



MULTNOMAH COUNTY AGENDA PLACEMENT REQUEST

(Revised: 6/24/13)

APPROVED: MULTNOMAH COUNTY
BOARD OF COMMISSIONERS
AGENDA # R-4 DATE 7/11/13
MARINA BAKER, ASST BOARD CLERK

Board Clerk Use Only

Meeting Date: 7/11/13
Agenda Item #: R.4
Est. Start Time: 10:00 am
Date Submitted: 6/26/13

Agenda Title: **Approval of Sole Source Exemption to Purchase the Orion Suite of Software Products from Tyler Technologies Under Special Procurement Sole Source Rule 47-0288(1)**

Note: Title should not be more than 2 lines but sufficient to describe the action requested. Title on APR must match title on Ordinance, Resolution, Order or Proclamation.

Requested

Meeting Date: July 11, 2013 Time Needed: 10 minutes

Department: Dept of County Management Division: Assessment, Recording and Taxation

Contact(s): Randy Walruff

Phone: 503-988-4668 Ext. I/O Address: 503/1

Presenter

Name(s) & Title(s): Randy Walruff, DART Division Director

General Information

1. What action are you requesting from the Board?

The Director of the Division of Assessment, Recording and Taxation requests the Board of County Commissioners' approval of a Sole Source Exemption for the purchase of the Orion suite of software products, including software licenses and associated maintenance and support services, and system implementation services, from Tyler Technologies Inc.

The basis for the exemption request is under PCRB rule 47-0288(1) Brand Names or Products sole source procurement. The total expenditures are over \$150,000 and unknown at this time.

2. Please provide sufficient background information for the Board and the public to understand this issue. Please note which Program Offer this action affects and how it impacts the results.

BACKGROUND: After two years, in January 2009, the Division of Assessment, Recording and Taxation (DART) concluded a complicated and multi-tiered Request For Proposals process, with Colorado Customware Inc. (CCI) being awarded a multi-million dollar contract for the development and delivery of a new assessment and taxation software solution. Five firms vied for the award, including MS Govern, True Automation, Tyler Technologies, Manatron and CCI. After four plus years, it has become clear that CCI is not going to be able to deliver the proposed software solution in its entirety. The County is considering pursuing legal remedies against CCI for their failure to meet material requirements of the

existing contract.

DART is facing an urgent problem – loss of a contractor due to a material failure to perform and current software that is increasingly outdated. DART seeks a solution that will allow us to replace the current software system, while minimizing delays, risk and costly development. Tyler Technologies Inc., the current A&T software system vendor since 1998, has proposed to the County our adoption of their upgraded Orion suite of products, a system they did not have sufficiently developed in 2008 to offer during the RFP process. Tyler is the owner, manufacturer, and sole source from which the Orion suite of software products can be purchased.

DART believes it is in the best interest of the County not to go through another competitive procurement process.

Oregon Customization. The Oregon Property Tax System is unique, and is the most complex and challenging property tax system in existence today – a software solution must be customized to be compliant with Oregon tax law that includes both the tax impacts of Measures 5 and 50 and can account for the multiple Urban Renewal Districts, historical exemptions and other statutory requirements. Multnomah County's assessment and taxation environment is by far the most complex of any County, with eight Urban Renewal Districts, City of Portland taxes and exemptions, as well as over 340,000 separate taxable properties. A company without extensive Oregon tax law experience would be at an enormous disadvantage and cost the County both extensive time and money to get up to speed. Tyler Technologies Inc. has extensive experience with Oregon tax law.

Major Procurement Process attempted. DART already went through an exhaustive process to replace the current system, taking over two years (one RFP had to be cancelled when new technology invalidated our requirements) and consumed hundreds of hours of experts, technicians, evaluators, observers and users. A new procurement would require a similar level of resource commitment and would take from nine months to two years, since a thorough procurement process for software would require proposals, remote demonstrations, three-day on-site demonstrations, oral interviews and visits to reference locations.

Limited Market. During the competitive procurement process, we determined that there are only four or five firms even remotely qualified to meet our needs, and we had to lower our initial requirements to even get that many vendors. The pool of potential candidates is very small.

Lack of Success. Numerous Governmental agencies in the State have recently undertaken to bring in a new assessment and taxation system, including Washington County (yet to sign a contract) and other counties who signed contracts with other vendors, and are experiencing similar types of issues as we have had with CCI. No new system exists today and all attempts to date have met with failure.

The stakes of continued failure are too high. Property taxes are the single most significant source of revenue for Multnomah County, providing approximately 65% of the County's general fund revenue. DART believes that Tyler Technologies Inc. is the only reasonable choice to take our system into a browser-based environment.

