

TO: James L. App, City Manager

FROM: Jim Throop, Administrative Services Director
Dave McCue, Information Technology Manager

SUBJECT: Financial Management System

DATE: March 19, 2013

NEED: For the City Council to consider a new Financial Management/Budget/Accounting System.

FACTS: The City's Financial Management System (FMS) is one of the most important computer systems the City uses, playing a significant role in budgeting, purchasing, forecasting, expenditure tracking, accounting, financial & cash management, labor cost and benefit accounting of a \$50 Million+/year operation.

CURRENT FMS

1. The current financial system was installed in 1988 and is no longer being upgraded or sold by the manufacturer.
2. Many departments maintain duplicate records as the current system does not provide detailed information in a useful format, is not easily queried, and can show conflicting results.
3. The current system necessitates extraordinary manual data extraction and verification, requires use of off-system spreadsheets/work arounds, and is extremely difficult to do any kind of reporting or research. New analytical reports must be created by the vendor at a cost to the City and can take days to pull the appropriate data.
4. The current system also lacks necessary or user-friendly modules. For example, it does not use a P.O. system or budget system. All budgets are done on Excel spreadsheets and purchase orders tracked by department, not on the system. This leads to inconsistencies in data from one system to another, wasted time searching those inconsistencies, unreliability, and duplicate systems.
5. Historical tracking of Human Resources is done on paper, Excel spreadsheets, or not at all.

NEW FMS

1. Includes and integrates all needed finance and HR modules, including A/P, A/R, Budgeting, Payroll, General Ledger, Fixed Assets, Purchase Orders, Cashiering, HR, Report Writing and others.
2. Report writing is straight forward and easy to learn allowing staff to "Drill Down" on records to view the detail; e.g. when viewing a payment, an image of the Purchase Order and/or invoice can be immediately seen.
3. Includes complete tracking of all employees and related HR/Payroll information. Electronic time sheets and other updates will help alleviate duplication of effort.
4. Eliminates duplicate systems as data will be available and integrated.
5. Implementation will take an estimated 18 months for installation, testing and going-live.

ANALYSIS &

CONCLUSION:

The current FMS is almost 30 years old and is no longer sold or supported by the vendor. The current FMS is deficient in most areas or completely lacking the necessary modules. In FY2006, the City Council approved the transfer of \$500,000 into the IT Equipment Replacement fund to assist in the purchase and installation of a new FMS. Unfortunately, the recession put the acquisition on hold.

The City issued a Request For Information (RFI) for a new FMS. After review of the submissions, onsite demonstrations, and reference checking, Tyler Technologies' Munis software is the optimum FMS product.

Tyler is the largest company in the nation solely dedicated to software and services to the public sector. In 2011, Tyler was named one of FORBES 100 best small companies. Recent clients to Tyler include the cities of Santa Barbara, Beverly Hills, Rancho Palos Verdes and Chino. Tyler currently has its software in over 11,000 different public sector agencies.

Tyler Technologies' Munis system, for both financial and human resources software, not only addresses limitations of the current FMS, but provides many new features needed by the City to better conduct its business. Some of these are:

- It is vendor developed, maintained, enhanced, and supported.
- It provides the functionality of all current FMS modules and more. Anticipated modules include GL, Budget, A/P, A/R, Fixed Assets, Project & Grant Accounting, Purchase Orders, Human Resources, Payroll, Contract Management and others.
- It provides a familiar and easy to use Windows internet browser interface.
- It provides easy-to-use reporting tools for non-technical staff.
- It provides electronic workflow that improves productivity by reducing the time spent waiting for status and approvals for processing vendor invoices, requisitions, personnel actions and timecards.

- It provides a Content Management System (CMS) that stores and easily retrieves electronic copies of paper documents such as reports, forms, vendor invoices, bids and other financial transaction supporting documents. These documents are easily found, displayed, printed and emailed.

It is important to note that Tyler agreed to discount the software by 20% and waived the first year's annual maintenance and support cost at an additional value of approximately \$30,000. The contract allows for up to four additional years of maintenance and support with an annual increase to the undiscounted price of approximately \$1,900. This increase is not to exceed more than 5% of the previous year's cost.

The project is scheduled to begin in April 2013 with the financial modules going-live by December 2013. Human Resources/Payroll would begin implementation in January 2014, with a go-live date of July 2014.

In addition to utilizing the Coordinator position and backfilling staff with this assignment, the city will use contracted project management to employ specific professional skills for a limited time.

POLICY

REFERENCE: Information Technology Strategic Plan

FISCAL

IMPACT: The current cost estimate for a new FMS, which includes the license fee, implementation costs, hardware costs, etc., is approximately \$750,000 over five years. At the 2012 spring Recovery Workshop, the City Council approved spending \$850,000 over the next five years for a new FMS, this is a possible savings of approximately \$100,000.

