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AGENDA STAFF REPORT
CITY OF THE DALLES

MEETING DATE	AGENDA LOCATION	AGENDA REPORT #
September 28, 2015	Discussion Item A.	

TO: Mayor and City Council

FROM: Kate Mast, Finance Director

DATE: September 24, 2015

ISSUE: Discussion Regarding Purchase of New Software System for City.

RELATED COUNCIL GOAL: Council Goal #7: *Evaluate the potential of acquiring and implementing an integrated software system, and implementing by the end of 2016, including a cost accounting program*; and Council Goal #5: *Implement a method to track costs of City Public Works crew construction projects by the beginning of the 2015-16 fiscal year.*.

BACKGROUND: Our current situation is that we have been using a HTE/SunGard integrated software system for over 15 years. We used an old "green screen" version, until 2008, when we upgraded to the Naviline version, which was virtually the same background, but had a windows "skin" to make it more familiar and easier for users. Also in 2008, we moved from owning the software and having it reside in house on an AS400 server, to Software as a Service (SaaS) which resided on the cloud. The City would always retain ownership of the City's data.

When we had the server, the software upgrades would be sent to us with instructions as to how to apply them to our server. These upgrades proved to be complicated and difficult for staff, sometimes requiring them to work entire weekends to get issues resolved in order to be functional again on the following Mondays. Any staff changes in Finance resulted in more issues with unfamiliarity with how to maintain this software. Moving to the SaaS in the cloud meant that all software upgrades and changes were completed by

SunGard and increased the efficiency of their help staff, as they could access our software directly to see what was wrong. It did however, cause some issues with dropped or slow connections, but we considered the advantages to outweigh the disadvantages.

One thing I did not consider at that time was how we would receive our data if we ever decided to change software. If we had retained the AS400 server and still owned the software, we would have had access to all our historical data via that server, until that server or the software broke down. We would have discontinued the annual maintenance fees at the time we changed to the cloud, so such a breakdown would have ended our access to that old data, unless we had printed out or converted that data into other databases, Excel or PDF reports.

Converting now from the Cloud will result in discontinued use of the SaaS as soon as we provide notice that we are cancelling the annual maintenance contract and will no longer pay those fees. The current maintenance contract will end on August 31, 2016. A renewal at that time will require a commitment to pay $81,247.44 for the next year. If we continue with SunGard, the annual maintenance fees will increase by 3% per year if we sign a three year agreement, or 5% per year if we choose to sign a one year agreement.

The SunGard Software is outdated and the quality of support has been declining over the past few years. It is very powerful and has many sophisticated reports that we have no use for, but doesn't have the capability of giving us many of the basic reports that we use, without having to pull several reports and building in information manually. We have a report writer license that I use to build some custom reports, but have found the SunGard's file structure to be so complicated and cumbersome that I still can't get some information without pulling reports and compiling the information by hand. The most difficult modules to get accurate useful information from has been the Court module and the Utility Billing module.

We have discovered inaccuracies in reports, which we later discovered that SunGard was aware of, but didn't notify their clients, as they planned to just take care of it in the next upgrade. In some cases they have given us "work arounds" instead of fixing a problem, and we have put in cases that have never been resolved. The Finance Department does hours of work each month on spreadsheets to verify the accuracy of the reports coming from the system each month.

Despite the difficulties and limitations of this software, we have been able to successfully work with it via "work arounds" and manual verification of report data, and we could continue to do so. However, staff does not recommend that we continue to use the additional staff time and continue to pay the exorbitant annual maintenance fees required by use of the HTE/SunGard software.

Over the past year staff has been looking into what other software is out there that would be a good fit for the City and the associated entities for which we maintain financial information (Urban Renewal, QLife, Library, Tourism).

After viewing demos and sample RFP's from other entities that have recently switched their software systems, we issued an RFP on January 19, 2015, with a proposal due date

of February 25, 2015. We received five (5) proposals. One was eliminated for lack of capabilities and another because it was based on older technology (much like what we currently have) and significantly more expensive than any of the others, leaving three contenders. The three remaining vendors each came in and provided demonstrations of the various modules of their software to employees from Finance, Public Works, Court and Planning who would be working with the new software. Each of the vendors returned at various times during the next few months to clarify or re-demo certain aspects of their software. In addition, members of the Finance crew visited sites where the three software systems were in use, and also conducted several phone interviews with cities that use the various software systems. We did call some of the reference cities provided by the vendors, but also called several that we heard about from word of mouth that had implemented in the past two years, or are in the process of implementing.

All three of the systems had Project Cost Accounting included, with slightly varying degrees of sophistication. Having a comprehensive Project Cost Accounting module will alleviate the burden of manual tracking that Public Works is currently maintaining.

We eliminated one of the contenders after the demos and interviews with other users. As it happens, that vendor was also the most expensive of the three.

The other two software systems were very close and we feel that either would have worked for us, but the one we chose as our finalist had just a few more features available than the runner up. We are now negotiating with our finalist regarding contract issues.

As I write this staff report, we are waiting for the second round of responses to our proposed changes and questions to their canned contract. It seems that they are not used to so many requests for more detailed language for clarification, and some of our changes are requiring approval from more than one of their departments, which is why they say it is taking longer than normal for them to respond. We will continue working with this finalist until we get a good agreement, or until we feel we need to terminate and start negotiations with the runner-up.

If the Council chooses to direct staff to continue with the project on September 28, I hope to have a contract for Council approve and signature for the October 12, 2015 Council meeting.

BUDGET IMPLICATIONS: At this time, as we are still negotiating the agreement, we do not have firm numbers for this project. However, ballpark estimates based on current proposals are as follows:

- Initial Investment: includes conversion, implementation & training = $190,000

- Annual fees on seven year contract = $54,746 per year. No increases for seven years.

