



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: November 6, 2012

TO: Mayor and Councilmembers

FROM: Finance Department and Information Systems Division of
Administrative Services Department

SUBJECT: Purchase Of A New Financial Management System

RECOMMENDATION: That Council:

- A. Approve a professional services agreement with Tyler Technologies, Inc., for the acquisition and implementation of the Munis Financial Management System (FMS), in an amount not to exceed \$1,393,470;
- B. Approve additional services that may be identified during the implementation of Munis, in an amount not to exceed \$250,275; and
- C. Approve a Munis technical support and maintenance agreement for up to five years in an annual amount not to exceed \$121,775 beginning in year two (year one fees have been waived) and increasing by 3% in year three and by 5% in years four and five.

EXECUTIVE SUMMARY:

The City's Financial Management System (FMS) is one of the most important computer systems that the City uses, playing a significant role in many key financial and administrative functions Citywide. The current system was implemented twenty-two years ago. Plans have been underway for many years to replace this functional, but technologically obsolete, system. In Fiscal Year 2012, the project was assigned a high priority and an extended effort was undertaken to update and conduct a comprehensive review of proposals received in response to an earlier Request For Proposals (RFP). The project team unanimously chose Tyler Technologies' Munis (Tyler Munis) for the City's new FMS. Tyler Munis software not only addresses the limitations of the current FMS, but provides many new features needed by the City to better conduct its business. The price of the new system hardware and software acquisition and implementation, including a contingency allowance, is \$1,643,745. This is less than the amount estimated and budgeted for this portion of the FMS replacement project. The technical support and maintenance agreement will become effective following installation for one year at no cost and for \$121,775 in the second year, with modest increases of 3-5% in the third through fifth years of the agreement.

DISCUSSION:

Background

The City of Santa Barbara uses an in-house developed Financial Management System (FMS) that was implemented between 1990 and 1991. The FMS consists of the following modules: Accounts Payable, Accounts Receivable, Budgeting, Business License, Cashiering, Central Stores Inventory, General Ledger, Human Resources, Payroll, Purchasing, and Utility Billing.

Ten years ago, the City realized that its Financial Management System (FMS) was not adequately meeting its needs. While the current FMS is functional, it has a number of issues: (1) few technical staff are available to support it; (2) it is programmed in a now obsolete programming language; (3) it runs under an archaic computer operating system; (4) it provides only the basic financial business functions; (5) it has a “clunky” non-windows interface; and (6) it lacks easy-to-use reporting tools. Due to these deficiencies, the City decided to replace the FMS. However, due to City budget funding limitations at that time, it was decided to extend the life of the FMS for a few years by enhancing its functionality and by implementing a Windows based data warehouse with advanced reporting abilities.

Last year, the project was prioritized and funding was approved to replace the entire FMS. The first step was to reform the project team. It consists of a Steering Committee of representatives from every City department and the managers, supervisors and senior staff in charge of the current financial and human resource FMS modules.

The project team reviewed and updated a previously completed RFP document, which was issued to 10 pre-qualified vendors; four proposals were received. The proposals were reviewed, references checked, and Tyler Munis and SunGard OneSolution were chosen as the semi-finalists.

The two vendors were invited and they both conducted three days of presentations and demonstrations of their company’s viability and software functionality to the project team. Based on this initial assessment, the project team concluded that Tyler’s Munis System was the best product to move forward with additional evaluation.

In verifying that Tyler Munis is the company and product that best meets the City’s needs, eight reference checks were conducted, multiple software demonstrations viewed, and two site visits were made. At the conclusion of this significant effort, the project team unanimously chose Tyler Munis for the City’s new FMS.

Selection of Tyler Technologies Munis Financial Management System

Tyler Technologies' Munis financial and human resource management software not only addresses the 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. In addition to increased functionality, additional modules the City is purchasing are: Project Accounting, Fixed Assets, and Vendor and Employee self-service. Other modules available that could be of benefit in the future include: Risk Management, Parking Tickets, Animal Licenses, and Citizen Response Management.
- It provides a familiar and easy to use Windows' Internet browser interface.
- It provides "dashboards" that deliver personalized business functionality and information to specified staff.
- It provides easy-to-use reporting tools for non-technical staff.
- Information is easily transferred to Microsoft Word and Excel for custom reporting and analysis.
- It provides electronic workflow that improves productivity by reducing 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 e-mailed.

