



Agenda Item No. (7)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of March 24, 2022

From: Malini Brown, Project Manager
Fang Lu, Chief Technology Director
Kellee J. Hopper, Deputy General Manager, Administration and Development
Joseph M. Wire, Auditor Controller
Denis J. Mulligan, General Manager

Subject: **APPROVE ACTIONS RELATIVE TO THE ERP (ENTERPRISE
RESOURCE PLANNING) IMPLEMENTATION PROJECT**

Recommendation

The Finance-Auditing committee recommends that the Board of Directors approve actions relative to the ERP Implementation project as follows:

1. Authorize execution of Contract No. 2019-D-059, *Enterprise Resource Planning (ERP) System and Implementation Services*, with Tyler Technologies of Yarmouth, Maine, to implement a new enterprise resource system for a three-year term plus two one (1) year options providing five years of access to and maintenance of the system in the not-to-exceed amount of \$4,352,144;
2. Authorize the General Manager to exercise up to five one (1) year option terms to extend the services for up to a total of ten years, provided that funding has been allocated in the annual budget and such option years are in the Golden Gate Bridge, Highway and Transportation District's best interest; and,
3. Approve a capital project budget increase in the FY 21/22 District Division Capital Budget in the amount of \$500,000, relative to Capital Project No. 1810, *ERP System Replacement*, for a total project cost of \$5,000,000.

This matter will be presented to the Board of Directors at its March 25, 2022 meeting for appropriate action.

Background

The Golden Gate Bridge, Highway and Transportation District (District) existing business process management software was originally purchased over 15 years ago and is in need of replacement. It is proposed to acquire, implement and maintain a new cloud-based software to manage and

integrate the District's core finance, human resources, payroll, grants and procurement functions in support of many of the District's day-to-day business functions. Such software systems are commonly referred to as enterprise resource planning (ERP) software.

The District's currently utilizes Finance Enterprise to support its core finance, human resources and payroll processes, which was upgraded from Integrated Financial Accounting System (IFAS) in 2020. In August 2019, the District received notification from its vendor, Superior, that it could no longer host IFAS because IFAS operated on Microsoft Server 2008, which would no longer be supported by Microsoft in 2020. Due to the urgent nature of the situation and time constraints imposed on the District by Superior, a limited technical upgrade of IFAS to Finance Enterprise was done. This matter was presented to the Board in March 2020.

The upgrade to Finance Enterprise did not obviate the need for the District to make a significant investment in its business process management software that supports a larger array of its day-to-day business functions to ensure a robust and adaptable system for the next 15 to 20 years.

On September 23, 2019, the District issued Request for Proposals (RFP) No. 2019-D-059, *Enterprise Resource Planning (ERP) System and Implementation Services*, to seek proposals from qualified firms to implement a replacement ERP system. The replacement system will support business process improvements, improved access to data and information and enhanced ease of use. As part of implementing a new system, the vendor will be responsible for the following:

- a. Application installation
- b. Application configuration
- c. Data conversion
- d. Interface development (to other systems that share data with the ERP system (e.g. Maximo and Hastus)
- e. Workflow development
- f. Report/form development
- g. Testing
- h. Documentation and training
- i. Go-Live and post implementation stabilization
- j. Support and maintenance
- k. Organizational change management
- l. Project management

RFP No. 2019-D-059 was posted on the District's Procurement Portal, and notification was sent to all registered firms that selected the relevant North American Industry Classification System codes. Proposals were received from the following firms by the submission deadline date of Friday, November 22, 2019:

1. CentralSquare Technologies – Lake Mary, FL
2. Highstreet IT Solutions – Rockville, MD
3. Sierra-Cedar – Alpharetta, GA
4. TechTu Business Solutions – Pleasanton, CA
5. Tyler Technologies – Yarmouth, ME

A Selection Committee, comprised of District staff, reviewed and evaluated each proposal based upon the following criteria that were specified in the RFP:

