to government entities an ERP solution is often the pillar financial information system used to record and manage all financial records, to minimize risk by improving financial controls and improving compliance with local, state and federal requirements, government accounting and audit related standards. A robust ERP system provides a comprehensive solution used across multiple City functions, including but not limited to budgeting, general ledger, payroll, business license collection, accounts receivable, accounts payable, cash management, purchase orders, financial reporting and human resources.

Understanding the significant effort required in the migration and implementation of an ERP system, City staff continues to take a proactive approach to move forward and replace Eden. The average implementation period is approximately 24 months.

City's Approach:

Selection and implementation of an ERP system is one of the largest and most complex projects a City can undertake, and as a result is not frequently undertaken, typically completed every 20 years or so. Understanding the significant financial and human resources investment required for this effort, the City's overall approach and end goal is to successfully replace the existing system with a comprehensive ERP system that is designed around best practices, consolidates and streamlines existing functions, and integrates with other key technology systems, thereby allowing the City to streamline and improve processes that result in timely, accurate, and easy-to-access information. To organize this effort, the City has established the following components as part of the process.

- **Established an Executive Steering Committee** – represented by the City Executive Office, Human Resources Department, Finance Department and Information Technology Department. The Steering Committee provides executive direction/guidance throughout this effort.
- **Defined clear and specific new ERP system requirements and functionality standards** – In reviewing the organization needs of the City, staff identified the new ERP system should meet the following objectives and requirements:
 - Consolidate information, link processes and functions, and eliminate separate departmental spreadsheets/Access databases in favor of a single system that integrates the City's financial and non-financial applications through a common database.
 - Upgrade from outdated menu drive solution to new system with expanded features and capabilities.
 - Streamline business processes to take advantage of best practices through automation, integration, and workflows.
 - Provide a user-friendly and intuitive user interface to promote system use and productivity.
 - Expanded budget and planning tools/capabilities.
 - Eliminate the need for redundant data entry.
 - Eliminate the need for manual input when preparing various financial documents, including the annual budget and preparation of the Comprehensive Annual Financial Report (ACFR).
 - Improve and/or provide necessary reports and reporting capabilities, and access to data through inquiry or drilldown capabilities.
 - Provide interface capabilities with third-party systems.
 - Direct integration with other key City systems, including but not limited to cashiering system, and Accela permitting system.
 - Established cybersecurity system/processes in place to ensure security and privacy of City's financial records.
 - Phased implementation of all modules within 24 months from contract signature.
 - Robust technical support for implementation phase of project, as well as on-going support during term of service.

CIP Program FY 2021/2022 to 2025/2026

Recognizing the significant financial investment in updating the City’s existing financial management system, and in line with the City’s CIP policy, where any project with a cost of \$50,000 or more and useful life of more than more than five (5) years, this project will be formally added as part of the FY 2022/2023 CIP Program. The corresponding assigned CIP Project Number/Name: CIP 23-14: ERP Project Implementation. The detail/funding information on the project will be updated and reflected in the CIP Program.

Procurement & RFP Process:

Procuring and implementing an ERP system is a challenging and time-consuming endeavor. To accomplish this, the City of Menifee first reviewed its business processes, identified streamlining and synergistic opportunities, considered the numerous ERP systems on the market, selected the best product, negotiated a competitive contract, and will now oversee the system’s implementation.

On February 14, 2022, the City issued Request for Proposal (RFP) No. 2022-13 for a comprehensive ERP solution to seek qualified firms who can demonstrate they possess organizational, functional, and technical capabilities, as well as experience, expertise, and qualifications necessary to fully integrate, a proven ERP solution to meet the City’s needs and replace the City’s existing financial management system, Eden (Tyler).

