



STAFF REPORT

DATE: 11/06/2024

TO: Honorable Mayor and City Council Members

FROM: Finance Department, Human Resources Department, and Information Technology Department

2024-128

REQUEST FOR CITY COUNCIL ACTION

SUBJECT:

APPROVAL OF ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM AND ASSOCIATED AGREEMENTS FOR SOFTWARE, PROJECT MANAGEMENT, CHANGE MANAGEMENT, AND IMPLEMENTATION SERVICES; APPROVAL OF PURCHASE ORDERS AND RELATED ACTIONS; AND BUDGET APPROPRIATION

EXECUTIVE SUMMARY:

This staff report proposes that the City Council approve the implementation of the Workday ERP system to replace our current legacy systems with a more efficient, cloud-based solution that integrates financial management and human resources functionalities. The total projected cost of the project over a 10-year period is \$14,893,772, including one-time costs of \$7,498,396.

RECOMMENDED ACTION:

That the City Council:

- a. Award Request for Proposal RFP 24-018SB to Cognizant Technology Solutions, and Workday for implementation services and ERP software;
- b. Authorize the City Manager, or his designee, to approve and execute the agreements with Workday, Cognizant Technology Solutions, CanAm

Technologies and BerryDunn, in the amounts not to exceed the following over a 10-year period:

1. Workday in the amount of \$6,356,744
 2. Cognizant Technology Solutions in the amount of \$3,714,345
 3. Can/Am Technologies (CanAm) in the amount of \$1,038,632
 4. BerryDunn in the amount of \$1,114,960
- c. Authorize the City Manager, or his designee, to issue Purchase Orders to Cognizant Technology Solutions for \$3,714,345, BerryDunn for \$1,114,960, Workday for \$541,813, and Can/Am Technologies for \$99,216.
- d. Authorize the City Manager to execute any non-substantive extensions, change orders, purchase orders, and amendments necessary with Workday, Cognizant Technology Solutions, CanAm and BerryDunn within a contingency of 20% of the original contract amount.
- e. Approve an appropriation of \$6,492,746 from the General Fund 110 to the ERP project 77880.

BACKGROUND & HISTORY:

In 1997, the City adopted an electronic financial system, ONESolution, which initially met its emerging needs. Over the subsequent years, while updates to the software provided incremental benefits, the City's growth and increasing operational complexity have since surpassed the system's capabilities. ONESolution now lags behind modern financial and human resource management systems, which offer advanced features to manage complex financial and personnel-related transactions more effectively. Key processes such as accounts payable, procurement, financial planning, and payroll are not performing adequately when compared with current business technologies.

Furthermore, efforts to enhance this system have faced numerous setbacks due to technical and resource limitations faced by the system's developer. This has been compounded by several changes in the company's ownership and a relocation of its headquarters from California to Florida, which led to a loss of experienced staff who had supported the City for decades. There is a looming risk that ONESolution may eventually become unsupported, especially as its core platform is based on the outdated COBOL programming language, for which specialized resources are becoming scarce. In summary, the City cannot continue to maintain its backbone of financial and human resources functions on this nearly 30 year old system; it must be replaced.

ANALYSIS:

Selection Process

In response to the issues stated in the Background and History section, City staff initiated a comprehensive business process analysis in 2022 by engaging ThirdWave Corporation. This analysis involved a detailed needs assessment across all departments, charting both current and future operational models. Building on this analysis, the City collaborated with BerryDunn, a firm specializing in ERP software consulting, to evaluate options and plan the next steps. BerryDunn worked closely with City staff, leveraging the existing system as a benchmark to identify the requirements for a new ERP (enterprise resource planning) solution.

Based on this collaboration, BerryDunn crafted an RFP for a modernized system. On September 5, 2023, the City released RFP 24-018SB, inviting vendors capable of enhancing our financial, human resources, and procurement operations. The City received proposals from eight vendors. After an initial review for quality, functionality, and capability, the top three vendors were identified. The top three vendors represent System Implementors (SI); these are professionals who design, configure, and deploy ERP software to meet an organization's specific business needs, ensuring integration across departments and optimizing workflows. Two SIs proposed the same combination of software solutions and the third SI proposed a different combination of software solutions. The top three vendors were invited to present their solutions through a mix of in-person and virtual Proof of Capabilities (POC) demonstrations over a three-week period in March 2024. These demonstrations were comprehensive, showcasing not just the functionality of the platforms but also providing in-depth insights into the technological underpinnings of the systems. They also covered strategies and resources for system implementation and ongoing support. The sessions were attended by over 20 staff members from Finance, Human Resources, Procurement, and Information Technology. These day-long sessions were interactive, with staff actively engaging, questioning, and thoroughly reviewing the ERP platforms. This meticulous approach ensured a thorough understanding of the potential systems to support informed decision-making.

Following the Proof of Concept (POC) demonstrations, the City held a comprehensive debrief with the RFP evaluation team to analyze the two proposed combinations of software solutions and each SIs approach to implementation. Based on this feedback, the team recommends selecting Workday as the City's new ERP provider.