- Ability to Meet Functional and Technical Requirements – 0-30 Points
- Vendor Experience and Qualifications – 0-15 Points
- Support and Maintenance – 0-20 Points
- Implementation Approach – 0-20 Points
- Cost Proposal – 0-15 Points

Following the initial review and screening of written proposals, three Proposers were invited to demonstrate their software. These vendors were:

1. CentralSquare Technologies (the incumbent)
2. Sierra-Cedar
3. Tyler Technologies

Each Proposer was provided with a demonstration script so that the Selection Committee could fairly and objectively evaluate both software functionality and vendor capability. Each demonstration was scheduled as a three-day event with the first demonstration taking place on site in March 2020. Shortly afterwards, the Bay Area went into lockdown due to the COVID-19 pandemic. The remaining two vendor demonstrations were rescheduled as remote sessions and completed in early June 2020. In July 2020, all Proposers were notified that the District would be pausing the RFP process due to the COVID-19 related impact to the District's budget. Proposers were asked if they would honor their cost proposals, which all three agreed to do.

After considering the written proposals, references, and demonstrations, the Selection Committee determined that Tyler Technologies and its Munis application met all the requirements for the services requested by the District and was the highest ranked proposer.

Staff, District's Attorney, and the Disadvantaged Business Enterprise (DBE) Program Administrator reviewed the proposals and found Tyler Technologies submitted all required documents, and its proposal is technically responsive to the specifications.

No contract-specific DBE or Small Business Enterprise (SBE) goal was established for this contract. Proposers were encouraged to obtain DBE participation. Tyler Technologies is not a certified DBE or SBE firm and will not utilize subconsultants to perform services on this contract.

Benefits

The benefits the District will realize by investing in its ERP system are significant and will ensure that the District has a robust and adaptable system for the next 15 to 20 years. Some key benefits to the District are:

- The new ERP system will enable the District to provide the public, government agencies, the Board, management and staff with timely and accurate reporting on the District's spending.

- The new ERP system will save staff time and resources by reducing the number of shadow systems, interfaces, and customizations the District currently uses for core processes, such as managing the Capital and Operating budget and processing payroll.
- Changing systems provides a unique opportunity to re-engineer and streamline business processes, i.e. automate manual processes, design better workflow integration between functions and optimize processes. Re-engineering and streamlining business processes can, for example, reduce the time to prepare and receive federal and state reimbursements,
- The new ERP system will improve reporting and data analytics by alleviating the need to manipulate data outside of the system. This will improve the process of creating federal reports and audits, and better analysis of data on metrics such as, for example, diversity, costs, etc.

Project Description

Munis Version 2021.3 will be implemented as a hosted Software as a Service (SaaS) product. The core modules to be deployed are:

- Munis Financial Management
- Munis Human Capital Management
- Munis Analytics (for analyzing data and reporting)

The system will be configured to exchange data with the following systems used by the District:

- Bonfire (Bid Management system)
- NeoGov (Applicant and Recruitment system)
- Hastus (Bus scheduling system)
- Maximo (Inventory/Work order management system)
- Kronos (Employee Timekeeping system)
- B2Gnow (Supplier Diversity management system)
- Wells Fargo Bank

Tyler Technologies has a well-established implementation methodology that is broken into the following Stages:

- Initiate & Plan
- Assess & Define
- Prepare Solution
- Production Readiness
- Production
- Close

To be successful, the implementation will require attention and dedication by staff across the District. The District's project team will comprise the following roles and personnel:

ROLE	NAME	POSITION
Executive Sponsor	Joe Wire	
Steering Committee	Kellee Hopper Fang Lu Cody Smith Brian Garrity Stephanie LaRue Jennifer Mennucci	
Department Heads/ Functional Leads	Vicky Ng Muang Saeteurn Marianne Waterman Amy Frye/Jacob Brown Stephanie LaRue Michelle Purugganan Lehnee Salazar Karin Williams	Accounting Payroll Procurement Capital & Grants HR, Benefits HR, Recruitment Budget Application Support, Information Systems
Subject Matter Experts	Key personnel identified by Department Heads	
Change Management Leads	Koa Hills Consulting	
Project Manager	Malini Brown	Information Systems

The Subject Matter Experts are key resources for all stages of the project, and their commitment to the project ranges from 100% to 25% depending on their role. Staff who have to dedicate more than 50% of their time to the project will be temporarily backfilled so their day-to-day duties are not impacted.

