AM No. 10-071

MEMO TO: City Council

FROM: John Marchione, Mayor

DATE: April 6, 2010

SUBJECT: **CONTRACT WITH TYLER TECHNOLOGIES FOR PAYROLL AND HUMAN RESOURCE SYSTEMS**

I. RECOMMENDED ACTION:

Authorize the Mayor to enter into a contract with Tyler Technologies for licenses and services related to payroll and human resource systems.

II. DEPARTMENT CONTACTS:

Michael E. Bailey, Finance and I.S. Director	425-556-2160
Sheila Colyer, Accounting Manager	425-556-2186
Linda Hermanson, I.S. Manager	425-556-2170

III. DESCRIPTION:

In 2009 the City Council approved a partnership with Microsoft and Tyler Technologies to develop and implement a Financial, Budget, and HR/Payroll system based on Microsoft's existing Dynamics AX product. The implementation of the Financials module is targeted for year-end 2010, there is no definitive delivery date for the Budget or HR/Payroll modules as yet.

At the end of 2010 the City will migrate to Dynamics AX Financials from the current EnterpriseOne (E1) financials. Initially, the plan was to continue using E1 for HR/Payroll until the Dynamics AX HR/Payroll solution was available. There are a couple of challenges with this approach:

1. The general ledger account structure must be created and maintained in AX Financials and the numbering scheme will be <u>very different</u> from that in E1.

2. The general ledger account structure would need to be maintained in E1 until AX HR/Payroll replaces E1.

3. A crosswalk will need to be built and maintained between the 2 general ledger account structures so payroll data can be transferred to the AX general ledger.

4. A crosswalk will need to be built and maintained between the E1 general ledger account structure for projects and the project numbers within AX. Project accounting is one of the key advantages to utilizing the AX tools. Staff who work with projects report that about 70% of the activity they record comes from payroll activity.

While these challenges could be addressed operationally and technically, Tyler Technologies/Eden Systems (Tyler) has proposed implementing an interim HR/Payroll solution that may provide a more seamless integration with AX while the HR/Payroll component of AX is being developed. This interim solution would enhance the value of the AX general ledger significantly.

As a Microsoft partner, Tyler is creating integration between their own HR/Payroll system and the AX Financial system. Tyler's HR/Payroll system will use the same numbering scheme for the general ledger account numbers as AX Financials. The project accounting component of Tyler's HR/Payroll system will also use the same numbering scheme as the AX Financials project accounting module.

While implementing an interim HR/Payroll system is disruptive given there will be a 2nd implementation 2½ - 3 years from now, making the move now will have some benefits.

1. The Tyler system will be fully integrated with Dynamics AX eliminating the manual preparation, review, upload and posting of the payroll journal entry.

2. Project account numbers within Tyler will correspond to Dynamics AX on a one-to-one basis eliminating the need to maintain a crosswalk. Manual adjustments that are made today to capture salary information for project, event and grant tracking should be eliminated.

3. This solution will add the ability to track salary expenses for events and grants in an automated way. This tracking is done completely outside of the City's financial systems today, as there is no way to capture the necessary information in E1.

4. Additional functionality, especially for HR could be implemented sooner rather than waiting for AX HR/Payroll system.

5. The E1 servers, now 7 years old, would be retired instead of replaced, opening up some much needed space in the data center after the beginning of next year.

6. E1 itself will be fully retired, eliminating the need for ongoing maintenance and support costs.

Staff reviewed the advantages and disadvantages of implementing the Tyler Technologies HR / payroll solution by reviewing a business case within the Information Technology Governance Team (GT), the typical scrutiny of any IT project anticipated to require more than 40 hours of IS support effort. The GT recommended proceeding with this project.

It is staff's recommendation to proceed with a contract with Tyler Technologies to implement their payroll and HR systems.

IV. IMPACT:

The cost of the software licenses and implementation services would total $63,000 with annual maintenance costs of $24,300. This represents a discount of 50% of the implementation costs and 100% of the licensing fees. Discontinuing the E1 system would result in an annual savings of just over $20,000 in on-going software maintenance and support costs.

Resources are available for this project within the IT Strategic Plan budget.

	Full Fare	Discount	Net Cost
Licensing	135,000	100%	-
Implementation	84,000	25%	63,000
Total Implementation	219,000		63,000
on-going maintenance	24,300	0%	24,300

Source of Funding - IT Strategic Plan

V. ALTERNATIVES:

Council could choose not to authorize the contract and we would work to integrate the data from the E1 system into the Dynamics AX system manually.

VI. TIME CONSTRAINTS:

Our goal is to have both the Dynamics AX system and the Tyler Payroll / HR systems operational by January 1, 2011. Approval of the contract is a first step and the sooner it is accomplished, the more likely we are to meet this goal.

/s/ 03/23/10
Mike E. Bailey, Finance Director Date

Approved for Council Agenda /s/ 03/25/10
John Marchione, Mayor Date