



## INNOVATION TECHNOLOGY DEPARTMENT

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### CITY COUNCIL STAFF REPORT

Date: March 17, 2026

#### Subject

Award of agreement to Tyler Technologies, Inc. for the two-year implementation of a new Enterprise Resource Planning (ERP) system in the amount of \$1,785,144, along with three additional years of SaaS maintenance and support totaling \$775,956, for a not-to-exceed total of \$2,561,100.

#### Recommended Action

1. Approve a five-year agreement with Tyler Technologies, Inc. for the Tyler ERP system for a total not-to-exceed amount of \$2,561,100;
2. Authorize the City Manager to execute the contract with Tyler Technologies when all conditions have been met; and
3. Authorize the City Manager to extend the contract annually for up to five additional years at an annual escalation rate of 3%, for a total not-to-exceed of \$1,424,907, provided pricing and services remain acceptable.

#### Executive Summary

Approval of the recommended actions will authorize the City to enter into a five-year agreement with Tyler Technologies for the implementation of a modern cloud-based ERP system and provide the temporary staffing resources necessary to successfully support the two-year implementation. This action also allows the City Manager to execute the agreement once all conditions are met and to extend the contract annually for up to five additional years, at the set negotiated price. While the contract authorization totals up to \$2,561,100 with potential extensions of \$1,424,907, the true net cost of the implementation is significantly lower due to the elimination of existing system expenses. When accounting for the removal of New World maintenance costs during the project period and the Cobblestone system, the total two-year implementation, staffing, and maintenance cost is \$2,453,761, which remains below the existing \$2.5 million Council authorization. Over a 10-year period, the projected total cost is \$2,968,097, reflecting the reduced New World costs at the negotiated 5%

escalation and Cobblestone at the 3% escalation, supporting a long-term transition to a modern, integrated ERP platform for the City.

### Background

Tyler Technologies (Tyler) New World system, the City's current Enterprise Resource Planning (ERP), has served the City well, but it no longer meets Cupertino's operational and strategic needs. The system relies on manual workarounds, limited integrations, and aging architecture that restrict automation, reporting, and scalability. Maintenance demands are increasing, and the platform lacks the flexibility to support modern cloud-based tools, security standards, and emerging technologies.

Additionally, Tyler now offers competing ERP products, positioning New World at risk of reduced investment and long-term support. Rather than waiting until New World is deprecated or support diminishes, the City is proactively transitioning to a modern platform before support becomes an operational or financial risk. Modernization is therefore not only strategic—it is prudent risk management.

On February 19, 2025, Council, approved a budget of \$2.5 million, with a potential to increase to \$3,744,526, which authorized staff to proceed with development of the ERP Request for Proposals, conduct vendor selection and due diligence, and ultimately enter into contract negotiations. That process brings us to today, where staff is requesting approval to utilize budgeted funds for execution of the Tyler contract and to secure the necessary staffing support required to ensure a successful implementation.

### Reasons for Recommendation and Available Options

The City conducted a thorough Request for Proposal (RFP) selection process between April 2025 – December 2025, posting the solicitation on the City Business Opportunities website and directly notifying multiple firms that expressed interest or provided an applicable ERP solution. The complete solicitation documents are located here - <https://apps.cupertino.org/details/815>. The RFP process was conducted in accordance with applicable City policy and the Municipal Code [3.22.060 Purchasing Requirements](#) while following standard best practices for this process. The City received ten responses to the RFP and after conducting two rounds of evaluation, narrowed the list to three finalists for evaluation in a third round and then through a Best and Final Offer invitation. After completing a comprehensive evaluation of the three finalist vendors, **Tyler Enterprise ERP (EERP)** emerged as the highest-ranked solution based on scoring criteria, functional alignment, implementation approach, vendor stability, and total cost of ownership. During contract negotiations, staff successfully revised and clarified several provisions of the standard Tyler contract to reduce costs, secure additional benefits, and better protect the City's investment throughout the implementation and long-term operation of the system.

