



Midpeninsula Regional  
Open Space District

R-21-02  
Meeting 21-01  
January 13, 2021

### AGENDA ITEM 3

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Award of Contract with Tyler Technologies Inc., for an Enterprise Resource Planning System Migration and Five-Year Software Service Agreement

#### GENERAL MANAGER'S RECOMMENDATIONS *den*

1. Authorize the General Manager to award a contract with Tyler Technologies Inc., for a one-time cost of \$198,124 to migrate the Enterprise Resource Planning (ERP) System from New World Systems (planned to be discontinued) to Munis with a 10% contingency of \$19,800 to address unanticipated technical issues, for a total amount of \$217,924.
2. Authorize the General Manager to award a five-year software maintenance agreement with Tyler Technologies Inc., for a total amount of \$299,165 (\$59,833 per year) that will replace the current maintenance agreement for New World Systems (resulting in a net savings of \$9,477 over the five years for annual maintenance fees).
3. Authorize an allowance of \$44,000 to be used only as needed during the next five years for additional online storage and user growth needs, bringing the total contract to an amount not-to-exceed \$561,089 for the Munis software platform.

#### SUMMARY

The Midpeninsula Regional Open Space District (District) uses New World Systems (New World) to manage mission critical finance, procurement, and Human Resource (HR) business processes, which is maintained by Tyler Technologies Inc. (Tyler). Tyler is no longer actively marketing New World nor developing future upgrades for software functionality as it has turned its focus to its Munis and Incode Enterprise Resource Planning (ERP) System solutions (Munis has remained their flagship ERP system since it was first acquired in 1999). The District desires to proactively move to the Munis ERP as it will be continuously supported and expanded. The General Manager recommends entering into an agreement with Tyler for a one-time cost not-to-exceed \$198,124 and a contingency of \$19,800 for a total amount of \$217,924 to migrate the New World ERP system to the Munis platform with a five-year software maintenance agreement of \$299,165. In addition, the General Manager recommends a \$44,000 allowance to be used as needed over the next five years for additional cloud storage and user growth needs, bringing the total contract to an amount not-to-exceed \$561,089. The Fiscal Year 2020-21 (FY21) budget will require an amended to cover the first-year expenses. Funds would also be budgeted in future fiscal years.

## DISCUSSION

In 2011, the Board approved the purchase and implementation of an Integrated Accounting and Financial System (New World). The system went live in July 2012 to manage many core business processes. The total project cost was \$531,280 (\$364,500 for the New World purchase and implementation, and \$166,780 for outside project management services). New World manages core business processes for finance, procurement, and HR (e.g. general ledger, accounts payable, revenue/cash receipting, project accounting, miscellaneous billing and receivables, bank reconciliation, timekeeping, payroll processing, position control, employee event tracking, personnel action processing, benefits administration, position budgeting, and employee self-service).

New World was acquired by Tyler in 2016, which is the largest and most established provider of integrated software and technology services focused solely on the public sector. Tyler provides four unique ERP systems for the public sector (New World, Munis, Eden and Incode). Munis was acquired by Tyler in 1999 and is their flagship ERP product. As a comparative perspective between the two platforms, Munis has an installed customer base of approximately 5,000 clients and accounts for 45% of Tyler's overall revenues. Today New World has less than 400 installations for the New World ERP. Tyler has halted significant investment to further developing New World, with the last major product update rolled out in 2018, and New World is no longer advertised as a customer solution on the Tyler ERP website.

Today, Tyler's primary focus is on the expansion, continued improvement, and functionality of the Munis product. Given the foregoing, it is clear that New World will eventually be retired by Tyler and a migration to Munis will provide the District with long-term ERP stability with further efficiencies through greater functionality, improved business reporting, and streamlined business processes.

Through Tyler's Evergreen Policy, the District can receive credits for its prior New World software purchase. As a result, the District would receive a 40% discount (\$35,703) on the annual Munis software cost. Migrating to Munis would be substantially less expensive and less time consuming than initiating a completely new Request for Proposals process and implementing the system with an entirely new vendor. In addition, the Munis user interface is similar to New World, making the learning curve for staff low, resulting in less business interruption and a smoother internal transition. For these various reasons, the General Manager recommends entering into a sole source contract. Board Policy 3.03, "Public Contract Bidding, Vendor and Professional Consultant Selection, and Purchasing" provides for sole source contracts under special circumstances when it is "appropriate and in the best interest of the District under the specific circumstances of the project at issue," including circumstances such as here, where services "are for purposes of maintaining consistency and operational efficiency, so as to be available from only one source."

### *Migration*

The one-time migration cost will be as much as \$253,523 less than the original cost to implement New World, which took place almost a decade ago. The migration will be managed in-house, avoiding the need for an outside project management firm that was needed during the New World implementation at a cost of \$166,780. See comparison breakdown below:

	<b>New World</b>	<b>Munis</b>
Implementation/Migration	\$198,000	\$198,124
Year One Software	\$125,000	\$59,833
Contingency	\$41,500	\$19,800
<b>Subtotal</b>	<b>\$364,500</b>	<b>\$277,757</b>
Outside Project Management	\$166,780	\$0
<b>Total</b>	<b>\$531,280*</b>	<b>\$277,757*</b>

\*Staff time was required for New World but was not tracked and assumed to be roughly equivalent to the staff time that will be required to manage the Munis migration.

