Agenda Item - 6.b.

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To:	Scott C. Stiles	From:	Kingsley Okereke
Dept.:	Finance	Dept.:	Finance
Subject:	Award of contracts to Superion, LLC, and Schafer Consulting, Inc., for Enterprise Resource Planning (ERP) software solutions, and approve renewal of the contract with OpenGov to provide transparency. (Phase I Cost: $3,692,878) (*Action Item*)	Date:	9/11/2018

OBJECTIVE

To seek City Council approval to award contracts to Superion, LLC and its related third-party solutions, *BMI*, *CryWolf*, *Iron Mountain*, and *TimeClock Plus* (Superion) and Schafer Consulting, Inc. (Schafer) for the implementation of an Enterprise Resource Planning (ERP) software solution and to seek City Council approval to renew the contract with OpenGov for its transparency web application.

BACKGROUND

The City's current financial and human resources software system ("PICK") is more than forty years old. The legacy system has become operationally unwieldy and lacks industry-standard features such as internal controls and modern security protocols. Implementation of a new ERP software solution will leverage modern technology to enhance operational efficiency, facilitate transparency, enhance internal controls, and integrate administrative business functions.

In November 2016, the City Council approved an agreement with Schafer Consulting, Inc. to provide consulting services for the assessment and acquisition of ERP system software to replace the City's outdated financial and human resources software system. An internal Project Management Team (PMT), comprised of the Finance and Human Resources Division Managers and the Public Works Water Services Engineer, worked with Schafer to develop and issue RFP No. S-1225 in July 2017 for an ERP solution and related implementation services. The PMT evaluated the seven (7) proposals received, and selected Superion's ONESolution and its proposed third-party solutions as the best fit for the City's current and future ERP needs.

DISCUSSION

ERP implementation is anticipated to begin in the current fiscal year (2018-19) and to be completed in fiscal year 2021-22. The following summary of the proposal evaluation process, agreements, and estimates will provide further detail:

1. Superion, LLC and Related Third-Party Agreements:

The PMT evaluated and ranked the ERP proposals based on the weighted criteria shown in Chart 1 (below), *Initial Proposal Ranking*.

CHART 1 – *Initial Proposal Ranking*

Vendor Proposal Criteria with Corresponding Weighting Percentage	Cherry Road (Oracle)	eVerge (Oracle)	Infor (Lawson)	Kinsey (Lawson)	Navigator (SAP)	Superion (One Solution)	Tyler (Munis)
Functional Requirements (20%)	94	93	95	96	86	93	92
Company/Staffing, Experience (25%)	96	88	102	79	72	103	116
Cost (30%)	91	100	2	48	119	102	102
Implementation Methodology/ Workplan (25%)	106	102	99	84	68	111	113
Total Carryover Score (max 500)	**387**	**383**	**298**	**307**	**345**	**409**	**423**

The top three vendors, Superion – ONESolution; Tyler Technologies – Munis; and CherryRoad, a system integrator which proposed Oracle, were invited to the City to demonstrate their proposed software solutions. Each vendor was provided with a demonstration script developed by the City to optimize comparability between vendors.

The demonstrations, which were open to all City staff, were held over a three-week period in October 2017. The PMT evaluated the vendors based on the scripts and selected Superion and Tyler Technologies as the top two software packages.

In an effort to further distinguish software functionality between the top two finalists, Superion and Tyler were asked to present follow-up demonstrations in relation to budget management, accounts receivable, and payroll. City staff also conducted reference checks on the finalists.

Superion emerged as the highest overall scoring vendor as shown in Chart 2 (below), *Top Three Vendors by Ranking*. ONESolution and its third-party (BMI, CryWolf, Iron Mountain, TimeClock Plus) software solutions met the majority of the City's functional requirements. Additionally, Superion's software solutions were able to work with much of the City's existing information technology infrastructure.

Chart 2 – *Top Three Vendors by Ranking*

All Criteria with Corresponding Weighting Percentage	Cherry Road	Superion	Tyler Technologies
Carryover Score (25%)	97	102	106
Scripted Demonstrations (75%)	186	223	194
Total (max 500)	**283**	**325**	**300**

During discussions with Superion about the project plan, the PMT identified a need to extend the implementation timeframe and to augment support from Superion in order to successfully implement and integrate the ERP software with the City's existing technology infrastructure and software systems. The original proposed timeframe overlapped implementation of the financial and human resources / payroll modules. The extended implementation timeframe eliminates the overlap and is estimated to take thirty-two to thirty-three months rather than the originally proposed eighteen to twenty-four months.

The PMT added Superion's false alarm billing software (CryWolf) and decided not to purchase the proposed talent management system (Cornerstone OnDemand) or to utilize Superion for change management. City staff also requested additional professional service hours for interface support, report development, workflow setup, and training. Thus, the scope of work has been significantly expanded from the original proposal.

