



**DATE:** December 1, 2020

**TO:** Mayor and City Council

**FROM:** Development Services Director

**SUBJECT:** Adopt Three Resolutions: 1) Amending the FY 2021 CIP Budget to Transfer and Appropriate Funds to Project Number 07267, Online Permitting, in the Amount of \$347,138 to Increase the Total Project Budget Amount Not to Exceed \$1,161,870 for the Purchase of Energov Online Permitting Solution and Other Related Project Management Services; 2) Authorizing the City Manager to Negotiate and Execute an Amendment to the Agreement with Tyler Technologies, Inc.; and 3) Authorizing the City Manager to Negotiate and Execute an Amendment to the Agreement with SoftResources LLC

## **RECOMMENDATION**

That Council adopts three resolutions (Attachment II, III, and IV) authorizing the City Manager to:

1. Amend the Fiscal Year 2021 Operating and Capital Improvement Program (CIP) Budgets related to the transfer and appropriation of funds to Project Number 07267 in the amount of \$347,138 in order to increase the project budget to the amount of \$1,161,870;
2. Negotiate and execute an amendment to the agreement with Tyler Technologies, Inc. to acquire, install, implement and receive technical support for EnerGov permitting Software as a Solution (SaaS), authorizing an increase in an amount of \$235,138 for a total not-to-exceed contract amount of \$1,321,019; and
3. Negotiate and execute an amendment to the agreement with SoftResources LLC for project management services throughout the EnerGov project, extending the term of the agreement to December 2021 and authorizing an increase in the amount of \$112,000 for a total not-to-exceed contract amount of \$259,105.

## **SUMMARY**

In 2019, the City entered into several contracts to begin implementation of a new online permitting system. The agreement with SoftResources LLC covers a significant portion of the

project management and oversight of implementation. The agreement with Tyler Technologies, Inc covers the purchase of the actual software as a solution (SaaS) product as well as associated implementation costs. Given staffing departures and additional software solutions necessary to meet operational needs, additional funding is required to complete the project. Staff recommends increasing the contract with Tyler Technologies in an amount of \$235,138 for a total not-to-exceed contract amount of \$1,321,019 and increasing the contract with SoftResources in the amount of \$112,000 for a total not-to-exceed contract amount of \$259,105. An increased budget appropriation is also recommended to bring the total CIP project cost to \$1,161,870. The difference between the Tyler Technologies increased contract amount (\$1,321,019) and the increased budget appropriation (\$1,161,870) results from the plan to pay Year 3 SaaS fees via future IT internal service fees in the operating budget. Therefore, this amount does not need to come out of the CIP project budget and is the reason why the project budget is less than the Tyler contract amount.

## **BACKGROUND**

In 2017, the City solicited proposals for vendors for an online permitting system. After review and staff recommendation of EnerGov, a Tyler product, the Council Infrastructure Committee indicated that the cost was too high to support with the General Fund, so instructed staff to delay the project and wait until sufficient technology fees were accrued. In 2018, staff projected that technology fees would be sufficient by the end of 2019 to proceed with a contract. Council approved the contract for the EnerGov project in October 2019.

On November 7, 2019, the City entered into an Agreement with SoftResources LLC, a technology consulting firm, for the management of the EnerGov online permitting project through an estimated 22-month schedule from project initiation to implementation. SoftResources previously helped the City to establish the requirements for the online permitting system, prepare a Request for Proposals, and select Tyler Technologies, Inc. as the final vendor.

On November 20, 2019, the City entered into an Agreement with Tyler Technologies, Inc. to acquire, install, implement, and receive technical services for EnerGov online permitting Software as a Solution (SaaS).

In September 2020, during the Assess & Define phase of the EnerGov project, it was determined that adjustments to the Tyler Technologies, Inc. contract were needed to ensure that the City's permitting needs are met. In addition, the project manager on Development Services staff recently indicated that she will be relocating to the East Coast after December 2020, thus requiring a reassignment of project management to consulting staff from SoftResources to allow for project continuity.

## **DISCUSSION**

The comprehensive, inter-departmental, online permitting project was initiated in January 2019, when Tyler's project manager was assigned. Staff worked on team selection and project

rollout through June 2019, with a major shift in practical approach, given the Shelter In Place required by the coronavirus pandemic. The Assess and Define stage began in July and was completed in November, taking the project more than halfway to completion. Configuration will begin with training in December. Project completion of the 28-30 month project is anticipated for late Summer 2021.