The District will have to rely on the support of consultant services because, due to the size and complexity of the project, the project is of limited duration and all the skills and functions needed to successfully implement the project are not available in-house. Koa Hills Consulting will provide resources to: 1) lead change management and 2) provide technical consultation support to the District's Information Systems team. Consultant services will also be required from the system vendors with which Munis will interface to ensure interfaces function correctly.

Project Implementation Timeline with Major Milestones

PHASE	FUNCTIONAL AREAS	MODULES	START DATE	GO-LIVE DATE
1	Financials	<ul style="list-style-type: none"> • Accounting General Ledger • Accounts Payable • Bid Management • Budgeting • Capital Assets • Cash Management • Contract Management • Inventory • Project & Grant Accounting • Purchasing • eProcurement • Accounts Receivable • General Billing • CAFR Statement Builder (post-live) 	March 2022	September 2023
	System Wide	<ul style="list-style-type: none"> • Munis Analytics & Reporting <ul style="list-style-type: none"> ○ Tyler Reporting Services ○ Munis Office ○ HUB • Tyler ReadyForms Processing • Tyler Content Manager SE 		
2	Human Capital Management	<ul style="list-style-type: none"> • Payroll w/Employee Self Service • HR & Talent Management • Employee • Expense Reimbursement • Recruiting 	January 2023	January 2024

Post Project Implementation

Future year annual costs to continue using the Munis system (SaaS fees) beyond the initial five-year contract will increase at a rate not to exceed five percent of the prior year’s costs. The annual fee includes all software licensing, annual maintenance (support, enhancements), and Disaster Recovery and System Management. These future annual costs are shown in Table 2.

By implementing Munis, the District is investing in a system that will stay current as technology changes and new features become available without incurring additional costs beyond regular annual support. However, the District will likely have to improve or change its internal business processes in the future to meet regulatory requirements and/or operational efficiencies, which may require changing the configuration of the Munis system. The District will include the requisite

funding in future year operating budgets for such system improvements/changes to ensure that the District is maximizing its investment in the Munis system.

Risks

Three major risks have been identified with the implementation of a new ERP system.

1. **Resources:** For successful implementation, key staff from Finance, Payroll, Procurement, Capital & Grants and Human Resources will have to be dedicated to the project. Not having dedicated resources will negatively impact the project and could lead it to overrun.

Mitigation: District staff need to be backfilled with temporary resources to allow them to focus on the implementation project and to avoid negatively affecting daily operations.

2. **Project momentum:** Insufficient staff support or delayed internal decision making can lead to the project slowing down. This can happen if backfilled resources leave or operational demands become high and assigned project resources are pulled back into operational duties. These have negative impacts on the project timeline and may lead to project overrun. In addition, if the project slows, the vendor may reallocate resources to other clients.

Mitigation: The project budget will contain sufficient resources for backup staff and the District's Project Steering Committee chaired by senior staff will meet regularly to ensure project decisions are made and implemented quickly.

3. **Not reaching consensus on changes to process:** Implementing a new ERP system will inevitably bring changes to how departments conduct their work and could possibly shift duties from one area to another. Internal teams may not be able to reach consensus on these changes, leading to project delays and/or resistance.

Mitigation: 1) Try to identify changes early to give sufficient time to vet out options, 2) Establish an escalation process to senior stakeholders and finally the Project Steering Committee, who will make decisions when an impasse is reached.

Fiscal Impact – Contract Award

The total cost of the base term of the Tyler Technologies contract including one-time implementation costs and five years of annual licensing and support is \$4,352,144. The District's Senior Buyer successfully negotiated a 15% discount off the original proposed costs.