It is important to note that, during contract negotiations, Tyler agreed to discount the software by 20% and waived the first year's annual software maintenance and support cost at an additional value of \$118,228. The contract allows for up to four additional years of maintenance and support with an annual increase to the undiscounted price of \$118,228. This increase is not to exceed 3% in the second and third years, and 5% in the fourth and fifth years.

Project Implementation Timeline

The project is scheduled to begin in December 2012 with the financial modules going live in January 2014 and the Payroll / Human Resources modules in July 2014.

Summary of Exhibits

The professional services agreement contains a number of exhibits which are an integral part of the contract. A listing of exhibits is provided below.

Exhibit 1 – Investment Summary – Lists all of the software, services, third party hardware and software, sales taxes, maintenance and support being purchased (and optional) with any associated discounts. The estimated travel costs and project contingency funds are also listed. Services consist of consulting, implementation (training), data conversion, forms creation, interface development, and report writing.

Exhibit 2 – Verification Test – List of the software tests to verify the Munis software was correctly installed on the City's servers.

Exhibit 3 – Support Call Process – Technical support contact information, hours available, process and escalation steps.

Exhibit 4 – Business Travel Policy – Tyler's policy and estimated costs for their staff covering travel to and working in Santa Barbara.

Exhibit 5 – Adobe End User License Agreement – Required by Adobe Systems Inc. because the City will be using their software.

Exhibit 6 – Living Wage Certification – A required certification per City Code.

Exhibit 7 – Contractor's Nondiscriminatory Employment Certificate – City's document.

Exhibit 8 – Statement of Work - Description of the City's and Tyler's project teams and their names, if known, and their responsibilities. Also, a detailed list of the project tasks to be accomplished.

Exhibit 9 – Updated Proposal Checklist – City's Request For Proposal Business Functions checklist with Tyler's acknowledgement that their software satisfies the business functions fully, partially, or not at all.

Exhibit 10 – Proposal – A copy of Tyler's original RFP proposal.

Exhibit 11 – Modifications/Interfaces – List of the software interfaces with other agencies and companies the City needs and Tyler is providing.

Exhibit 12 – Milestone Payment Schedule – For each project milestone the following is listed: a description of the fee, the type and amount of the fee, and the date or conditions for when it is due.

BUDGET/FINANCIAL INFORMATION:

In Fiscal Year 2012, the City budgeted approximately \$3 million in the Information Systems Capital Fund for this project, of which the General Fund's portion was forty percent of the total, with special and enterprise funds paying the remaining sixty percent.

The \$3 million included an estimate for the purchase and implementation of the software, the purchase of hardware, and the cost to hire temporary staff to backfill existing Human Resource, Finance and Information System staff that will need to devote a considerable amount of time and effort during the almost 2-year implementation period. The breakdown of the approximate \$3 million budget is shown below.

<u>Cost Item</u>	<u>Amount</u>
Hardware, Software, & Services	\$1,600,000
Contingency	320,000
Backfill Staff (est. 3 year need)	<u>1,049,000</u>
Total	<u><u>\$2,969,000</u></u>

As shown above, a total of \$1,920,000 was budgeted for hardware, software and implementation, including a \$320,000 contingency; the actual cost, based on the agreement subject to Council approval, is \$1,643,745, including the \$250,275 contingency. The funds needed for backfilling staff will likely also be less than budgeted, since Tyler estimates the implementation will be accomplished in less than 3 years. Therefore, we expect that the overall project cost will be less than the \$3 million budgeted. However, it is premature to provide an estimate of the final costs.

In addition to the acquisition and implementation costs, the City will be required to pay an annual support and maintenance fee. City staff has negotiated a waiver of fees in the first year of the contract. The fees in subsequent years will not exceed the amounts shown below:

Year 2	\$121,775
Year 3	125,428 (3% Increase)
Year 4	131,700 (5% Increase)
Year 5	138,285 (5% Increase)

Maintenance fees are not included in the project budget and will have to be factored in to the City's budget beginning in Fiscal Year 2014.

