



## KENAI PENINSULA BOROUGH

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MIKE NAVARRE  
BOROUGH MAYOR

### MEMORANDUM

**TO:** Gary Knopp, Assembly President  
Members, Kenai Peninsula Borough Assembly

**THRU:** Mike Navarre, Mayor *MN*

**FROM:** Craig Chapman, Director of Finance *CChapman*  
Ben Hanson, Director of Information Technology *BH*  
Mark Fowler, Purchasing and Contracting Director *MF*

**DATE:** February 2, 2012

**SUBJECT:** Ordinance 2011-19-13, appropriating \$519,292 from the Equipment Replacement Fund for the purchase of new sales tax software

The borough's current sales tax software, Tax Mantra, was installed in 2006 and is in need of an upgrade to stay current with technology. Prior to moving forward with a fund request for the upgrade, the Finance and IT departments reviewed the current sales tax software to determine if the needs of the borough were being met. Below is a summary of some of the issues that were noted with our current software:

- The current operating platform is Windows XP using Office 2003. Microsoft ended support for Windows XP in April 2009. Tax Mantra has indicated it will not be upgrading to the Windows 7 or newer Windows platform. When new computers are purchased they come loaded with Windows 7. When borough sales tax staff receives a replacement computer, the borough's IT department must load Windows XP on to the machines in order to operate Tax Mantra.
- Tax Mantra will upgrade a new web based version of its software. The cost to the borough for this upgrade is \$368,000 and would take approximately seven months.
- Data for Tax Mantra is currently stored on a database server using Microsoft SQL 2003. Other borough data have been moved forward to SQL Server 2005, 2008 and will soon be moved to the 2010 platform. An unsupported platform means that if there is a system failure we cannot go back to the provider/manufacturer and insist on a fix (without incurring substantial cost).
- In 2011, the borough was notified that our current software maintenance agreement would increase from \$57,306 per year to \$95,357 per year with annual increases thereafter of 7%, resulting in annual maintenance cost for the next five years as follows:

2012, \$95,357; 2013, \$102,032; 2014, \$109,175; 2015, \$116,817; 2016, \$124,994. The 2012 fee represents a 66% increase from 2011.

- System defects identified by users and reported to Tax Mantra are not immediately addressed. Standard corrective measure is that the fix will be presented in a future release. No timeline or anticipated arrival date of the new release is provided by Tax Mantra. Users have to pursue and push for a date to be given for the new release.
- Tax Mantra's support center is based in India. With its location and corresponding time zone, fixes typically take at least two days and sometimes as long as a week depending on the complexity of the issue. This delay can cause work to not be processed as timely as we would like. A problem with one account can hold up an entire batch until the problem is corrected.
- The Tax Mantra website is not always operable or available, creating additional delays in reporting outstanding issues.
- Language. This is a big issue when we are relaying a problem to their staff. Their understanding or comprehension of what we are saying is not the same as our staff intends. Conversely when they present something to us, we have difficulties figuring out what they are really saying or trying to convey. This results in numerous errors due to misunderstandings.
- Lack of flexibility as all changes to the software must be done by Tax Mantra. When the City of Seward made a change to its sales tax code in 2007 regarding the sales tax cap, the borough incurred cost in excess of \$83,000 to make this change.

Because of the lack of flexibility, the increased cost of the maintenance agreement, and the outdated operating platform and associated cost to upgrade, the borough's finance and IT departments made a decision to look at other options regarding the borough's sales tax software.

These options included:

1. Do nothing. The impact to the borough is that Tax Mantra has indicated they will stop supporting this software in the near future; therefore, if an issue is encountered, the borough will not have the ability to fix the problem.
2. Update to the web version of Tax Mantra. The cost of this upgrade is approximately \$368,000. As indicated previously, the annual maintenance to Tax Mantra for the next five years will total approximately \$548,375. The total cost for the update and maintenance for the first five years of the purchase would be approximately \$916,375. The borough would still have the following issues with Tax Mantra:
  - a. Conversion fees to upgrade to new system platforms as they are developed
  - b. High maintenance cost
  - c. Response time
  - d. Language issues

3. Select new software. There is a limited number of vendors who offer sales tax software, including Oracle, Manatron, and MS Govern. The cost of new software from one of these vendors would be in the \$500,000 to \$1,500,000 range. If the borough were to acquire new sales tax software, a product should be purchased that would interface with current financial software. Both Manatron and MS Govern are current suppliers of software to the borough; Manatron for assessing/property tax collections and MS Govern for financials including payroll, HR, and accounts payable. Summaries of Manatron and MS Govern are as follows:

### Manatron Summary

The borough's relationship with Manatron did not start out smoothly but has greatly improved. Problems are resolved timely and the borough in the past has not had to pay for platform upgrades. The annual maintenance agreement of \$153,721 is high when compared to the cost of other software maintenance agreements of the borough. Manatron recently integrated a company into its software that has sales tax reporting capabilities; they currently have one customer using this sales tax software.

### MS Govern

The borough has been using MS Govern software since 1999. They keep up with the latest system platform at no cost to the borough. They have good response and the borough has a good working relationship with them. Their Self Reporting Tax module ("SRT"), which they recently acquired and integrated into their software, is web enabled and allows the user to make program changes as needed. This software would integrate into the borough's current financial software. There are currently five customers using this software. The borough contacted one of the customers; they were extremely happy with the product.

The borough recently sat in on a demo for the SRT software and noted the following:

- Screens are completely user configurable allowing for staff to modify data elements; for example, user interface, new screens, modification of current screens, and add/remove command buttons allowing for more timely information for users, customers and decision makers.
- Customers have the ability to manage their account information, filings, payment securely from the web.
- Integration into the MS Govern software.

Based upon the demo, the borough requested MS Govern provide an estimated cost for installation of their SRT module. The estimate from MS Govern for the cost of the SRT system including installation was \$664,460, the cost of maintenance for the first five years would be \$140,627.

FINANCE DEPARTMENT FUNDS VERIFIED	
Acct. No. <u>705.18420</u>	Amount <u>\$569,292</u>
By: <u>CBW</u>	Date: <u>2/2/12</u>