December 9, 2014

Marin County Board of Supervisors
Civic Center
San Rafael, CA 94903

Subject: Administrative Technologies of Marin (ATOM) Project Initiation

Dear Board Members,

RECOMMENDATION: Authorize the appropriation of $14,057,370 from available reserves for the ATOM project and authorize the Board President to execute a contract with Tyler Technologies to implement an Enterprise Resource Planning (ERP) software system

SUMMARY
We have spent the past 4 years preparing to replace our SAP system that has been operating since 2006. In August 2010, instead of upgrading the system, your Board approved the exploration of replacement systems that would provide greater functionality at lower annual maintenance costs. In March 2012, we brought in Plante Moran to provide a business process review prior to our RFP to ensure that we specified the necessary functionality for any new vendor. In October 2013, with the approval of your Board, we issued an RFP for a system vendor and implementation services. In June, your Board approved the initial selection of Tyler Technologies and gave direction to negotiate a contract for the system replacement project.

The County has experienced significant change in its business environment since we implemented SAP. Over the past 10 years, we have reduced staff by 10% and technology has changed at an exponential rate. Improving our core administrative systems, such as finance and accounting, budget, purchasing, human resources and payroll, is a critical component to provide efficient and effective services for our residents.

These systems must adapt so that staff can best respond to the changing workforce; make informed choices and trade-offs with lower staffing levels; modernize service delivery to keep pace with the public’s demands; and
improve workforce expectations so we can better collaborate with, delegate
to, and recognize the work of our peers. Therefore, it is imperative to
implement a fully functioning software program, which works effectively within
our particular environment, and serves the administrative functions that are
used by all County departments.

Tyler Technologies has been selected as the preferred vendor to partner with
the County to build an answer to these challenges.

**History and Lessons Learned**
The County of Marin implemented an ERP computer program, SAP, in 2006
and 2007 with the goal of improving business processes to increase
management accountability and transparency. While the system is getting the
basics done, it was poorly and improperly implemented and has resulted in
numerous deficiencies. Based upon previous studies, your Board directed
staff to evaluate options to replace SAP.

Since that time, the ATOM Executive Steering Committee (directors of the
Departments of Finance, Human Resources, Information Systems and
Technology, and Public Works) developed a plan and a project structure to
implement your Board’s direction. With the County Administrator as the
executive sponsor of the project, the team issued a Request for Proposal
seeking the correct implementation partner to help develop solutions to our
current administrative software and business process challenges. Lessons
from the previous software selection and implementation were applied
throughout the selection process and included:

1. Phased deadlines based on readiness
2. Simpler software solutions designed for the public sector
3. Structured project management and oversight by IST throughout the life
   of the project
4. Meaningful input from our user community at key junctures
5. Timely, quality and targeted training
6. Early and ongoing change management

In June 2014, the CAO and the ATOM Executive Steering Committee
requested and received your Board’s support to enter into a contract and
statement of work negotiation with Tyler Technologies for a replacement
Enterprise Resource Planning software solution. The ATOM steering
committee identified the finalist vendor against the following selection criteria:

- Vendor experience with emphasis on California municipalities;
- Functional requirements (Finance, Budget, HR, Payroll);
- One-time and ongoing costs. Ongoing savings;
- Implementation requirements and method;
- Technical requirements;
- Results of Vendor demonstrations – User input;
- Results of site visits and reference checks.

The culmination of this negotiation is a multi-phase contract to implement solutions for Finance, Budgeting, Human Resources and Payroll over approximately 2.5 years starting in January 2015.

Key Elements of the Contract
The software and services contract with Tyler Technologies applies multiple lessons learned from previous County experience and is designed to provide detailed level project control and shared incentivizes for project success.

- Proposed functionality delivered at a 'Not to Exceed' price model
- Staffing guarantees from vendors to ensure both consistent and quality talent
- Payment schedule tied to County acceptance of milestones
- Significant hold-back of payment – payable at project conclusion
- Performance incentive to share savings with the vendor should the project come in under budget

FISCAL IMPACT: The value of the contract with Tyler Technologies is not to exceed $8,171,357. The total requested budget appropriation is $14,057,370 currently designated in General Fund Account 3121310 (Designation for Financial Systems). The total budget allocation is inclusive of internal costs expected (additional staffing needs, equipment, additional third party support, for instance). This one-time expenditure will be allocated from previously designated funds that were set aside for the replacement of SAP. Annual ongoing maintenance and support fees will begin at $386,564 with contractually guaranteed incremental increases for a minimum of 10 years.

The one-time cost structure of the project is as follows. Note that contract structure allows budget to be utilized in future phases if savings are achieved.
<table>
<thead>
<tr>
<th>Vendor Contract Costs</th>
<th>Finance Project</th>
<th>HR Payroll Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>License</td>
<td>$1,972,217</td>
<td>$219,975</td>
</tr>
<tr>
<td>Services</td>
<td>$3,205,990</td>
<td>$2,773,175</td>
</tr>
<tr>
<td>sub-total</td>
<td>$5,178,207</td>
<td>$2,993,150</td>
</tr>
<tr>
<td><strong>County Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffing</td>
<td>$2,416,621</td>
<td>$1,944,392</td>
</tr>
<tr>
<td>Equipment &amp; expenses</td>
<td>$250,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>QA cost estimate</td>
<td>$112,500</td>
<td>$112,500</td>
</tr>
<tr>
<td>sub-total</td>
<td>$7,957,328</td>
<td>$5,100,042</td>
</tr>
<tr>
<td><strong>Contingency</strong></td>
<td></td>
<td>$1,000,000</td>
</tr>
<tr>
<td><strong>Total Budget Appropriation</strong></td>
<td></td>
<td><strong>$14,057,370</strong></td>
</tr>
</tbody>
</table>

We are requesting that your Board authorize the Director of Finance to establish appropriations of $14,057,370 to a new General Fund project account offset with relief of the fully funded General Fund Designation 3121310.

Please let me know if you have any questions or concerns.

Reviewed By:
(X) County Counsel
(X) Department of Finance
(X) Department of Human Resources

Matthew Hymel  
County Administrator

Charlie Haase  
Director, Information Services and Technology

Roy Given  
Director, Department of Finance

Joanne Peterson  
Director, Department of Human Resources

Raul Rojas  
Director, Department of Public Works