- Tyler has demonstrated their new Orion system to DART and it appears to meet most of our basic non-Oregon specific requirements, and requires development in order to become Oregon compliant; always a high risk proposition. However, Tyler

has extensive experience with Oregon tax law as the existing A&T system vendor, minimizing the risk to the County.

- DART's current software system has gone way past its intended life. DART purchased the original system from Tyler in 1998, and over the past 15 years, Tyler has customized and maintained the software through evolving changes and requirements to remain compliant with Oregon tax laws. Tyler is maintaining our current system and has offered to continue to maintain it with required upgrades and maintenance until they can deliver the new upgraded Orion system. There is no guarantee that they would continue to maintain the legacy system while another Provider developed a new system, assuming that they could even retain experienced in-house staff who would be facing a limited duration situation.
- Tyler Technologies Inc. fully understands where we are now and has experienced staff in-house working with our software programming on a daily basis. They understand Oregon tax law, our processes, complexities and practices. No other Provider would have or could possibly attain such an intimate level of knowledge without months or even years of experience – time we do not have. The cost of bringing a new vendor up to speed and in position to begin doing the upgrade would be substantial and adds program risk.
- Tyler Technologies Inc. has proposed a rebate of the license fees the county has paid on Tyler's current Oregon Automated Assessment and Oregon Tax Collection software, against the new system, a significant savings unavailable from other Providers.

The County will obtain substantial cost savings by continuing the contractual relationship with Tyler Technologies Inc. and purchasing their Orion suite of software products. They know exactly what we have now, how to integrate it into their existing new system and can minimize delays and costly development, at a significant savings to the public. The Division of Assessment, Recording and Taxation requests the Board approve the requested Special Procurement Authorized by Rule clearing the way for the sole-source purchase of Tyler Technologies Orion suite of products.

Approval of this request impacts DCM Program Offer #72035 DART Assessment and Taxation System Upgrade.

3. Explain the fiscal impact (current year and ongoing).

The total expenditures are unknown at this time. The Adopted Budget for FY14 includes a carryover of unspent project funding for the DART Assessment and Taxation System Upgrade in the amount of \$3,441,875. In addition, funds previously held in retainage are released back to the project fund and available in the amount of \$525,922.

4. Explain any legal and/or policy issues involved.

none

5. Explain any citizen and/or other government participation that has or will take place.

None

Required Signature

**Elected
Official or
Department**

Director: Karyne Kieta \s\

Date: 6/26/13

Note: Please submit electronically. Insert names of your approvers followed by /s/ - we no longer use actual signatures. Please insert date approved.



Department of County Management
Division of Assessment, Recording & Taxation

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Randy Walruff
Division Director

Phone: 503-988-4668
Email: randy.p.walruff@co.multnomah.or.us

To: Brian Smith, Manager
Department of County Management, Central Purchasing

From: Randy Walruff, Director
Division of Assessment, Recording and Taxation

Date: June 25, 2013

RE: PCRB Sole Source Exemption for the purchase of the Orion suite of software products, maintenance/support and system implementation services, from Tyler Technologies Inc.

ACTION REQUESTED:

The Director of the Division of Assessment, Recording and Taxation is seeking Board of County Commissioners' approval to award a contract under sole source procurement authority, to Tyler Technologies Inc. for the purchase of the Orion suite of software products, an advanced software solution that with modifications will incorporate applicable Oregon Revised Statutes in the processing of assessment and taxation calculations. The purchase will include software licenses and associated maintenance and support services, and system implementation services.

The basis for the exemption is under PCRB Rule 47-0288(1) Brand Names or Products sole source procurement. The total expenditures are over \$150,000 and are unknown at this time.

BACKGROUND:

The County currently has licenses to use Tyler Technologies Inc.'s assessment and taxation software system, including Oregon Automated Assessment (OAA) and Oregon Tax Collection (OTC), originally purchased in 1998. Tyler has customized and maintained the software system over the past 15 years, to remain compliant with Oregon tax laws. DART began an extensive procurement process to replace the aging and outdated system in 2007. After two years, in January 2009, the Division of Assessment, Recording and Taxation (DART) concluded a complicated and multi-tiered Request For Proposals process, with Colorado Customware Inc. (CCI) being awarded a multi-million dollar contract for the development and delivery of a new assessment and taxation software solution. Five firms vied for the award, including MS Govern, True Automation, Tyler Technologies, Manatron and CCI.