Below is a list of the functional components of the new ERP software (MUNIS) compared to the existing financial system:

TABLE 1:Eden System Comparison to MUNIS ERP System

| Module | Existing Eden Financial System | Munis System Addition/Enhancements |
|---------------------------|--|--|
| Administration | Menu Driven module configuration | Enterprise ERP Dashboard, business intelligence tools and more custom reporting options |
| Accounts Payable | Invoice processing (entry, review and approvals) | Integrated/connected to other system components including, but not limited to: <ul style="list-style-type: none"> - Asset Management - Grant Accounting |
| Accounts Receivable | Dedicated module with limited capabilities | Expanded capabilities |
| Budget Preparation | Budget input and review modules | Budget input, review and final Budget book production, Expanded direct reporting capabilities. |
| General Ledger | Limited account structure options and reporting | Additional department division codes; ACFR Builder: direct information/format for ACFR |
| Human Resources & Payroll | Standard employee set-up, benefits updates | Mobile app, electronic time off/vacation request processing, automated retro-pay calculations, future date changes, history tracking of changes |

| Module | Existing Eden Financial System | Munis System Addition/Enhancements |
|-------------------------------------|---|--|
| Purchasing & Contract Management | Requisition, Purchase Order, Change Order Modules | Enhanced Requisition, Purchase Order, Change Order, with features like: <ul style="list-style-type: none"> - Direct connect to large online vendors like Amazon, Staples - Vendor access to direct information update - Link to Asset Management component of system. - Emailing POs directly to vendors |
| Project & Grant Accounting | Dedicated Project Accounting Module, but no Grant Management form | Expanded grant accounting/management features, including SF-425 Financial Report production/generation |
| Asset Management | No asset management module in City's Eden system | Integrated to accounts payable and procurement elements of system. GIS mapped asset system. Mobile app available |
| Other Systems/Solutions Integration | Integrated with Tyler Cashiering system, limited or no direct integration to other key systems such as Accela permitting system | Integration capabilities to: <ul style="list-style-type: none"> - Tyler Cashiering - Accela Permitting System - Future Work Order System - NeoGov HR on-boarding solution - HdL Business Licensing |

Proposals were due March 21, 2022, and a total of five (5) proposals were received. Subsequently, a comprehensive evaluation of the proposals received was completed by the Evaluation/Selection Committee comprised of City staff from Finance, Public Works, Human Resources, and Community Services departments. Proposals were reviewed and ranked based on the following criteria: qualifications and experience of the firms, proposed team and organization, proposed technical project approach, and cost proposal. The top two finalists provided demonstrations of the software and participated in a finalist interview. The final averaged weighted results of the evaluation completed were as follows:

TABLE 2: Initial Proposal Evaluation Summary

| Firm | Average Score (100 possible point) | 10 Year Service Cost Proposal (Including Implementation) |
|---------------------------------|------------------------------------|--|
| Tyler Technologies, Inc. | 85.00 | \$3,399,390 |
| CentralSquare | 81.98 | \$2,558,256 |
| OpenGov, Inc.* | 81.25 | \$2,135,950 |
| Ellipse Solutions | 61.13 | \$20,000 |
| Univerus | 74.50 | \$8,316,065 |

*OpenGov, Inc. voluntarily withdrew their proposal following the proposal evaluation stage due to overall company expansion on other areas, such as procurement solutions.

TABLE 3: Finalists (Demonstrations and Interviews) Evaluation Summary

| Firm | Average Score (10 possible point) |
|--------------------------|--------------------------------------|
| Tyler Technologies, Inc. | 8.02 |
| CentralSquare | 6.02 |

Throughout all evaluation phases, initial and finalists, Tyler Technologies proposal for the MUNIS ERP was consistently ranked as the highest proposal. During the finalist demonstrations and interviews, where finalists provided a more in-depth and virtual walk-thru of the proposed solutions, as well as provided detailed responses and presentations to the projects and solution components, the MUNIS ERP presented a more robust system with capabilities and functionality that the other solutions did not have. Tyler Technologies, Inc. has extensive experience providing Financial Management Software (ERP) solutions to other municipalities. Additionally, as the current provider of the current ERP (Eden) used by the City, Tyler has the most familiarity with the City's existing financial data structure.