Three different funding options were reviewed. These were:

- Cash purchase
- Ongoing lease expense
- Lease/Purchase

Staff recommends the lease/purchase option to Council. The lease/purchase will allow the City to maintain its cash position, while paying only a relatively small amount of interest. By contrast, the ongoing lease option would cost the City an additional \$500,000 during the same five year period.

The lease/purchase option would be over a 5-year period with a low interest rate of approximately 2.7%. The interest charges over the 5-year period will be approximately \$56,000. However, the IT Equipment Replacement fund, which holds the funds for the FMS replacement, will receive approximately \$23,000 in interest over the same period time, such that the net interest cost is only \$33,000 over the 5-year period.

The four Enterprise funds (Water/Sewer/Transit/Airport) would also be paying for a portion of the new FMS, based on the enterprise's budget as a percentage of the total City budget.

The following is a breakdown of estimated costs and cost sharing, as well as a comparison of the estimated project cost versus the Council approved recovery option.

ESTIMATED BREAKDOWN OF COSTS

Tyler Munis Licenses -	\$170,000
Tyler Implementation/Training/Other -	\$187,000
Tyler Data Conversion -	<u>\$40,000</u>
Subtotal – Tyler Technology	\$397,000
Contract Project Management -	\$190,000
Project Implementer (Net Cost) -	\$30,000
Backfill Position (estimated) -	<u>\$40,000</u>
Subtotal – City Implementation Costs	\$260,000
Hardware/IT costs -	\$40,000
Project Contingency -	<u>\$53,000</u>
Subtotal – Hardware/IT/Contingency	\$93,000
Total Estimated Cost –	<u>\$750,000</u>

COST SHARING

Equipment Replacement Fund (72.1%) -	\$541,000
Water Fund (12.0%) -	\$90,000
Sewer Fund (10.7%) -	\$80,000
Transit Fund (3.2%) -	\$24,000
Airport Fund (2.0%) -	<u>\$15,000</u>
Total	<u>\$750,000</u>

OPTIONS:

a. Council authorize:

1. Direct City Manager to enter into a contract with Tyler Technologies for the purchase and implementation of its Munis FMS
2. City Manager to enter into a contract with Nexlevel Information Technology, Inc. for project management services
3. City Manager to fill the vacant Coordinator position and “backfill” staffing to assist the implementation of the FMS

4. Authorize the purchase of necessary hardware equipment for the implementation of the FMS
 5. City Manager to enter into a five-year lease/purchase agreement with Umpqua Bank for the purchase and implementation of the FMS
 6. Approve a total 5-Year project cost not to exceed \$750,000
- b. Amend, modify or reject the above option.

RESOLUTION NO. 13-xxx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING AND AUTHORIZING THE EXECUTION OF AN AGREEMENT FOR A NEW
FINANCIAL MANAGEMENT/BUDGET/ACCOUNTING/HUMAN RESOURCES SYSTEM. WITH
TYLER TECHNOLOGIES

WHEREAS, the City's Financial Management System (FMS) is one of the most important computer systems the City uses; and

WHEREAS, the current financial system was installed in 1988 and is no longer being upgraded or sold by the manufacturer; and

WHEREAS, many departments maintain duplicate records as the current system does not provide detailed information in a useful format, is not easily queried, and can show conflicting results; and

WHEREAS, a new financial management system will not only address limitations of the current FMS, but will provide many new features needed by the City to better conduct its business integrating finance and HR modules, including A/P, A/R, Budgeting, Payroll, General Ledger, Fixed Assets, Purchase Orders, Cashiering, Human Resources, Report Writing, and others; and

WHEREAS, the implementation of the new system will require a contracted project management, a Coordinator position and backfilling of staff; and

WHEREAS, City staff has negotiated the basic terms of an agreement with Tyler Technologies for the required equipment and with NexLevel Information Technology for project management services; and

WHEREAS, the implementation of the new financial services system will require the filling of a vacant staff position and execution of other agreements

NOW, THEREFORE, BE IT HEREBY RESOLVED, AS FOLLOWS:

Section 1. The City Council hereby approves and authorizes the City Manager to execute all necessary agreements to acquire and implement the new financial services system, including but not limited to, agreements with Tyler Technologies for the purchase and implementation of its Munis product, NexLevel Information Technology for project management services, purchase agreements for hardware and a lease/purchase agreement with Umpqua Bank, with all agreements subject to the review and approval of the City Attorney. In addition the City Manager shall be authorized to fill a vacant Coordinator position and backfill staff to assist with the implementation. The cost to acquire and implement the entire new financial services system shall not exceed \$750,000.

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 19th day of March 2013 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Duane Picanco, Mayor

Caryn Jackson, Deputy City Clerk