

Discussion of City ERP Project

Presentation to Board of Estimates

July 29, 2013

What is Enterprise Resource Planning? (ERP)

- Establish one integrated data base for multiple activities (Payroll, Accounting, Purchasing, Budgeting, Utility Billing, Grants Management, Treasury, Courts, etc.)
- Replace legacy and ad hoc systems.
- Promote standard processes.
- Increase business users ability to access system and generate reports / conduct analysis.
- Interface with other applications.
- System of public record, audit and internal controls.

2011 ERP Survey (KPMG)

- *Timeframe*
 - 86% did not complete within original timeframe; of those, a third had delays of more than one year.
- *Budget*
 - 57% stayed within budget

City Rationale for ERP

- IT concerns about the number of systems and subsystems it has to maintain and interest in eliminating old Progress-based data base systems.
- Current core financial and payroll system (SxD) has limitations (implemented January 1997).
- Expanding financial reporting and audit requirements (GASB, GAAP, OMB, etc.)
- Multiple systems require duplication of effort and result in higher error / correction rates; time-consuming reconciliation processes.
- Business users heavily reliant on IT programming for basic reports and data for analysis (data warehouse a short-term option).

Project Timeline

2007 and earlier

- IT communicates desire to modernize systems based on Progress data base, including SxD.
- Finance Director identifies on-going weaknesses in SxD.
- Needs analysis consultant RFP developed.

2008

- Baker Tilly (Virchow Krause) selected to assist city in needs assessment, ERP vendor RFP development, and vendor selection.
- 36 subsystems identified for replacement by ERP.
- Software evaluation conducted with input from city department staff.

2009

- RFP issued (February).
- Four responses received (April).
- Two respondents ruled out due to database management architecture / cost and other issues
- One vendor willing to develop a demonstration in response to city specifications (Tyler Technologies)
- References were checked and site visits conducted.
- Project budget included in 2010 adopted city budget (\$7.7 million of GO bonding over multiple years).
- Council authorized contract in November.

Project Timeline (continued)

2010

- Contract signed in May
- Tyler developed Statement of Work / Implementation Plan documents.
- As-is analysis developed.
- Initial Go-Live Date for core financials set for April 2011; length of time to finalize contract pushes date to January 2012.

2011

- Go-Live date for Phases 1 and 2 moved to 1/1/2013 (April – May)
- City and Tyler staff work to develop specifications for modifications to the system.
- Tyler implementation and development staff make little progress between May and September.
- “Summit” held in October to determine next steps on key functionality needs.
- Tyler executives commit top project manager to City.

2012

- Tyler project manager begins full time work on project (February).
- Considerable progress made on finalizing specifications and making appropriate connection between developers (programmers) and business functionality needs.
- Tyler proposes “Go-Live” approaches that would compromise the city’s ERP goals (“work-arounds”, multiple data entry, etc.) – July
- Approximately one-third of the modifications completed, delivered and accepted (September)
- City expresses concerns to Tyler regarding grant accounting reconciliation and balance sheet reporting at the fund level.
- City decides to delay “Go-Live” date (September)
- Tyler states that project delay will result in additional implementation and development costs, most feasible “Go-Live” of 1/1/2015.
- City begins discussions with Baker Tilly to provide assistance on next steps with contract.
- Grants management module (Provider Gateway) near implementation.

Project Budget

- Total approved budget = \$7.7 million
 - Needs Assessment / RFP = \$274,900
 - Tyler Contract = \$5.5 million
 - Third party contracts = \$100,000
 - Hardware, maint., contingency= \$1.8 million

- Invoiced to Date = \$4.2 million
 - Paid to Tyler = \$3.35 million

Points to Consider – Part I

- Need for new systems was clearly determined through comprehensive assessment process.
- City has invested \$4 million and thousands of hours of staff time.
- Engaged in large-scale financial business systems overhaul since 2007.
- Project is currently on budget.
- Tyler contract was established with an upper limit (other than for enhancements beyond statement of work)

Points to Consider – Part II

- Chose lower cost system – impact:
 - longer development time to ensure process flows are accomplished using system functionality
 - more time for user training and acceptance (learning from previous large city system roll-outs).
- Knew upfront that Tyler product had process and output gaps that had to be addressed.
- No ERP system is fully “integrated”, more expensive systems will need less configuration than lower cost / less functional products.

What is the Alternative?

- Needs have not gone away; systems risks have further increased.
- RFP had considerable detail and reflected lengthy review process.
- Respondents to RFP were limited; alternatives were higher cost.
- Departments have already begun to seek replacements for stand-alone systems, further increasing business process inefficiencies and IT maintenance issues.
- Considerable investment made to date.

Current Status

- Tyler agrees that the project needs additional focus and clearer timetables.
- City engaged Baker Tilly to assist with reviewing project status and providing guidance on contract amendment.
- City and Tyler working toward January 1, 2015 go-live date.

Next Steps

- City withholding any further payment until successful go-live for core financials and HR/Payroll.
- Tyler working on specifications for final modifications and enhancements and developing clear milestones / deliverables to reach Go-Live date.
- City working with Tyler on contract amendment; may include incentive payment for successful go-live. Once draft amendment finalized a resolution authorizing the execution of the amendment will be forwarded to Council for review and approval.

Expected Timetable

- May – July 2013 – contract amendment finalized and approved.
- September 2013 – review development progress on all modifications and enhancements to system.
- February 2014 – modifications and enhancements included in version 10.5 of software.
- May 2014 – City tests software
- August 2014 – Tyler provides final “go-live” system.
- September – December 2014 – Training for city staff
- January 1, 2015 – Go-live with core financials and HR/Payroll.
- March 2015 – Make payment to Tyler; restart annual system maintenance payments (\$300,000).