Staff is recommending an increase of \$347,138 to the EnerGov project budget for additional services and components identified as critical to project success. This budget increase will be funded by Technology Surcharge Fee (Tech Fee) revenues and salary savings and will include no additional request for General Fund dollars. Tech Fee revenues must be used for technology related expenses, including software solutions.

During the Assess & Define stage, City staff and consultants from Tyler Technologies, Inc. ("Tyler") gathered information about the City's current processes and workflows and identified the following needs that were out of scope under the terms of the current Tyler contract:

1. Business License Module to support permit types that require annual renewal.  
Several Planning and Code Enforcement programs, including Commercial Cannabis, Vacant Property, Rental Housing, and Tobacco, are structured differently than typical permits. Specifically, they involve annual renewal while typical permits are one-time. As a result, these programs do not fit neatly into the Tyler permitting module without clunky, time consuming work arounds. And for at least one program, Commercial Cannabis, there are insufficient work arounds available in the permitting module to allow staff to administer the program in accordance with the City's needs. Staff recommends the purchase of the Tyler Business License Module to gain critical efficiency and functionality, including the ability to allow citizens to update permit data over time, and to avoid the need to maintain two separate permitting programs: one in Munis for Commercial Cannabis and one in EnerGov for everything else.
2. 12 additional permit/plan case types above the contracted case type limit of 50.  
City staff spent four (4) months reviewing workflows and consolidating case types wherever possible. Case types encompass business processes, such as Kitchen and Bath Remodel and Rental Housing Registration Permit types, plan types, code case types, business license types, etc. As a result, 114 case types were consolidated (reducing the total count from 176 to 62, or about 35% of the original count). The final case type count of 62 is not unusual for a city Hayward's size and complexity according to Tyler consultants, and represents significant improvement without sacrificing functionality.
3. Custom report writing services above the contracted 40 hours (equivalent to about 10 reports).  
Based on similar reports in Munis, IT estimates that a total of 50 reports will be needed. To meet the estimated need for 40 additional reports would require approximately 160 hours of additional report writing services (160 hours \* Tyler consultant rate of \$175/hour =

\$28,000). Due to limited City staffing, and efficiencies gained by using Tyler's expertise, staff recommends that the City purchase Tyler's report writing services.

4. Data conversion services to move SharePoint and Laserfiche data into Tyler Content Manager (TCM).

IT staff identified important historical development review documents and data in SharePoint and Laserfiche that were not converted to TCM during prior system conversions due to system, staff, and budget limitations at that time. This data is especially critical to the City's ability to respond to Public Records Act requests. Staff recommends that this data be converted to TCM to enhance staff efficiency and PRA response timeliness, and eliminate the need for staff to search multiple data sources.

5. Additional project management services from SoftResources to provide support through staffing changes.

Staff recommends adding additional time to the SoftResources contract to backfill critical project management responsibilities left open by the anticipated separation of the City's Project Sponsor (Development Service Director Laura Simpson) and Project Manager (Management Analyst Molly Almeida) in early 2020. SoftResources has been actively involved in the project since inception, and helped evaluate the City's permitting needs, prepare the RFP, select Tyler as final vendor, and launch the software implementation plan. They continue to provide critical project management oversight. Engaging more of SoftResources time for project management will help ensure a smooth transition and consistency of operations, and allow City staff to focus on critical software configuration, validation, and testing tasks.

A breakdown of each cost is provided in Table 1 below:

Table 1

Additional Costs	Onetime Fee	Annual Fee	TOTAL
1. Business License Module		\$33,144 x 2 years	
2. 12 Additional Case Types	\$65,100		
3. Additional Report Writing Services	\$28,000		
4. Data Conversion: SharePoint & Laserfiche to TCM	\$75,750		
5. Additional SoftResources Hours	\$112,000		
<b>TOTAL:</b>	<b>\$280,850</b>	<b>\$66,288*</b>	<b>\$347,138</b>

\*Two years of SaaS payments are recommended to allow sufficient time for IT to set up internal service fees.

