



SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Finance

Prepared by: Paul Navazio,
Finance Director

City Manager Approval: _____

A handwritten signature in blue ink, appearing to be 'CN', is written over the City Manager Approval line.

TOPIC: TYLER ENTERPRISE RESOURCE PLANNING (ERP) PROJECT SUPPORT

SUBJECT: AUTHORIZE THE CITY MANAGER TO NEGOTIATE AND ENTER INTO A PROFESSIONAL SERVICES AGREEMENT WITH KRISCH AND COMPANY FOR CONSULTING AND STAFF AUGMENTATION SERVICES, IN AN INITIAL NOT-TO-EXCEED AMOUNT OF \$150,000, AND FURTHER AUTHORIZE THE CITY MANAGER TO AMEND THE CONTRACT UP TO A TOTAL NOT-TO-EXCEED AMOUNT OF \$500,000 THROUGH THE DURATION OF THE ENTERPRISE RESOURCE PLANNING IMPLEMENTATION PROJECT.

RECOMMENDATION:

Authorize the City Manager to negotiate and enter into a Professional Services Agreement with Krisch and Company for consulting and staff augmentation services, in an initial not-to-exceed amount of \$150,000, and further authorize the City Manager to amend the contract up to a total not-to-exceed amount of \$500,000 through the duration of the Enterprise Resource Planning (ERP) implementation project.

BACKGROUND:

The City is in the early stages of implementing a new Enterprise Resource Planning (ERP) to include a consolidated financial system as well as human resources management and payroll system. On February 20, 2024 the City Council approved a multi-year Software Service Agreement with Tyler Technologies for one-time implementation and annual subscription service costs. Funding to support the implementation of the ERP system was included in the FY2024-25 budget, approved by the City Council on June 17, 2024.

As noted in the staff report related to City Council authorization to execute the Software Services Agreement with Tyler Technologies, staff has been planning on identifying additional project support resources to assist in ensuring a successful ERP project implementation. Funding to cover the cost of additional project support was also included in the approved FY2024-25 budget.

FOR CITY CLERK ONLY

Council Meeting:

Disposition:

ANALYSIS:

The first phase of the ERP implementation project is focused on the design, configuration, testing, documentation, and training of the ERP financial system, with a target go-live date of July 1, 2025, concurrent with the start of the new 2025-26 fiscal year. Significant staff resources are being allocated to this priority project over the course of the implementation schedule. In order to ensure a successful implementation, additional project resources are required in two areas – staff augmentation and ERP project support.

Following outreach and solicitation of firms with the ability to provide the required project support, staff is recommending approval of a Professional Services Agreement with Krisch and Company (Krisch) for this engagement. Krisch was initially identified as a firm with resources to available provide staff augmentation for higher-level accounting, audit and financial management support. Principals to be engaged in this role have significant accounting and audit experience and are also familiar with the City’s financial system and financial reporting environment.

In addition, Krisch is able to provide firm resources with direct experience in implementing and working with the Tyler ERP financial system. Resources with direct experience in implementing key modules within the Tyler financial system (ex. Purchasing, Accounts Payable, Contracts, Project/Grants Accounting, and Payroll) have been identified as part of the proposed professional services engagement.

The scope of the initial engagement, not-to-exceed \$150,000, is proposed to cover the period from October 2024 through January 2025. Authorization is also being requested to allow for one or more potential contract amendments to extend through the duration of the project implementation schedule through 2025. Additional scope may be added through future contract amendments to the extent that outside resources are required to support Phase 2 of the Tyler ERP project specific to the implementation of the new human resources and payroll system.

The recommended Professional Services Agreement is proposed to be structured as a time-and material contract with billing rates established for the type/category of resources to be provided by Krisch and Company, at the request and discretion of the City. Based on current estimates of the resources expected to be utilized under this agreement, the following is a summary of the not-to-exceed cost associated with this contract:

	Cost (Not-to-Exceed)
ERP Project Support	
October 2024 – January 2025	\$ 150,000 (Initial Engagement)
February 2025 – August 2025	<u>350,000</u>
TOTAL (Not-to-Exceed)	\$ 500,000

FISCAL IMPACT:

The proposed Professional Services Agreement represents an initial commitment of not-to-exceed \$150,000 for ERP Project support for the period of October 2024 through January 2025. Authorization is also requested to amend the initial contract up to a total not-to-exceed amount of \$500,000 through project completion. Funding to support this agreement is provided through General Fund appropriations included in the FY2024-25 budget specifically for this purpose.

