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CITY COUNCIL STAFF REPORT
SUPPLEMENTAL
Meeting: February 4, 2025

<u>Agenda Item #5</u>

<u>Subject</u>
Tyler New World Enterprise Resource Planning (ERP) replacement
<u>Recommended Action</u>
A Adopt Resolution No. 2025-XXX approving Budget Modification No. 2425-380 increasing appropriations in the amount of $3,744,526 in the General Fund Applications Budget unit (100-32-308 750-237) for the Tyler New World Enterprise Resource Planning (ERP) replacement.

<u>Background:</u>

Q1: The staff report states "initial needs assessment .... determines that the appropriate ERP solution falls wthin the Tier 1 or Tier 2 range. We are proceeding with the high-end Tier 2 scenario...". Does this mean we are choosing "Tier 2"? There is no such thing as a "hier-end Tier 2", right? **(Chao)**

The ERP assessment identified that Cupertino's needs align with a Tier 1 or Tier 2 system. We are budgeting for a high-end Tier 2 scenario to ensure sufficient funding for the appropriate solution.

Q2: What's the cost difference between Tier 1, and Tier 2? **(Chao)**

Tier 1 $5,955,866 One-Time Costs and $1,161707 ongoing
Tier 2 $3,744.526 One-Time Costs and $667,058 ongoing

Q3: What's the functionality difference between Tier 1, and Tier 2? **(Chao)**

Tier 1 ERP vendors were originally designed for the private sector but have been adapted for public sector use over time. These solutions offer robust functionality, greater scalability, and extensive customization options but often come with higher costs, complex implementation requirements, and a need for more dedicated staff resources. Common Tier 1 vendors include Oracle, SAP, Workday, and Microsoft Dynamics.
Tier 2 ERP vendors, on the other hand, are purpose-built for public sector needs such as fund accounting, budgeting, and grants management. They are typically more cost-effective, easier to

implement, and require fewer IT and functional staff but offer less customization and scalability compared to Tier 1. Common Tier 2 vendors include Tyler Technologies, OpenGov, and Harris.

Q4: What is the total cost of the entire system? Is that a one-time cost? Or is that the cost to expand multiple years? **(Chao)**

*The exact cost of the ERP will not be determined until the RFP process is completed and a vendor is selected. Currently, we are using cost estimates from the Plante Moran needs assessment, specifically the **Tier 2 High Scenario**, which estimates the **one-time costs to be $3,744,526**. This includes:*
- *Vendor implementation costs*
- *Implementation project management costs*
- *Project contingency*
- *Salaries for two full-time employees for 18 months*

*After the system goes live, the **ongoing annual costs** are estimated at **$667,058**.*

Q5: What other ERP systems have been evaluated? What's their cost for comparison? **(Chao)**

*The cost estimates are not derived from a single ERP system but are based on a sample of multiple ERP solutions within the **Tier 1 and Tier 2 categories** available in the market. These estimates also account for key factors involved in implementing a new ERP solution, including:*

- *Vendor implementation costs*
- *Implementation project management costs*
- *Project contingency*
- *Salaries for temporary staff needed to implement a new ERP*
- *Ongoing Subscription costs*

Q6: Where can I find the cost break down of the total cost. **(Chao)**

See answer #4

Q7: (Question from Peggy) What were the ERP needs that were found to be needed? **(Chao)**

The City's current Tyler New World ERP no longer meets operational needs, leading to inefficiencies, high maintenance costs, and limited integration with modern technology. The system relies on manual workarounds, frequent repairs, and third-party add-ons, which slow workflows and increase expenses. Additionally, its lack of API support restricts automation and seamless data exchange, creating data silos, inaccuracies, and delays in financial and payroll management.

Beyond inefficiencies, the outdated ERP lacks scalability, cloud access, and emerging technology support, making it difficult to adopt AI, automation, and mobile-friendly tools. Low system adoption and frustration further impact productivity. Municipalities that continue using legacy systems risk falling behind industry standards, while a modern ERP would enhance security, efficiency, and long-term adaptability to evolving business needs. Upgrading is a strategic investment to improve operations and futureproof City services.

Q8: (Question from Peggy) By "sufficient savings" is the Staff referring to using a portion of the $64.5M in 1-time funds that have not been allocated yet? **(Chao)**

Sufficient savings in this case references to the contract with Plante Moran for consulting services for the needs assessment, RFP development and selection assistance, as well as project management services during the project implementation of an Enterprise Resource Planning software in January 2022. This contract and corresponding allocated funds were put on hold, but the contract and encumbrance remained in place and were carried over as part of the year-end process.

Q9: (Question from Peggy) If not, where are the "sufficient savings" coming from? **(Chao)**

The funds are coming from a carryover encumbrance associated with this contract.

Attachments Provided with Original Staff Report:

A – Draft Resolution 2025-xxx