City of Sunnyvale

Agenda Item-No Attachments (PDF)

REPORT TO COUNCIL

SUBJECT
Reject all Proposals Received in Response to Request for Proposals No. F15-94 for an Enterprise Resource Planning (ERP) System

REPORT IN BRIEF
Approval is requested to reject the three proposals received in response to Request for Proposals (RFP) No. F15-94 for the implementation of an Enterprise Resource Planning (ERP) System to replace the City's outdated financial and budgeting systems. The RFP sought an integrated solution for the City's budgeting, core financials, human resources and payroll systems. During the system demonstrations it became apparent that none of the systems proposed provide a sufficient match to the City's current financial structure and human resources system. Additionally, given the range of pricing submitted, current budgeted funding is insufficient to implement the new system as specified. Based on the insights gained through the RFP process, staff believes that it is best to first review the City's financial and budget structure before proceeding with a new RFP. This review and assessment is intended to identify (1) the existing best practices the City follows in its performance-based budgeting approach and (2) overly complex structures which are a hindrance in acquiring an ERP or best of breed budgeting, financial, and HR systems. During the next few months, staff will review and assess the City's budget structure and financial and performance measurement system prior to issuing a new RFP.

This effort may be slightly delayed given the need to focus on the FY 2016/17 Recommended Budget and recruitment for the vacancy at the Finance Director position; however, staff will continue, within capacity, to advance this mission critical project.

EXISTING POLICY
Pursuant to Sunnyvale Municipal Code Section 2.08.140 City Council approval is required to reject bids or proposals greater than $100,000.

ENVIRONMENTAL REVIEW
N/A

BACKGROUND AND DISCUSSION
The City's current financial and budgeting systems are antiquated and in need of replacement. Options for on-going support and maintenance of these aging systems are limited and the flexibility needed for process improvements is lacking. A project and placeholder dollar figure was included in the FY 2013/14 budget in order to provide the essential project planning and management support. As the project was being further refined for proper functionality, the decision was made to include the City's Human Resources Information System (HRIS) utilized for pay and benefit administration which has limited functionality for many key HR functions and is directly related to the overall efficiency of

an ERP system. ERP Solutions are on the forefront of the technology movement for local governments, providing user friendly, highly integrated solutions that support administrative operations. Moving to an ERP would add the benefit of reducing the number of diverse, specialized and weakly integrated systems that currently require extensive support by the City's IT department and miscellaneous outside contractors. Alternatively, based on the results of the first RFP, staff also intends to review best-of-breed systems which allow for easy integration through the next RFP.

In late 2014, the City formed a joint Steering Committee consisting of representatives from Finance, Human Resources and Information Technology to begin the process to scope and procure an ERP. A Request for Proposals (RFP) was completed and issued in April 2015. Three proposals were received, with four solution options (one firm proposed both on premise and hosted solutions), from Tyler Technologies, CGI Technology and Solutions, and GNC Consulting. Costs for the system purchase, implementation and maintenance for the first 5 years was between $3.3M and $9.8M. Two vendors, Tyler and CGI, were invited to prove the capabilities of their systems to City staff during a series of in-person and virtual software demonstrations.

During the demonstrations it became apparent that neither system could provide the desired linkages between the City's current Chart of Accounts (the accounting "backbone" of the system) and the current performance-based budget structure. Additionally, given the range of pricing submitted, current budgeted funding is insufficient to implement the new system as specified. Staff has concluded that re-examining the City's budget structure first will provide a clearer picture of the ongoing needs of the City, inform the next steps in the process, and identify the best vehicle for achieving maximum functionality for budget, core financials, payroll and human resources administration, be it a single ERP or some combination of integrated systems.

FISCAL IMPACT
No fiscal impact results from rejecting the proposals received. Approximately $2.85 million in funding is currently budgeted to cover the system purchase and project management. This consists of $2.4 million in Information Technology Equipment Replacement funds and approximately $450,000 remaining in project 830520, Financial System Replacement Project Support. With a greater understanding of the ERP market, staff believes the funding is insufficient to cover the expected costs, both for initial purchase and implementation, as well as for the cost of back-filling the appropriate City staff to ensure a successful implementation.

The current ERP market for local governments, particularly the "Tier 2" market for mid-sized cities that the City of Sunnyvale is targeting, is very compressed. There are few vendors serving this market and demand is high with multiple jurisdictions either upgrading older systems or abandoning costly Tier 1 solutions in favor of the less-expensive Tier 2 solutions. This is resulting in higher costs for initial procurement and implementation.

Additional funding to support the procurement and implementation of the ERP and/or potentially other applications will be included in the FY 2016/17 Recommended Budget.

PUBLIC CONTACT
Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Reject the proposals received in response to Request for Proposals No. F15-94 for an Enterprise Resource Planning (ERP) System and Implementation Services.

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