OPTIONS:

The City Council has the following options to consider on this matter:

1. Authorize the City Manager to enter into the agreement as recommended.

2. Do not authorize the City Manager to enter into the agreement and provide further direction to staff.

RECOMMENDED ACTION:

Authorize the City Manager to negotiate and enter into a Professional Services Agreement with Krisch and Company for consulting and staff augmentation services, in an initial not-to-exceed amount of \$150,000, and further authorize the City Manager to amend the contract up to a total not-to-exceed amount of \$500,000 through the duration of the ERP implementation project.

ATTACHMENT:

1. Scope of Services & Billing Rates

September 16, 2024

Paul Navazio
Finance Director
City of San Rafael
1375 5th Avenue,
San Rafael, CA 95901

Dear Paul:

This letter is to confirm our understanding of the terms and objectives of our engagement with the City of San Rafael (City), California, as well as the nature and limitations of the services we will provide.

From the period October 1, 2024, to August 31, 2025, we will provide the following services to the City:

1. Staff Augmentation -- various accounting services that may include the following:
 - General Accounting
 - Day-to-day operations
 - Month-end close process
 - Accounts Payable support
 - Business License support
 - Ongoing operations
 - Annual renewal process
 - Special Projects
2. ERP Implementation Support -- assistance in various aspects of the City's ERP Implementation Project. The project consists of design, configuration and testing of the full suite of Tyler/Munis (ERP) modules, including:
 - General Ledger / Chart of Accounts,
 - Budget,
 - Purchasing / Accounts Payable,
 - Contract Management,
 - Project/Grants Accounting,
 - General Billing,
 - Human Resources Management, and
 - Payroll

The total maximum fee for the above services is \$150,000. Our fees will be based on the amount of actual time required at various levels of responsibility of our staff. We also charge half of our hourly rates for travel time. Below are the 2024 and 2025 billing rates of our professional staff: Our billing rates are adjusted annually on Jan 1.

	Calendar Year 2024 Hourly Rates	Calendar Year 2025 Hourly Rates
Partners	\$346	\$363
Managers	\$200 to \$225	\$210 to \$236
Sr. Consultant	\$225	\$225
Payroll Specialist	\$159	\$167
Supervisors	\$140 to \$195	\$144 to \$200
Senior Associates	\$124 to \$131	\$130 to \$140
Associates	\$94 to \$108	\$99 to \$113
Administrative Staff	\$76	\$80

Our engagement is limited to the time period and the accounting services indicated above. As our services are limited in nature, we do not verify or audit any of the information you provide to us. If we notice that an amount appears unusual or out of the ordinary, we will call it to your attention, but our engagement cannot be relied upon to disclose errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with laws and regulations that may have occurred. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our engagement that fraud may have occurred. We will also report to the appropriate level of management any evidence or information that comes to our attention regarding noncompliance with laws and regulations that may have occurred, unless it is clearly inconsequential. By your signature below, you understand and agree that you are responsible for preventing and detecting fraud. Should you wish us to expand our procedures to include additional work and investigations, we will arrange this with you in a separate engagement letter.

Our fees and costs for work will be billed monthly. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to an interest charge of 1.0% per month. We reserve the right to suspend our services or to withdraw from this engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due us, you agree to reimburse us for our costs of collection, including attorneys' fees.

If billings are past due in excess of 90 days of the invoice date, at our election, we may stop all work until your account is brought current or withdraw from this engagement. The City acknowledges and agrees that we are not required to continue work in the event of the City's failure to pay on a timely basis for services rendered as required by this engagement letter. The City further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of the City's failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable for any damages that occur as a result of our ceasing to render services.

It is our policy to keep records related to this engagement for seven years. However, we do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. It is your responsibility to retain and protect your records (which includes any work product we provide to you as well as any records that we return) for possible future use, including potential examination by government or regulatory agencies. We do not accept responsibility for hosting client information; therefore, you have the sole responsibility for ensuring you retain and maintain in your possession all your financial and non-financial information, data and records.

If a dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered within the county of Contra Costa, California, by a mediation organization, under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

If, after full consideration and consultation with counsel if so desired, you agree that the foregoing terms shall govern this engagement, please sign the copy of this letter in the space provided and return the original signed letter to me, keeping a fully executed copy for your records.

Thank you for your attention to this matter, and please contact me with any questions that you may have.

Very truly yours,

Krisch & Company

Krisch & Company

ACCEPTED AND AGREED:

RESPONSE:

This letter correctly sets forth the understanding of City.

By: _____

Title: _____

Date: _____