The originally proposed cost before ongoing subscription / maintenance was $2,755,165 and the current contract cost before ongoing subscription / maintenance is now $3,145,635, an increase of $390,470. The additionally requested professional services included in the contract amount will be billed as incurred, giving City staff flexibility to reduce the requested service level as needed during implementation. Therefore, the initial contract cost is set at an amount not to exceed $3,145,635 as shown in Chart 3 (below), *Revised Superion Implementation Cost*.

Chart 3 – Revised Superion Implementation Cost

	Original Proposed Cost Before Ongoing Subscription/ Maintenance	Renewal Support Term 1	Discount	City Requested Adjustments	Total
ONESolution:					
License Fees	$827,715		$(183,945)		$643,769
Professional Services	1,927,450		(108,655)	506,071	2,321,866
Subscription/ Maintenance Fees (annual)		180,000			180,000
Total	**$2,755,165**	**$180,000**	**$(292,601)**	**$503,071**	**$3,145,635**

The Superion contract provisions defers the first payment of the majority of the ongoing subscription / maintenance costs until eighteen months after the contract execution date (estimated to occur in fiscal year 2019-20) with annual renewals thereafter. Annual fee escalations for renewal support terms two through six will be at an amount not to exceed 3% of the subscription / maintenance fees; subsequent renewal support terms will be at an amount not to exceed 5% annually.

The ongoing subscription / maintenance fees to be paid to Superion include the ongoing cost for ONESolution, CryWolf, and TimeClock Plus. The annual subscription / maintenance fees for the warehouse and fixed asset scanners will be paid directly to BMI and the annual subscription / maintenance fees for the escrow account will be paid directly to Iron Mountain.

In summary, the cost of the Superion and related third-party solutions contract net of discounts for implementation and initial subscription / maintenance fees is not to exceed $3,145,635.

2. Schafer Consulting, Inc. Agreement:

Prior to issuing the ERP System RFP, the City issued RFP No. S-1198, wherein the City selected and entered into a contract with Schafer Consulting, Inc. to assist the City with the ERP software solution selection process and to provide high level implementation oversight and look back services. Schafer worked with the City to issue RFP No. S-1225 from which Superion, LLC (and its related third-party solutions) was selected. The contract with Schafer was for three consulting project phases:

Phase I – ERP Software Vendor and Module Selection
Phase II – Implementation
Phase III – Look Back

The first phase of the agreement with Schafer has been substantially completed.

During Phase I of this project, the PMT re-evaluated the level of independent consulting support needed to successfully implement Superion's ONESolution and its related third-party solutions. While the City of Garden Grove efficiently operates with lean staffing resources, concerns arose about its ability to continue to operate effectively during implementation of the ERP project. Consideration was given to backfilling vacant staff positions to help absorb the additional workload during implementation. However, that was not a feasible option considering the six to nine months it takes to learn the existing PICK system. It was determined that the City would require a greater level of consulting project oversight, change management, and staff augmentation than originally anticipated to implement the selected ERP software solutions. Given the scale of this project and anticipated impact, the PMT identified the following consulting support resources needed to ensure a complete ERP implementation:

- Expanded Project Management
- Expanded Change Management
- Design & Configuration Support
- Chart of Accounts Assistance
- Development of Test Scripts
- Testing Assistance
- End User Training Resource Development and Assistance
- Data Conversion Support
- Workflow Design and Development Support
- Report Development Support
- Expanded Staff Augmentation
- Contingency Hours

Schafer has experience implementing Superion products and has committed its most knowledgeable staff to the City's implementation. Further, Schafer's work with the City during the ERP RFP process has demonstrated its ability to consistently put the needs of the City first and to protect the City's interests.

As the ERP System RFP phase (Phase I) of Schafer's contract is substantially complete and the future scope of work has substantially changed, the PMT proposes the City terminate the existing contract with Schafer and approve a new contract going forward. The new contract's scope of work now includes expanded project management, change management, oversight, and staff augmentation.

Given the expanded scope of work, Schafer has agreed to provide all consulting services at a blended and discounted hourly rate of $150 per hour. The new contract is for a total amount of $1,288,350. However, as Schafer can provide some of the same services that Superion's contract covers, City staff recommends the new Schafer contract allow for increases to be offset by commensurate decreases in Superion's contract should Schafer be able to substitute certain Superion implementation services (such as workflow design and development, report development, etc.) more cost effectively than Superion.

3. City Costs – Hardware / Licensing Fees, Overtime & Other Administrative Costs, and OpenGov:

Hardware / Licensing Fees
The City's current data center is at near capacity. In use applications utilize 80% of current data center resources. The ERP implementation, therefore, will require the purchase of new data resources such as new servers, data storage, load balancers, and operating system /database software. These associated purchases and installations are not included in the Superion contract. In addition, there will be increased City staff and other administrative costs (i.e. overtime).

