


Date: January 21, 2022

To: Thomas B. Modica, City Manager 

From: Kevin Riper, Director of Financial Management 

For: Mayor and Members of the City Council

Subject: **ERP System Implementation Update: LB COAST**

This memo provides an update on LB COAST (Project), the City of Long Beach's (City) largest technology project implementation to date. The Project has been underway since 2016 and is a high priority, multi-year effort to install the City's Enterprise Resource Planning (ERP) system using Tyler Technologies' (Tyler) Munis software. This system is intended to replace the antiquated financial and human resource systems in the City. These systems impact all departments and are critical to efficient and effective financial and human resource management, both centrally and within departments, including the Harbor and Water departments.

The City selected Tyler's Munis ERP systems after an extensive selection process. The selection process included developing over 3,800 functional specifications, an in-depth review of proposals from a number of vendors, software demonstrations, review of references, and visits to other cities to view the software in operation. Over 11,000 staff-hours among 240 employees were involved in this extensive effort that concluded with the selection of Tyler's Munis software and award of a contract to Tyler by the City Council in 2016.

***Phase I – Financials***

*Implemented in 2019 and Operating Normally  
Currently in the Optimization Phase*

Phase I of LB COAST went live in April 2019, replacing a decades-old accounting system that had a significant risk of failure and obsolescence. The Phase I Munis financial system includes general accounting, project accounting, and purchasing functions such as purchase orders, payment processing including scanning of invoices and processing payments, and tracking of grant revenues and expenditures. This new system was intended to alleviate concerns about obsolescence and the ability to keep the legacy systems operating.

Although Phase I took longer to implement than was originally planned, it has been successful. Thousands of staff-hours from some of the most experienced professionals in the City were needed to make the implementation successful. The new Phase I systems are now in an extended optimization phase where staff continue to learn how to best and most efficiently use the system to meet City needs.

The legacy system's obsolescence created a risk of system failure and enhanced the risk of not being able to meet the City's future needs. The legacy system had been highly customized

over decades, and evolved to be very efficient in meeting the City's needs. In comparison, the new system is "out of the box" with no customization. The City is now going through a multi-year optimization period where staff will be fine-tuning its processes and the way it uses the system to improve efficiency, and further improve the quality and timeliness of accessing information from the system.

This ongoing optimization effort includes additional staff training, improving the reporting, fine-tuning City processes to best match software characteristics, and continuing accounting "clean-up" tasks that were not fully completed during initial implementation. It is customary and expected that optimization of a major new financial system will take a number of years. Efficiency and analytical reporting are expected to continually improve over the next few years as the City staff acquires a deeper understanding of the system and learns to optimize City procedures and reporting.

***Phase II – Payroll/Human Resources, Timekeeping, Budgeting***

*Design not Complete*

*Go-Live Date Not Yet Determined*

Phase II of the LB COAST Project is the implementation of payroll, human resources, timekeeping and budgeting systems. Phase II implementation began in 2019, after Phase I went live. A new, intense effort is currently underway to address the issues that have prevented a go-live date from being set. Staff continues to work through these issues so that a realistic target go-live date can be established. The Project team aims to avoid an unrealistic go-live date as the issues and problems from a too early go-live may result in costs and damage far higher than dedicating the time and resources to set a realistic date for successful go-live implementation.

In the Phase II implementation efforts to date, City staff have experienced significant delays due to issues with the functionality of the Tyler software modules. It has become apparent that the software is less functional than what is needed by the City, and less functional than what the City expected when the software was selected. This is a disappointing revelation due to the time and effort invested in the initial software selection process. The issues the City is now experiencing were not evident until the implementation process began and was well under way. A significant component of the software functionality issues is the lack of design features that take into account the size and highly decentralized nature of operations in the City of Long Beach. These issues were not evident during system selection.

To address functionality and other issues impacting implementation, the City recently proposed a new intensive "functionality gap resolution" process with Tyler that began December 2021. Tyler agreed to the substance of the new approach intended to address functionality and other concerns. During this process, which involves many meetings, the City is working closely with Tyler to assess whether the functionality, reliability, and resolution of other issues can be achieved through a combination of program changes and work-arounds without significantly sacrificing efficiency, reliability, data security, or controls. Once functionality is better understood, system configuration can be completed. After configuration is completed, the implementation process can be more focused on testing, procedure development, training and

the organizational change management needed before go-live. After go-live, the City expects another several year optimization period, as with Phase I. As expected, it will take a few years for efficiency and effectiveness to begin to approach that of the old system.

While the City hopes that the functionality gap resolution process with Tyler will be successful, there is no assurance of that. The City also needs to be cognizant of the upcoming timeframe for the end of support for the City's old payroll/HR software and the serious issues with maintaining the mainframe that currently runs our old legacy software systems that will be replaced by Phase II of LB COAST. Because there is always a possibility that the Tyler software functionality and other issues may not be resolved over the next few months, staff, as a matter of due diligence, are concurrently looking at alternative software solutions that may be available if a software switch becomes necessary. However, it is City staff's strong desire to resolve the current concerns with the Tyler software and to proceed with implementation of all the Tyler software for Phase II.

Regardless of the number of functionality issues that are resolved, it appears likely that the efficiency of new systems will be less, at least initially, than our legacy systems which have been customized over 20 years. As a result, the City may need to include a longer-term optimization period into the LB COAST project until "customization" of the systems or processes can be developed to improve efficiency and effectiveness by maximizing system capabilities. The several years (up to five years) timeframe for optimization is not unusual. Efficiency and effectiveness will increase over the optimization time-period.

We expect to provide an update after the joint functionality gap resolution process between the City and Tyler is completed, or when it may become evident that other major steps are needed. If you have any questions, please contact me at (562) 570-6427.

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