

DATE: February 12, 2014
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 14-07
Authorizing One or More Agreements with Tyler Technologies, Inc., for a Sum Not to Exceed \$1,320,000 to License, Implement, Support, and Provide up to Five Years of Maintenance of Microsoft Dynamics AX 2012

BOARD ACTION REQUESTED

Adopt Resolution No. 7040

ACTION DESCRIPTION

This action will authorize the Executive Director to negotiate and execute one or more agreements with Tyler Technologies, Inc. (Tyler), to license, implement, support, and provide up to five years of maintenance of Microsoft Dynamics AX 2012 (the Software), for a sum not to exceed \$1,320,000.

BACKGROUND AND CONTEXT

Portland Development Commission's (PDC) current Enterprise Resource Planning (ERP) software, Lawson S3 application suites (Lawson), was initially selected from a competitive procurement process in 1999 and implemented in 2000. As PDC's current ERP system, Lawson is PDC's primary financial application and supports all non-loan/grant financial transactions (e.g., general ledger, accounts payable, payroll, procurement, cash management, human resources, business intelligence/reporting).

In December 2012, PDC management established objectives to guide all information technology (IT) projects and expenditure decisions until 2017. The development of the objectives was informed by a 2011 analysis of PDC's IT Division by Moss Adams as well as then-current thinking on the future direction of PDC and the scale of its operations. The objectives were to:

1. Streamline IT operations to match a smaller, less complex future PDC;
2. Transition PDC applications and infrastructure to the cloud;
3. Minimize application development needs and capabilities;
4. Maximize availability of remote and mobile computing tools; and
5. Implement an alternative disaster recovery plan.

The objectives informed the following actions in PDC's Strategic Plan Goal 5: Effective Stewardship Fiscal Year (FY) 2013-14 Work Plan, which commits to:

1. Continuing to implement a five-year vision and action plan for IT infrastructure and to realign IT resources in support of the five-year plan; and
2. Selecting and implementing a new ERP system to streamline business processes and reduce materials and service costs associated with application support.

To that end, PDC issued Request for Qualifications #12-34 (RFQ) in April 2013 to gather market information and shortlist a limited number of ERP software vendors whose products were most aligned

with PDC’s size and operations. Based on the RFQ evaluation process, PDC shortlisted the following ERP software vendors (and products): New World Systems (Logos), Tyler (Microsoft Dynamics AX 2012), and Unit4 (Agresso).

In August 2013, PDC issued Request for Proposals #13-01 (RFP) to the vendors shortlisted from the RFQ. As part of the RFP evaluation process, an internal Evaluation Committee was convened to score the written proposals, conduct extensive software demonstrations, and check the references of all software proposers. Per the RFP, pricing was requested and scored for both on-premise and cloud-based software deployments. The vendors and products were scored separately for each of these options. The final RFP ranking was as follows:

Total Points Awarded (On-Premise)

| <i>Total possible points</i> | <i>100.00</i> | <i>Ranking</i> |
|------------------------------|---------------|----------------|
| New World Systems | 82.96 | 5 |
| Tyler Technologies | 89.77 | 1 |
| Unit 4 | 85.57 | 3 |

Total Points Awarded (Cloud-Based)

| <i>Total possible points</i> | <i>100.00</i> | |
|------------------------------|---------------|---|
| New World Systems | 82.96 | 5 |
| Tyler Technologies | 88.77 | 2 |
| Unit 4 | 84.57 | 4 |

Based on the RFP process, the Evaluation Committee unanimously agreed that the product offered by Tyler, Microsoft Dynamics AX 2012, was the best choice for PDC based on the Software’s technical foundation, user interface, and future growth potential, at a reasonable price. The Evaluation Committee’s recommendation is to implement the Software on-premise. This will position PDC to move to a cloud-based instance in the near future when the technology is determined to meet PDC’s operational needs in a cost effective manner.

Implementing the Software will allow PDC to streamline its operations through automated business process workflows, provide employee self-service, eliminate several databases and third-party software applications, phase-in newer technologies such as cloud and mobile computing, enhance disaster recovery, and reduce the long-term cost to maintain an ERP system.

COMMUNITY AND PUBLIC BENEFIT

Implementing the Software will allow PDC to reduce the cost of maintaining its current ERP system and enhance business processes consistent with PDC’s strategic goal of Effective Stewardship over our Resources and Operations.

PUBLIC PARTICIPATION AND FEEDBACK

Not applicable.

BUDGET AND FINANCIAL INFORMATION

Adoption of this resolution would authorize the Executive Director to negotiate and execute one or more agreements with Tyler. Such agreements are expected to include software licensing, support and maintenance, implementation, training, and configuration services. Depending on the timing of the contract negotiations, the final contract amount would be included in the FY 2013-14 Revised Budget and/or the FY 2014-15 Proposed Budget. The final budget amount would, therefore, be brought back to

the PDC Board of Commissioners for approval. At that time, staff will provide a summary of negotiated contract terms.

RISK ASSESSMENT

All software implementation projects, especially those that have an enterprise-wide impact, involve a certain amount of risk. These risks typically take the form of schedule and costs overruns due to poor planning, complex customizations, and/or poor project and scope management. Although no ERP system can be implemented in a totally risk-free environment, PDC will undertake measures to mitigate the potential risks. All changes to the project scope (e.g., software customization) that were not contemplated in the RFP will be subject to a rigorous change management control process. Additionally, PDC has well-documented business processes and a solid understanding of its chart of accounts, project accounting, and reporting needs. Finally, PDC will retain specialized outside counsel to assist with negotiating the contract.

ALTERNATIVE ACTIONS

In lieu of selecting and implementing a new ERP system, PDC could choose to remain with its current ERP software provider, Lawson. However, PDC's version of the software has a decommission date of May 31, 2016 and would need to be upgraded. Additionally, the Lawson Budget and Planning and Employee Self Service modules would have to be implemented in the system to obtain the same business process improvements anticipated by implementing the Software. Such an upgrade and implementation would be a significant IT project that would include several components, such as reinstallation of the software foundation, security set-up, process flow, reporting capability, and the build-out of the Lawson Budget and Planning and Employee Self Service functionalities. While it is difficult to estimate the exact cost of these upgrades, PDC IT staff has advised that the installation and migration would require services from a certified installer. Staff has not solicited proposals for this upgrade; however, based on historical investments in the system, it is estimated that such a project could cost in excess of \$400,000.

Additionally, remaining with Lawson would require that PDC maintain approximately eleven separate databases and/or third-party software products that support functions not currently performed in Lawson. These databases are supported by a Limited Term Employee whose employment term is scheduled to expire in August 2014. While Lawson and the supporting databases currently meet PDC's reporting needs, maintaining these systems into the future will become cost prohibitive. Since 1999, PDC has invested approximately \$6,000,000 in Lawson and its support, averaging approximately \$461,000 per year. As PDC's Tax Increment Financing proceeds decline, sustaining this level of annual support will no longer be possible.

ATTACHMENTS

None