Following the extensive evaluation process and recommendation of the Evaluation Committee, key staff from the Finance Department and IT Department, supported by the City Attorney's office, have reviewed the final proposal and negotiated a final contract and cost proposal. Staff is recommending award of a contract in the amount not-to-exceed \$947,867 for FY 2022/2023 for the implementation of the MUNIS ERP system. The \$947,867 consists of a one-time implementation costs of \$657,843 and 1st year subscription costs of \$290,024. Subscription costs will be subject to an annual increase up to 5%, per year, beginning in year 4.

The initial contract period shall be effective April 2023 through April 2024, plus nine (9) one-year option renewal periods at the discretion of the City. System prices shall remain effective and in force for the entire initial contract period, including any optional extension exercised. Bid prices shall remain effective and in force for the entire initial contract period, based on bids received, including any optional extension exercised. Under the proposed agreement, the City would retain the right to terminate the contract by providing a 60-day written notification to Tyler prior to expiration of the current term or renewal term.

Next Steps (Implementation Phase):

Tyler Technologies, Inc. has advised following award of the contract, the project kickoff between City staff and Tyler would be scheduled for April 2023. In alignment with the kickoff meeting a detailed project schedule/timeline would be finalized identifying key deliverables throughout the project.

As previously stated, the implementation of a new ERP system is an extensive and elaborate process, involving key City staff and the selected vendor. The project has an estimated 24-month timeline, and as such will require participation of staff from various departments who are experienced and/or subject matter experts in areas such as accounting, payroll, budget, benefits, procurement, human resources and information technology. To ensure project success, and with

direction/guidance of the Steering Committee, the City will coordinate specific staff assigned to the project, in conjunction with ensuring regular processes continue uninterrupted during the implementation process. In addition to the internal staff assigned to the project, as part of the implementation phase, staff is recommended augmenting internal staff with external resources, including the following:

Professional Consulting Services (IT Support)

Overall system configuration and management from a technology standpoint will require dedicated resources focused on the implementation efforts. Accordingly, staff recommends contracting with a professional firm to provide project specific support to the ERP Implementation Project. The scope of work of this consultant, shall include, but is not limited to:

- *Project Planning*
- *Project Governance & Controls*
- *Project Resources*
- *Organizational Change Management*
- *Benefits Realization and Performance*
- *Configuration and Development*
- *Architecture*
- *Master Data Management*
- *Testing*

Staff solicited three (3) proposals for firms specialized in providing such support and evaluated the proposals on overall qualifications of the firm, proposed project approach, and cost reasonability. Two firms provided proposal responses, and following the evaluation of the responses, staff is recommending engaging Third Stage Consulting:

Table 4: IT Support Services Proposal Costs

| Firm | 2 Year Cost |
|------------------------------------|-------------------------|
| Third Stage Consulting | \$550,000 |
| Government Technology Group | \$660,000 |
| Client First | Opted not to bid |

Temporary Contract Support (Finance Support)

Temporary contract support in relation to the Finance/accounting elements of the implementation is recommended to be included as part of the project. The level and extent of Finance related configuration, testing, and set-up required for the transition will require such support, to ensure the most efficient implementation process, while balancing on-going financial operations. Estimated costs for these services is estimated at \$275,000 for a 24-month period. With a tentative project kickoff of April 2023, estimated costs for FY 2022/2023 are \$61,111.

It is important to note, that regular financial operations will need to continue uninterrupted during the implementation of the new ERP system. To ensure no significant disruptions, if deemed necessary, limited term/temporary staffing may be required to support existing staff efforts.

STRATEGIC PLAN OBJECTIVE

Accessible and Interconnected Community

FISCAL IMPACT

The total fiscal impact of the contract with Tyler for FY 2022/23 will be a not-to-exceed amount of \$947,867, including one-time costs of \$657,843- and first-year subscription costs of \$290,024. Funding for these costs would be covered with existing budget within Account #524-4220-53155.