SUSTAINABILITY IMPACT:

Munis includes a Content Management System that will store electronic copies of the documents it generates, such as reports and forms, and associated financial documents, such as vendor invoices and bids; thereby reducing the need to print them on paper, distribute multiple copies, or store them in file cabinets.

The Tyler Technologies Professional Services Agreement and Exhibits are available for review in the Council Reading File and the City Clerk's Office.

PREPARED BY: Rob Badger, IT Project Manager

SUBMITTED BY: Bob Samario, Finance Director

APPROVED BY: City Administrator's Office



Financial Management System (FMS) Replacement Project

City Council

Tuesday, November 6, 2012



FMS REPLACEMENT PROJECT

Presentation Outline

I. INTRODUCTION

II. SELECTION PROCESS

III. WHY TYLER'S MUNIS SYSTEM?

IV. FMS vs. MUNIS

V. COSTS

VI. TIMELINE

VII. CONCLUSION



I. INTRODUCTION

INTRODUCTION

What is an FMS?

- ◆ A set of computerized programs that make up the accounting and financial reporting infrastructure of a an organization
- ◆ Critical to both small and large organizations
 - Personal finances – Quicken?
 - Small businesses – QuickBooks?
 - Large business – Various systems available

INTRODUCTION

Where does the City Fit In?

- ◆ The City of Santa Barbara is a relatively large operation
- ◆ \$250 million FY 2013 Budget
 - Will take in ~\$250M in revenues and spend ~\$250M this year
 - We have approximately 80 different funds and 13 different departments
 - We have 1000 accounts and over 2000 project accounts
 - We have approximately 1500 full-time, part-time and hourly employees

INTRODUCTION

Purpose of the FMS for City

- ◆ It allows us to:
 - Account for all of the receipts and expenditures by fund, department, program, account and project
 - Process payments for services (accounts payable) and employees (payroll)
 - Compile and prepare the annual budget
 - Process the requisition of goods and services
 - Bill for services provided (slips, airport leases, etc.)
 - Generate key management reports
 - Meet Federal, State and local reporting requirements

INTRODUCTION

Why Replace the FMS?

- ◆ System is Very Old and Outdated
 - Developed in-house 22 years ago
 - Uses archaic programming and operating system software whose future is uncertain
 - Few technical staff available to support FMS
- ◆ Limited Functionality
 - Only provides basic financial functionality
 - Has a cumbersome, non-Windows interface
 - Lacks easy-to-use reporting tools



II. SELECTION PROCESS

SELECTION PROCESS

- ◆ **Step #1 – Completed Needs Assessment and RFP**
 - Formed a project team and hired a consultant to assist
 - Identified City's needs and requirements
 - Developed a request for proposals (RFP)
 - Sent out RFP and Needs Matrix to 10 qualified vendors

- ◆ **Step #2 – Initial Evaluation of Proposals**
 - Received 4 responses
 - Evaluated proposals and conducted reference checks
 - Narrowed list to 2 vendors (Tyler and SunGard)

SELECTION PROCESS

◆ Step #3 – Final Evaluation

- On-site demonstrations (3 days each)
- Preliminarily selected Munis
- Further reference checks, additional demonstrations, and 2 site visits

◆ Step #4 – Final Selection

- Tyler Munis selected
- Select desired modules and implementation services
- Negotiation of final price



III. WHY TYLER'S MUNIS SYSTEM?



WHY TYLER'S MUNIS SYSTEM?

- ◆ Well established and experienced vendor with California cities
 - Vendor supported system (vs. City staff for FMS)
- ◆ Functionality of FMS and much more
- ◆ Familiar Windows user interface
- ◆ Powerful and easy to use reporting tools



IV. FMS vs. MUNIS

FMS VS. MUNIS

Munis Software Modules

Financials

Accounts Payable
*Bid Management
Budgeting
Cashiering
Contract Management
*Fixed Assets
General Ledger
Inventory
*Project & Grant Accounting
Purchase Orders
Requisitions
*Vendor Self Service

Human Resources

Human Resources
Payroll
*Employee Self Service
*Employee Expense Reimbursement

Citizen Services

Accounts Receivable
General Billing

Productivity

*Content Manager
*Dashboard
*Munis Office
*Reporting Services
*Tyler Forms
*Workflow