- Notification modules (being considered) for Utility Billing and Court to send notices of delinquency, payment deadlines, etc., via auto phone or email messages are charged monthly based on how many times it is used. Ten cents per message for Utility Billing and $1.00 per violation for Court. These would be used only for designated accounts and purposes. Estimated $50.00 per month each module.

In addition, there will be other costs associated with this project:

- Purchase of two (2) new receipt printers for cashier windows – approximately $2,000. $1,000 is currently budgeted in Finance/UB budget for FY15/16.

- Purchase of a high production Laser Printer – approximately $3,000. Already included in the Finance/UB budget for FY15/16.

- Desk top scanners – five (5) for Finance Department – approximately $5,000. $2,000 already included in Finance/UB budget for FY15/16.

- Folding machine for stuffing Utility Bills, etc. – Quote from Pitney Bowes for a five (5) year lease = $8,475 per year, paid quarterly. Not in budget for FY15/16.

This project, other than some of the items listed above, is not currently budgeted for FY15/16. Pending Council's decision whether or not to proceed with this project, I recommend that the Water and Wastewater Funds pay equal shares of the full costs of the Utility Billing module (approximately $25,500), and that the Water Fund pay 18.56% (approximately $15,906) , the Wastewater Fund pay 15.86% (approximately $13,592), and the Street Fund pay 8.33% (approximately $7,139) of the cost of the rest of the modules, excluding the court module. These percentages are those that were applied to the current budget as the share the Water, Wastewater and Street Funds should pay for the Technology Department, as shown in the City FY15/16 Budget Book Appendix B on page 97. In addition, the Water and Wastewater Funds should pay approximately $11,475 for the new production printer and folding machine lease, as these are needed to process the utility bills. The General Fund would then need approximately $128,000 to cover the rest of the costs.

The Water Utility Fund, the Wastewater Fund and the Street will all realize enough additional Beginning Fund Balances this year to cover these costs, so a supplemental budget could be approved to recognize those additional funds and allocate them to be transferred to the General Fund. The supplemental budget would also include recognition of the additional transfer amounts to be received in the General Fund and allocate them to the Technology Department for this project. A budget amendment resolution would also be needed to transfer the portion to be contributed by the General Fund from the Contingency line item to the Technology Department for this project.

If the Council chooses to direct staff to proceed with this project, staff would bring a Supplemental Budget resolution and a Budget Amendment resolution to the Council as soon as possible to provide funds for the project.

AREAS OF CONCERN:

1. <u>Historical Data Preservation</u>: As discussed above, at August 30, 2016, when we discontinue our annual maintenance software with SunGard, we will no longer have access to any of the historical data via that software. We will have to have preserved that data using another means before that date. Much of the data has relatively short State required retention periods of two to three years, so we can just printout most of that information, or run reports to be converted into PDF documents or spreadsheets to keep until the retention period is reached.

However, other information, such as certain personnel and court records, may have permanent retention requirements or very long ones. We will have to identify and provide a method to preserve those records in a useable format before we can terminate our association with SunGard. This may require assistance from a consultant, which would be an additional cost to the project. I have talked with a couple of people who have helped other cities with this type of project and been told that costs could run between $200 - $500 per "data dump", and there would be a "data dump" for each module. Main modules are financials, utility billing, court, cash receipting, purchasing, special assessments, and capital assets. However, I have not been able to get clear information from SunGard as to whether the data dumps would be one for each main module or one for each of the components of each main module. I'm told it is possible to use this type of assistance for one module and learn how to do it ourselves on the rest. We are still working on the best way to accomplish this portion of the project.

2. Court Module: The City Council is in the process of appointing a task force to determine whether the municipal court should keep its current form. We anticipate that this task force will need several months to develop their recommendation. If we include the court module in this upcoming contract, we may find that we have committed to purchasing unnecessary software for functions that the court may no longer be performing. The cost of the court module in the current proposal is approximately $17,200 in initial costs and $2,050 in annual maintenance fees. If we do not include the court module in this current contract, we would be able to purchase it separately later when the court needs have been assessed. Meanwhile we could continue to pay SunGard the maintenance fees (approximately $5,603 for next year) only for the court module we currently have.

3. Time Limits: Each phase of this project has taken longer than we anticipated, due to the Finance Department's required routine tasks, scheduling with other vendors and other entities, etc. At this point we know that we have to have all the new modules up and running before we cut ties with SunGard on August 30, 2016. My deadline would be June 30, 2016, just to give us time to make sure all is running properly for two months before discontinuing SunGard services.

This means that we have to get a contract in place very soon and have to have assurances from the vendor that they can meet that deadline IF our staff can provide the information and time to move the implementation along without delays. This will take a significant amount of my own time as well as my staff's time, and our goal would be to continue to process our normal workload in a timely manner. My crew has committed to accomplishing this, but we anticipate that some overtime/comp time may be needed to get this project done on time. We believe that it is very important for my staff to be fully involved in planning and implementing the new software so that they understand all the functionality of it and can use it efficiently in the future.

This will mean that we will have very limited, if any, time for additional tasks or

projects during the next nine months. It also means that we will need timely support when necessary from the City Manager, City Attorney and City Council.

COUNCIL ALTERNATIVES:

1. Staff Recommendation: ***Direct staff to proceed with negotiations and bring a contract to Council for approval as soon as possible, AND to bring supplemental budget and budget amendment resolutions to Council for consideration of budget changes to provide funds for the software project.***

2. Direct staff to provide more information on the project for further discussion and consideration of the project at a later Council meeting.

3. Direct staff to discontinue this project until further notice.