Table 5: 10 Year Costs (One Time and On-Going) of Tyler Munis ERP

| Fiscal Year | Future Years | One Time Costs | On-Going Costs ⁽¹⁾ | Total Annual |
|-------------------|---------------|----------------|-------------------------------|--------------------|
| FY 2022/23 | Year 1 Costs | \$657,843 | \$290,024 | \$947,867 |
| FY 2023/24 | Year 2 Costs | N/A | 290,024 | 290,024 |
| FY 2024/25 | Year 3 Costs | N/A | 290,024 | 290,024 |
| FY 2025/26 | Year 4 Costs | N/A | 304,525 | 304,525 |
| FY 2026/27 | Year 5 Costs | N/A | 319,751 | 319,751 |
| FY 2027/28 | Year 6 Costs | N/A | 335,739 | 335,739 |
| FY 2028/29 | Year 7 Costs | N/A | 352,526 | 352,526 |
| FY 2029/30 | Year 8 Costs | N/A | 370,152 | 370,152 |
| FY 2030/31 | Year 9 Costs | N/A | 388,660 | 388,660 |
| FY 2031/32 | Year 10 Costs | N/A | 408,093 | 408,093 |
| Total | | \$657,843 | \$3,349,518 | \$4,007,361 |

(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).

Table 6: One Time Professional Consulting Services for Project Implementation

| Fiscal Year | Description (24 Month Implementation Period) | IT Support Services | Finance Support Services | Total Amount (\$) |
|-------------------|---|---------------------|--------------------------|-------------------|
| FY 2022/23 | 1x Project Implementation Costs (4 Months) | \$91,667 | \$61,111 | \$152,778 |
| FY 2023/24 | 1x Project Implementation Costs (12 Months) | \$275,000 | 183,333 | 458,333 |
| FY 2024/25 | 1x Project Implementation Costs (8 Months) | \$183,333 | 30,556 | 213,889 |
| Total | | \$550,000 | \$275,000 | \$825,000 |

Additionally, as shown in Table 6 above, the estimated costs for professional IT consulting services with Third Stage Consulting are estimated at \$550,000 and \$275,000 for professional finance consulting support services for 2-year term periods. Combined estimated costs for these services for FY 2022/2023 (based on a project kickoff of April 2023) would be approximately \$152,778. A corresponding Budget Amendment Resolution appropriating \$91,667 to Account #110-4555-58168 (CIP 23-14: ERP Implementation Project) from available fund balance for the

IT related expenses is included as part of this agenda item. Costs of \$61,111 for the FY 2022/2023 Finance support services \$61,111, are budgeted and included within Account #100-4555-58168.

The remaining \$672,000, for IT and Finance support services for the remainder of the implementation period beyond FY 2022/2023, will be included as part of the respective budget year(s). It is important to note, that while the proposed professional services agreement is for the full two-year amounts, services and maximum billing amount will be limited to the approved budgeted amount of the respective year. The City shall reserve the right to terminate the agreement at any time, including, but not limited to budget availability and approval, if deemed necessary.

Any necessary limited term/temporary staffing required to support existing staff efforts, would also be budgeted as part of the corresponding budget year(s).

Future Savings (Data Storage):

Lastly, the migration from Eden as a premise-based system to the MUNIS ERP system a cloud-based solution, will result in a reduction for less data storage on site, and thereby reduce data storage costs and server capacity requirements. For instance, the City recently completed a new server replacement project, at a cost of an estimated \$250,000, to continue to support the citywide server and data storage needs. With the cloud-based MUNIS system, storage and security of information have been consolidated as part of the services provided by the agreement with Tyler, thereby reducing future additional server upgrade requirements to accommodate financial data storage/operations. This also provides an additional protection from potential data loss due to a nature disaster such as a fire. The proposed agreement with Tyler outlines the specific data storage, data back up processes and security requirements applicable.

ATTACHMENTS

1. Tyler Munis Agreement
2. PSA - Third Stage Consulting
3. Budget Amendment Resolution (BAR) Fund 110