Table 1 provides a breakdown of the contract budget:

TABLE 1: CONTRACT BUDGET

CONTRACT BUDGET	AMOUNT
Capital Expenditures (Project #1810)	
Prime Contract (Munis Software implementation one-time cost, estimated travel costs and Yr. 1 SaaS fees)	\$2,028,604
Prime Contract Contingency (20% of the one-time implementation cost, \$1,322,020)	\$264,404
Subtotal – Capital	\$2,293,008
Operating Expenditures	
Munis Annual Fees Yr. 2 to Yr. 5 (\$514,784 per year) Includes all software licensing, annual maintenance (support, enhancements), and Disaster Recovery and System Management	\$2,059,136
Subtotal – Operating	\$2,059,136
TOTAL CONTRACT BUDGET (Capital & Operating Expenditures)	\$4,352,144

Fiscal Impact – Five Additional One (1) Year Option Terms

Table 2 provides a breakdown of future year annual costs that will be capped at a 5% annual increase from the prior year’s fees:

TABLE 2: FUTURE YEAR ANNUAL COSTS

OPERATING COSTS	AMOUNT
Munis Annual Cost Yr. 6	\$540,523
Munis Annual Cost Yr. 7	\$567,549
Munis Annual Cost Yr. 8	\$595,927
Munis Annual Cost Yr. 9	\$625,723
Munis Annual Cost Yr. 10	\$657,009

Fiscal Impact – Capital Project Budget Increase

Project #1810, *Financial/HR/Payroll Management System Procurement*, was originally approved in the FY 17/18 District Division Capital Budget for \$4,500,000. Staff recommends a budget increase in the FY21/22 District Division budget in the amount of \$500,000 for the following reasons:

1. Since the budget was approved for Project #1810, *Financial/HR/Payroll Management System Procurement*, the project has expended costs on As-Is Business Process mapping and the Request for Proposals process. These costs comprise of consulting services provided by Koa Hills Consulting, Contract No. 2018-D-123, and District Staff Labor costs (District Project Manager). The current balance for Project #1810 is \$3,556,626.

2. Implementing an ERP system will require significant involvement by staff from the Accounting, Payroll, Human Resources, Capital & Grants and Budget teams. It will not be possible for staff to commit time to both the implementation project and normal operational duties. For this reason, key positions will need to be backfilled with temporary staff, which it is proposed Project #1810 funds.

3. The new ERP system will interface to other District systems, the critical ones being Hastus and Maximo. Consultant services with these application vendors will be required to modify and test these interfaces to ensure they work with the Munis system.

Table 3 provides a detailed breakdown of the project budget:

TABLE 3: PROJECT BUDGET

	Original	Change	Proposed
Capital Expenditures (Project #1810)			
Prime Contract (Munis Software implementation one-time cost, estimated travel costs, Yr. 1 SaaS fees)	\$2,500,000	(\$471,396)	\$2,028,604
Prime Contract Contingency	\$250,000	\$14,404	\$264,404
District Staff Labor - Project Manager	\$1,125,000	\$0	\$1,125,000
Outside Labor – temporary backfill resources	\$0	\$781,811	\$781,811
Consultant Services	\$300,000	\$0	\$300,000
Project Contingency (6%)	\$155,000	\$74,339	\$229,339
General Project Expenditures	\$170,000	\$100,842	\$270,842
Subtotal – Capital	\$4,500,000	\$500,000	\$5,000,000
Operating Expenditures			
Annual license and support fees - \$514,784/ Yr.	--	\$2,059,136	\$2,059,136
(Yr. 2 – Yr. 5)			
Subtotal – Operating	--	\$2,059,136	\$2,059,136
TOTAL PROJECT BUDGET (Capital & Operating Expenditures)	\$4,500,000	\$2,559,136	\$7,059,136

THIS PAGE INTENTIONALLY LEFT BLANK