FMS Menu

811 MMENU 12 APPLICATION MENU 10/28/2012 09:12

OPTION	DESCRIPTION
1	I.S. Operations
2	Payroll/Personnel Menus
3	General Ledger System
4	Accounts Payable System
12	Business Sales Tax System
13	Cash Receipting System
14	Transfer Files between VAX and PC
15	Department Inquiry

Select Option: [0]

Enter desired # or 99 to Logout

3332, 41 VT400-7 -- chp via TELNET

- Difficult to navigate: not standard Windows, lacks mouse.
- Difficult to find screens and reports: many sub-menus.
- Minimal functionality available.
- User cannot customize.

Munis Dashboard

The screenshot displays the Munis Dashboard interface. At the top right, it shows the user's name 'Jean Jones' and 'Site Actions'. The main navigation bar includes icons for Home, Calendar, Staffing, HR Views, Payroll, Purchasing Stats, Budget, AR Collections, Business License, Tax, IT, Permits & Code, Work Orders, Councilor View, Reporting, Profile, Add View, Settings, and Order Views. A 'User Views' section is also present.

On the left, there is a 'Programs' menu with a search bar and a list of categories: Financials, Revenue, and Other Applications. The 'Financials' category is expanded, showing sub-items like Account Overview, GL Account Central, GL Account Inquiry, Budget Projection Wizard, Vendor Central, Expenditure Central, Purchase Order Central, Invoice Central, Fixed Assets Central, Contracts Central, Inventory Central, Work Order Central, Service Requests, Project Central, Accounting Entries, Journal Analysis, and Budget Scenarios. The 'Revenue' category includes Property Central, UB Central, Contractor Central, Customer Central, and Permit Central. 'Other Applications' includes Workflow Command Center.

The main content area is divided into several sections:

- My Favorites:** A table listing '311 Connect', 'Content Manager Client', and 'Self Service', each with edit and delete icons.
- My Workflow:** A table showing workflow items: 'Notifications' (5, 4 Unread), 'Approvals' (7, 6 Unread), and 'Alerts' (0, 0 Unread).
- Munis Reports:** A table listing reports by product: 'Financial Management (30)', 'Human Capital Management (13)', 'Revenues - General (4)', 'Revenues - Property (5)', and 'System Administration (2)'. Each report has a search icon.
- Outlook Inbox:** A list of emails with subject lines like 'OIL CHANGE(Work Order:265,Task:1)', 'Meeting Forward Notification: OIL CHANGE(Work Order:265,Task:1)', and 'Invitation to Evaluate Vendor Responses, Bid #30'. It includes a search bar and sorting options.

- Familiar, easy to use Windows navigation, with mouse.
- Simple to find screens and reports with favorites.
- Graphical interface with rich functionality.
- Workflow notifications, alerts, & approvals pending.
- Users can customize and add functionality.

An aerial photograph of a coastal town and harbor, showing buildings, palm trees, and a pier extending into the water. The image is partially obscured by a dark blue overlay.

V. COSTS

PROJECT COSTS

- ◆ Budgeted: \$3 million
 - Software, hardware, & services: \$1,600,000
 - Contingency: \$320,000
 - Staff backfill: \$1,049,000
- ◆ Tyler's Cost: \$1.64 million
 - Munis: \$1,393,470
 - Contingency: \$250,275
- ◆ Other Costs
 - Computer Servers: \$40,000
 - Staff backfill: anticipate less than budgeted

ANNUAL MAINTENANCE COSTS

- ◆ Five-Year Maintenance Agreement
 - Year 1 – \$118,228 (Waived)
 - Year 2 - \$121,775 (3% Increase)
 - Year 3 - \$125,428 (3% Increase)
 - Year 4 - \$131,699 (5% Increase)
 - Year 5 - \$138,284 (5% Increase)



VI. PROJECT TIMELINE

Implementation (~ 1½ years)

- Core Financials Dec 2012 - Jan 2014
- Human Resources / Payroll Oct 2013 - Jul 2014



CONCLUSION

- ◆ Large investment
- ◆ Significant staff time
- ◆ Substantial increase in functionality, access of information and ease of use



QUESTIONS...