Conversion of SharePoint and Laserfiche documents to TCM will likely require additional storage, at an estimated cost of \$100,000, to increase TCM capacity locally and to account for

this data being backed up and stored for recovery. If Council approves the SharePoint and Laserfiche document conversions recommended above, IT staff will return to Council with a detailed recommendation on TCM storage needs during the mid-year budget review process.

## FISCAL IMPACT

Funding for additional EnerGov project costs will come from previously collected and future Tech Fee revenue as well as salary savings from the Analyst I and Development Services Director positions.

On average, DSD and Fire’s Tech Fees have generated annual revenue of \$248,660 for the past several years, as shown in Table 2 below.

Table 2

Technology Surcharge Revenue By Fiscal Year				
2018 Actuals	2019 Actuals	2020 Actuals	2021 Estimated	2022 Estimated
\$279,369	\$262,779	\$203,832	\$240,000	\$240,000

When combined with anticipated salary savings of \$148,000, accumulated Tech Fee revenues will more than cover the additional project costs recommended above up through FY 2024 (See the “Balance” column in Table 3 below).

Table 3

Fiscal Year	Total Estimated Project Cost	Estimated Funding Resources				BALANCE
		CIP	Tech Revenues	Salary Savings	Total	
FY 20	\$226,450	\$814,732	\$203,832		\$1,018,564	\$792,114
FY 21	\$1,001,462		\$240,000	\$148,000	\$1,180,114	\$178,652
FY 22	\$352,212		\$240,000		\$418,652	\$66,440
FY 23	\$251,962		\$240,000		\$306,440	\$54,478
FY 24	\$264,560		\$240,000		\$294,478	\$29,918
FY 25	\$277,788		\$240,000		\$269,918	<b>-\$7,870</b>

However, because EnerGov annual SaaS and maintenance and support fees are expected to increase over time, project costs are projected to exceed estimated Tech Fee revenues by FY 2025.

To address this anticipated future shortfall, staff plans to return to Council to recommend a 3% increase to the City’s Tech Fee (from 6% to 9%) under the FY22 Master Fee schedule.

## STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Improve Organizational Health. Specifically, this item relates to the implementation of the following project:

Project 15, Part 15.b: Implement new online planning and permitting solution

## PUBLIC CONTACT

The report was published on the City website. If City Council approves the contracts, training on the EnerGov system will be provided for internal staff users and for developers and residents over the course of project rollout.

## NEXT STEPS

If Council approves the attached resolutions, staff will take the following steps:

1. Amend the Fiscal Year 2021 Operating and Capital Improvement Program (CIP) Budgets related to the transfer and appropriation of funds to Project Number 07267 in the amount of \$347,138 in order to increase the project budget to the amount of \$1,161,870;
2. Execute an amendment to the agreement with Tyler Technologies, Inc. to acquire, install, implement and receive technical support for EnerGov permitting Software as a Solution (SaaS), authorizing an increase in the amount of \$235,138 for a total not-to-exceed contract amount of \$1,321,019; and
3. Execute an amendment to the agreement with SoftResources LLC for project management services throughout the EnerGov project, extending the term of the agreement to December 2021 and authorizing an increase in the amount of \$112,000 for a total not-to-exceed contract amount of \$259,105.

Once amended agreements have been executed, the project will move into the Build & Validate phase and continue towards an anticipated system go-live date in July 2021.

Estimated Timeframe	Project Phase
<i>Complete</i>	<b>Initiate &amp; Plan.</b> Identify and assemble key teams and ramp up resources. Build a project schedule and a project implementation plan based on system infrastructure requirements. February 2020.
<i>Complete</i>	<b>Assess &amp; Define.</b> Gather information about current processes and workflows and translate into future business processes. July 2020.

Estimated Timeframe	Project Phase
4-6 months	<b>Build &amp; Validate.</b> Prepare the software solution for use in accordance with City's needs. Prepare for final testing by conducting user testing (UT). UT takes a long time and can extend the build and validate phase out to 6 months. December 2020.
3 months	<b>Final Testing &amp; Training.</b> Prepare for final cutover and train staff how to utilize the software solution. March 2021.
3 months	<b>Production Cutover:</b> City provides final data extract and Tyler Technologies, Inc. executes final data conversion. July 2021.

*Prepared by:* Molly Almeida, Management Analyst I

*Recommended by:* Laura Simpson, Development Services Director

*Approved by:*




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Kelly McAdoo, City Manager