As part of the due diligence process, staff conducted reference checks with more than 15 cities that had implemented solutions from the three finalist vendors. A consistent theme emerged: ERP implementations are highly resource-intensive, particularly for smaller cities where there is little to no role redundancy. Agencies that did not provide adequate implementation support — including temporary backfill or augmented staffing — experienced significant staff burnout and turnover, in some cases losing entire divisions. These staffing gaps frequently resulted in extended implementation timelines, increased costs, and prolonged organizational strain.

The upcoming Tyler EERP implementation will be a complex, multi-year initiative impacting core financial, payroll, human resources, I&T, and reporting functions across the organization. While Tyler will provide structured implementation support, a successful rollout will require substantial and sustained involvement from City staff for system configuration, data validation, testing, training, and change management — all while maintaining uninterrupted day-to-day operations. Industry experience consistently shows that limited internal capacity is one of the primary drivers of delays and cost overruns in ERP projects.

Given the scale and enterprise-wide impact of this effort, it is essential that the City ensure adequate internal capacity throughout the implementation period. Providing temporary staffing or backfill support will mitigate operational and project risks, allow subject matter experts to meaningfully participate in process improvement and system design, and prevent disruption to critical services. To protect organizational stability and support a successful outcome, temporary staffing resources will be required throughout the two-year implementation and post-go-live stabilization period.

## **ERP Cost Breakdown**

### **Council Authorization for Implementation costs**

Council previously approved **\$2.5 million**, with potential authority up to **\$3,744,526**.

### **Implementation and System Costs (Years 1–2)**

One-Time Implementation Fees:

- \$1,180,215 (invoiced over 2-year implementation)
- \$96,850 estimated travel (only billed if used)

Recurring SaaS Fees (paid upfront):

- Tyler \$194,053 annually
- Cornerstone \$59,100 annually (3% escalation year 2)

**Total Tyler Cost (First Two Years):**

- \$1,785,144

## **Temporary Staffing Plan**

Based on lessons learned from peer cities, staff recommend the following temporary resources. To maximize cost efficiency and leverage existing institutional knowledge, we propose converting two current part-time employees into limited-term full-time positions. These individuals are already familiar with Cupertino's financial, human resources, and I&T environments, which will provide continuity and support a more effective implementation effort. The remaining two positions will be recruited for externally.

### **1. Finance Management Analyst (1.5 years)**

- Current PT Cost: \$68,720
- FT Equivalent: \$218,611
- Difference: \$149,891
- 1.5 years to support Finance implementation and post-go-live stabilization: **\$224,837**

### **2. Account Clerk (1.5 years)**

- **\$225,000**

### **3. I&T Application Specialist (2 years)**

- Current PT Cost: \$65,620
- FT Equivalent: \$212,286
- Difference: \$146,666
- Two-year project duration support: **\$293,332**

### **4. HR Assistant (1.5 Year Temporary Support – no current PT Equivalent)**

- **\$225,000**

## **Total Temporary Staffing Cost**

- Finance Management Analyst (PT to FT Conversion for 1.5 years)
- Account Clerk (1.5 years)
- I&T Application Specialist (PT to FT Conversion for 2 years)
- HR Assistant (1.5 year)

**Total: \$968,170**

This staffing plan is essential to maintain operational stability during implementation. It directly offsets:

- Staff burnout
- Loss of institutional knowledge
- Implementation delays
- Increased consulting costs
- Operational instability

The proposed staffing plan mitigates these risks.

Note: Due to the scale of the project, the potential need for continued augmented staffing will be evaluated after the system has been fully implemented and stabilized. At that time, staff will assess operational impacts and internal capacity before determining whether any ongoing support is necessary.