Upon City Council approval of the Superion and Schafer agreements, City staff will begin the request for proposal process to acquire the additionally needed hardware / software and related licenses. City staff estimates that the hardware will need to be replaced every three years and estimates the initial cost to be $514,000. The annual software license fees are estimated to cost $20,000 with potential annual escalations. Three years of license fees will be incurred during the span of the thirty-two to thirty-three month implementation period. Thus, the total of this cost is estimated to be $574,000.

Overtime and Other Administrative Costs
As City staff must ensure that ongoing operations continue during implementation, additional over-time hours will be necessary. City staff will be required to work additional hours to complete non-delegable implementation and training tasks. The City estimates the additional staff time and administrative costs to be $972,015.

OpenGov Transparency Portal
OpenGov is the interactive web application recently used by the City to provide graphic reporting of the City's financial statements and budgets. While its promotion of transparency was appreciated, the necessary data input was redundant and labor intensive. The contract was not renewed as part of the budget cutting efforts for fiscal year 2018-19.

The new ERP system does not include its own transparency web application; however, the ONESolution platform has the ability to interface with and facilitate the exchange of information with OpenGov. This feature is anticipated to greatly reduce the need for staff interaction with the application.

Staff recommends, as part of the ERP implementation, the City Council approve to renew or enter into a new contract with OpenGov for its transparency web application. The City estimates the annual cost of OpenGov to be $20,000 with annual escalations.

FINANCIAL IMPACT

The City Council approved an allocation of $2,000,000 in fiscal year 2017-18 and $1,000,000 in fiscal year 2018-19 to commence the implementation of an ERP solution. The total estimated cost of implementation is $5,957,985.

Ongoing subscription / maintenance fees to be incurred through the annual renewal support terms is estimated to be $180,000 per year with annual fee escalations not to exceed 3% for renewal support terms two through six and with annual fee escalations not to exceed 5% for renewal support terms seven through eleven.

Ongoing direct City software license fees and renewals of OpenGov are also anticipated to be incurred with annual escalations.

Chart 4 – Total Estimated ERP Implementation Cost

Product/Service	Estimated Project Cost	Base Ongoing Annual Costs with Escalation
Superion, LLC and Related Third-Party Solutions	$3,145,635	$180,000
Schafer Consulting, Inc.	$1,288,350	
Direct City Costs:		
Hardware / Software	$574,000	$20,000
Overtime and Other Administrative Costs	$930,000	
OpenGov	$20,000	$20,000
Total	**$5,957,985**	**$220,000**

The project's currently appropriated $3,000,000 is sufficient to cover Fiscal Year 2018-19's implementation costs. Future ERP project costs, annual subscription/maintenance and license fees will be requested through the regular biennial budget process.

RECOMMENDATION

It is recommended that the City Council:

- Award a contract to Superion, LLC and its related third-party solutions (BMI, CryWolf, Iron Mountain, TimeClock Plus); and authorize the City Manager or his designee to sign the Superion, BMI, CryWolf, Iron Mountain, and TimeClock Plus agreements including annual renewal of support terms as outlined in the agreements, subject to future budget allocations, and make minor modifications as needed on behalf of the City;

- Terminate the current contract with Schafer Consulting, Inc., and award a new contract to Schafer Consulting, Inc., for the ERP implementation and look-back consulting services; and authorize the City Manager or his designee to sign the Schafer Consulting, Inc., agreement and make minor modifications as needed on behalf of the City;

- Authorize the City Manager or his designee to enter into a contract with OpenGov and make minor modifications as needed on behalf of the City;

- Authorize the Finance Director or his designee to issue purchase orders or contracts to Superion, LLC, BMI, CryWolf, Iron Mountain, TimeClock Plus, and Schafer Consulting, Inc., for the ERP software and implementation costs in a fixed amount collectively not to exceed $4,433,985 (Superion $3,145,635 + Schafer $1,288,350) until project completion and to be divided between Superion, LLC and its related third-party solutions (BMI, CryWolf, Iron Mountain, TimeClock Plus) and Schafter Consulting, Inc., as needed; and authorize the City Manager or his designee to increase the Schafter Consulting, Inc., contract amount by an equal reduction in the Superion, LLC contract not to exceed amount, as needed on behalf of the City; and

- Authorize consolidation of the currently appropriated $3,000,000 ERP costs by approving the transfer of these funds and transfer of these budget appropriations from the General Purpose, Water, Sewer, and Refuse Funds to the Information Technology Internal Service Fund.

By: Ellis Chang, Accounting Manager

ATTACHMENTS:

Description	Upload Date	Type	File Name
Superion Agreement	9/6/2018	Backup Material	Superion_Agreement.pdf
Schafer Consulting, Inc. Agreement	8/30/2018	Backup Material	Schafer_Consulting_Inc_2018_Agreement.pdf