After over four years, it has become clear that CCI is not going to be able to deliver the proposed software solution in its entirety. The County is considering pursuing legal remedies against CCI for their failure to meet material requirements of the existing contract.

Meanwhile, DART is scrambling to find a solution that will allow us to replace our aging and increasingly outdated software system, while minimizing delays, risk and costly development. Tyler Technologies, the current A&T software system vendor since 1998, has proposed to the County our adoption of their upgraded Orion suite of products, a system they did not have sufficiently developed in 2008 to offer during the RFP process. Tyler is the owner, manufacturer and sole source from which the Orion suite of software products can be purchased.

ANALYSIS: WHY NOT PROCURE A NEW SYSTEM?

DART is facing an urgent problem – we have lost a contractor due to a material failure to perform and our current software is increasingly outdated. DART believes it is in the best interest of the County not to go through another competitive procurement process.

- ***Oregon Customization.*** The Oregon Property Tax System is unique, and is the most complex and challenging property tax system in existence today – a software solution must be customized to be compliant with Oregon tax law that includes both the tax impacts of Measures 5 and 50 and can account for the multiple Urban Renewal Districts, historical exemptions and other statutory requirements. Multnomah County's assessment and taxation environment is by far the most complex of any County, with eight Urban Renewal Districts, City of Portland taxes and exemptions, as well as over 340,000 separate taxable properties. A company without extensive Oregon tax law experience would be at an enormous disadvantage and cost the County both extensive time and money to get up to speed. Tyler Technologies Inc. has extensive experience with Oregon tax laws.
- ***Major Procurement process attempted.*** We already went through an exhaustive process to replace our current system, taking over two years (one RFP had to be cancelled when new technology invalidated our requirements) and consumed hundreds of hours of experts, technicians, evaluators, observers and users. A new procurement would require a similar level of resource commitment and would take from nine months to two years, since a thorough procurement process for software would require proposals, remote demonstrations, three-day on-site demonstrations, oral interviews and visits to reference locations.
- ***Limited Market.*** During the competitive procurement process, we determined that there are only four or five firms even remotely qualified to meet our needs, and we had to lower our initial requirements to even get that many vendors. The pool of potential candidates is very small at best.
- ***A Lack of Success.*** Numerous Governmental agencies in the State have recently undertaken to bring in a new assessment and taxation system, including Washington County (yet to sign a contract) and other counties who signed contracts with other vendors and are experiencing similar types of issues as we have had with CCI. No such system exists today and all attempts to date have met with failure.

WHY CHOOSE TYLER'S SYSTEM?

The Board of Commissioners must understand that the decision to move forward from our current situation is not taken lightly – the stakes of continued failure are too high. Property taxes are the single most significant source of revenue for Multnomah County, providing approximately 65% of the County's general fund revenue. DART believes that Tyler is the only reasonable choice to take our system into a browser-based environment.

- Tyler has demonstrated their new system to DART and it appears to meet most of our basic non-Oregon specific requirements and requires development in order to become Oregon compliant; always a high risk proposition.
- DART's current software system has gone way past its intended life. DART purchased the original system from Tyler in 1998, and over the past 15 years, Tyler has customized and maintained the software through evolving changes and requirements to remain compliant with Oregon tax laws. Tyler is maintaining our current system and has offered to continue to maintain it with required upgrades and maintenance until they can deliver the new upgraded Orion system.

There is no guarantee that they would continue to maintain the legacy system while another provider developed a new system, and it would not make financial sense for them to do so, assuming that they could even retain experienced in-house staff who would be facing a limited duration situation at best.

- Tyler Technologies Inc. fully understands where we are now and has experienced staff in-house working with our software programming on a daily basis. They understand our processes, complexities and practices. No other Provider would have or could possibly attain such an intimate level of knowledge without months or even years of experience – time we do not have. The cost of bringing a new vendor up to speed and in position to begin doing the upgrade would be substantial and adds program risk.
- Tyler Technologies Inc. has proposed a rebate of the license fees we paid on Tyler's current Oregon Automated Assessment and Oregon Tax Collection software, against the new system, a significant savings unavailable from other Providers.

SUMMARY:

It can be clearly demonstrated that the County will obtain substantial cost savings by continuing the contractual relationship with Tyler Technologies Inc. and purchasing their Orion suite of software products. They know exactly what we have now, how to integrate it to their existing new system and can minimize delays and costly development, at a significant savings to the public. The Division of Assessment, Recording and Taxation requests the Board approve the requested Special Procurement Authorized by Rule clearing the way for the sole-source purchase of Tyler Technologies Orion suite of products.