### **Ongoing Costs – Years 1–10**

#### **Tyler Annual SaaS Fees - Initial Term Years 1-5**

\$194,053 per year

#### **Renewal Terms – Years 6–10**

Annual increases capped at **3% per year**

- Year 6: not to exceed \$268,388
- Year 7: not to exceed \$276,439
- Year 8: not to exceed \$284,732
- Year 9: not to exceed \$293,274
- Year 10: not to exceed \$302,073

#### **Cornerstone Annual SaaS Fees – Initial Term Years 1-10**

\$59,100 with a 3% escalation per year (included with Renewal Terms 2-10)

Projected 10-Year SaaS Cost: not to exceed \$2,708,942.

### **Implementation Timeline**

Staff recommends the implementation to begin in July 2026 to allow time for organizational changes in the Administrative Services Department. This will have no impact on the cost of the project or the commitment from Tyler to begin the project at that time. The implementation is structured over approximately 24 months, followed by a post-live stabilization period. Major phases include:

- Financials (12 months)
- HR/Payroll (12 months)
- Post-live support phases

Staggered deployment reduces risk and supports operational continuity.

Phase	Module	Duration in Months	Project Plan in Months																					
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
1	Financials	12	█												★									
1a	Post-Live Support	3														█			★					
2	Human Resource Management	12							█												★			
2a	Post-Live Support	3																			█			★

Based on the information outlined, staff recommends awarding a five-year contract to Tyler Technologies and authorizing the City Manager the option to execute annual extensions for SAAS support and maintenance for five additional years.

Sustainability Impact

No sustainability impact

Fiscal Impact

*Total Two-Year ERP Implementation and Staffing Costs:*

\$2,453,761 – The total estimated cost over the two-year ERP implementation, including implementation services, staffing, and maintenance costs.

The implementation and staff costs total \$2,245,235, excluding maintenance costs for both Tyler ERP and New World during the implementation period, as the City will not incur overlapping maintenance expenses while transitioning. Cobblestone costs begin in the second year of implementation. If approved, the difference in maintenance costs between Tyler ERP and New World will be incorporated into future operating budgets.

Please note the \$2,245,235 implementation and staffing costs remain under the existing \$2.5 million Council authorization.

*Projected 10-Year Costs:*

\$2,968,097 – Again, this reflects the reduction of New World costs at the previously negotiated 5% escalation over the ten-year term, as well as Cobblestone costs at the previously negotiated 3% escalation over the nine-year term.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
One Time Implementation Fees	\$1,180,215									
Estimated Travel Expenses (only billed if used)	\$96,850									
SaaS Maintenance Costs 3% Escalation Year 6-10	\$194,053	\$194,053	\$194,053	\$194,053	\$194,053	\$199,875	\$205,871	\$212,047	\$218,408	\$224,961
HR 3rd Party Software 3% Escalation Year 2-10	\$59,100	\$60,873	\$62,699	\$64,580	\$66,518	\$68,513	\$70,568	\$72,686	\$74,866	\$77,112
Augmented Resource Cost	\$968,170									
New World Maintenance (expected 5% annual escalation)	(\$128,162)	(\$134,570)	(\$141,299)	(\$148,364)	(\$155,782)	(\$163,571)	(\$171,750)	(\$180,337)	(\$189,354)	(\$198,822)
Cobblestone Reduction (expected 3% annual escalation)		(\$36,821)	(\$37,926)	(\$39,063)	(\$40,235)	(\$41,442)	(\$42,686)	(\$43,966)	(\$45,285)	(\$46,644)
		Implementation Cost (2yrs)								
Total Annual Cost		\$2,453,761	77,528	71,206	64,553	63,374	62,004	60,429	58,635	56,607
Implementation and Staffing		\$2,245,235								
Total 10 year cost										\$2,968,098

City Work Program (CWP) Item/Description

None

Council Goal:

Quality of Life and Fiscal Strategy

California Environmental Quality Act

No California Environmental Quality Act impact.

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Prepared by: Teri Gerhardt, CGCIO, Chief Technology Officer

Reviewed by: Jonathan Orozco, CPA, Acting Director of Administrative Services

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Approved for Submission by: Tina Kapoor, City Manager

Attachments:

A – Draft Agreement

B – CC Resolution No. 25-007