### *Annual Maintenance*

Annual maintenance expenses are anticipated to be slightly lower than New World, resulting in a net savings of \$9,477 over the five years for annual maintenance fees. New World annual maintenance fees increase 5% per year, while the Munis maintenance fees would remain flat for five years. Currently, New World is installed onsite, requiring the District to pay for internal servers, supporting software, backup storage space, and staff time to maintain the system. With this migration, Munis will be hosted in the Tyler cloud, reducing internal costs and increasing security. Below are tables showing the annual maintenance cost difference between New World and Munis.

<b>NEW WORLD</b>			
<b>Year</b>	<b>Annual Maintenance</b>		<b>Total</b>
	<b>Annual Cost (5% annual increase)</b>	<b>Annual Estimated Internal Server, Supporting Software, and Staff Time (2% annual increase)</b>	
Year 1	\$39,375	\$17,500	\$56,875
Year 2	\$41,344	\$17,850	\$59,194
Year 3	\$43,411	\$18,207	\$61,618
Year 4	\$45,581	\$18,571	\$64,153
Year 5	\$47,861	\$18,943	\$66,803
<i>Subtotal</i>	<i>\$217,572</i>	<i>\$91,071</i>	
<b>Grand Total</b>			<b>\$308,642</b>

<b>MUNIS</b>	
<b>Year</b>	<b>Annual Maintenance</b>
Year 1	\$59,833
Year 2	\$59,833
Year 3	\$59,833
Year 4	\$59,833
Year 5	\$59,833
<b>Total</b>	<b>\$299,165</b>

### *Allowance*

Future storage growth needs are anticipated as the District transitions to a paperless workplace, resulting in a \$5,000 annual increase for additional storage capacity. In addition, as Munis is used to its full functionality (replacing multiple legacy systems) and District staff grow, more

concurrent users will likely be required resulting in an estimated annual increase of \$8,000. The anticipated breakdown of these future needs is shown below and forms the basis for the \$44,000 recommended allowance.

<b>MUNIS</b>		
<b>Year</b>	<b>Anticipated Future Growth Costs</b>	
	<b>Storage</b>	<b>Additional Future Users</b>
Year 1		
Year 2	\$5,000	
Year 3	\$5,000	\$8,000
Year 4	\$5,000	\$8,000
Year 5	\$5,000	\$8,000
<i>Subtotal</i>	<i>\$20,000</i>	<i>\$24,000</i>
<b>Total</b>		<b>\$44,000</b>

Munis would provide more robust functionality, streamlining numerous internal processes to support the District's expanding needs for automation and paperless processes. Munis would introduce numerous efficiencies and increased functionality for HR management (e.g. organizational chart creation, career ladders, onboarding/offboarding automation, reporting structures, performance management, and training management). The Munis system would also allow for the replacement of multiple legacy Access databases that are at end-of-life (e.g. Insurance Database and Training Database) and updates to archaic Excel sheets. Migrating these to Munis rather than external software products will save money and result in a robust ERP system that integrates multiple disparate systems internally for the District.

## **FISCAL IMPACT**

The FY21 Information Systems and Technology department operating budget would require an amendment to include the FY21 projected expenditures. Funds would also be recommended in future fiscal year budgets as a part of the annual Budget and Action Plan process to cover future annual maintenance costs. The annual increase of \$5,000 and \$8,000 per year reflects the anticipated storage and concurrent user growth needs over time. As the District transitions to a paperless workplace, additional storage capacity will be needed and as the District staff grow and as Munis is used in its full functionality, replacing other legacy systems, more concurrent users will be required. The net five-year fiscal impact, with combined migration, maintenance, additional storage, and user growth costs to change from New World to Munis is \$252,447. Below is a breakdown of the costs per fiscal year.

<b>Fiscal Year</b>	<b>One-time Migration Costs</b>	<b>Annual Maintenance</b>	<b>Anticipated Annual Storage Growth</b>	<b>Anticipated Annual Concurrent User Growth</b>	<b>Grand Total</b>
FY21	\$108,962	\$59,833			<b>\$168,795</b>
FY22	\$108,962	\$59,833	\$5,000		<b>\$173,795</b>
FY23		\$59,833	\$5,000	\$8,000	<b>\$72,833</b>
FY24		\$59,833	\$5,000	\$8,000	<b>\$72,833</b>

FY25		\$59,833	\$5,000	\$8,000	\$72,833
Total Cost	<b>\$ 217,924</b>	<b>\$ 299,165</b>	<b>\$20,000</b>	<b>\$24,000</b>	<b>\$561,089</b>

### **BOARD COMMITTEE REVIEW**

A Board Committee did not previously review this item.

### **PUBLIC NOTICE**

Public notice was provided as required by the Brown Act.

### **CEQA COMPLIANCE**

This item is not a project subject to the California Environmental Quality Act.

### **NEXT STEPS**

Upon Board approval, the General Manager will direct staff to enter into this five-year agreement with Tyler Technologies Inc.

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