Key advantages and reasons for choosing Workday include:

Industry Leadership: Workday is a prominent provider to global corporations and has expanded into the public sector over the last decade, serving cities like Los Angeles, Ontario, San Mateo, and Rancho Cucamonga. Its robust system is tailored to meet the demands of its extensive clientele, equipping the City with advanced tools to enhance business processes and task automation, thereby freeing staff to focus on higher-level analytical work.

Technology and Accessibility: Workday employs cutting-edge technology architecture that ensures optimal system uptime and full functionality accessible from any location,

including mobile devices. This is coupled with robust system security measures from an IT perspective.

User-Friendly Design: The system features intuitive user interfaces and dashboards tailored to the core needs of financial systems. Its user-friendly design and advanced search capabilities make it accessible for non-accounting staff to easily retrieve reports and data.

Flexibility in Support: Unlike systems that bind clients to the original software developers for support, Workday allows for support from a broad network of third-party providers. This flexibility facilitates customization and integration, enhancing post-implementation support options.

Integration of Services: Workday integrates Human Resources and Finance functions in a user-friendly manner, automating many processes that are currently manual. This integration promises substantial time savings and increased efficiency across all City departments.

Strategic Implementation and Change Management: The implementation strategy prioritizes comprehensive change management, using the new system as a catalyst to overhaul and optimize business processes, rather than merely transferring existing practices into the new environment.

Centralized Data Management: Workday functions as a "system of record," serving as a secure, central repository for HR and financial data. It consolidates functions, automates tasks, and provides valuable analytics all within one system.

Advanced Reporting and Analytics: Workday offers powerful reporting capabilities and data analytics tools, essential for any modern software system. Its ability to deliver unified, real-time, and user-friendly analytics is a critical asset in today's data-driven landscape.

These features position Workday as the best solution to meet the City's evolving needs, ensuring a future-ready infrastructure that enhances operational effectiveness and employee productivity.

Proposed Agreements

It is recommended that the City enter into a ten-year agreement with Workday, pending future appropriations by the City Council through the annual budget process. In tandem with Workday, the City would also enter into agreements with Cognizant Technology Solutions and BerryDunn for project management and implementation services.

Cognizant, a leading consulting partner of Workday, brings nearly two decades of expertise in comprehensive finance and human resources transformation. They will serve as the City's primary partner in deploying Workday, drawing on their extensive government sector experience and a robust toolkit of templates, cost reduction strategies, and efficiency techniques. Many of the personnel on Cognizant's team come from the

public sector in finance and human resources. Cognizant's role will be pivotal in ensuring the successful implementation of Workday, addressing immediate needs while also laying a foundation for long-term growth and adaptability. Throughout the project, Cognizant will oversee progress, troubleshoot issues, and work closely with City staff to optimize the system's implementation and re-engineer business processes to leverage automation and best practices.

BerryDunn will serve as the project manager for the ERP initiative, ensuring that the project's milestones are met and aligning the various strategic elements essential to the project's success. From extensive project experience for more than 400 state, local, and quasi-governmental agencies, BerryDunn's team brings valuable perspectives to every project and has prior experience serving state and local government agencies, providing them with an in-depth understanding of government operations, staffing needs, budgetary constraints, and the business processes required to provide necessary services to the internal divisions and the constituents the City serves.

A key component of the City's core financial functions, cashiering, will be enhanced by the CanAm system, a third-party, cloud-based solution that will integrate with the ERP to support cash management, accounts receivable, and general public and business services. This modernization will enable the expansion of cashiering services to offsite locations, an upgrade from the current on-premise financial system.

Anticipating the complexity of ERP implementation, unforeseen challenges may necessitate additional resources. To effectively manage these contingencies, City staff recommends establishing a robust project contingency budget. This fund will allow the City Manager to allocate resources among the vendors (Workday, Cognizant Technology Solutions, BerryDunn, and CanAm) as needed and make necessary amendments to the agreements within the approved contingency limits.

Documentation of the proposed agreements is available for review in the City Clerk's Office.

Implementation Strategy and Support Needs

The ERP implementation is a significant undertaking scheduled to begin in January 2025 and culminate with the system's "go live" in mid-2026. Given the project's vast size and scope, it will demand approximately 17,000 hours of dedicated staff time from the City's Finance, HR, and IT departments.

Due to the extensive commitment required, the City's current staff will not have the capacity to manage their regular responsibilities alongside the ERP implementation. To address this, the project budget also allocates funds to hire a combination of City part-time and full-time personnel as well as temporary staffing services. The temporary staffing service vendors were selected as explained below. This strategic move will backfill essential roles, ensuring that impacts on daily operations are minimized while also supporting the successful rollout of the ERP system. Additionally, some staffing

resources are needed to remain after project completion to properly manage and maintain the system and its continued success.

Once the staffing hours were estimated for project implementation, the departments evaluated the existing available resources and where shortfalls existed. Due to time constraints, quotes were obtained for the Finance and Human Resources positions. A total of five (5) vendors were contacted and provided the same information. Five quotes were received and evaluated based on availability of resources, qualifications of resources, and cost. Two vendors were selected based on the criteria. The Remy Corporation was selected for the two Human Resources positions noted in the Backfill Resources table. Express Employment Professionals was selected for the three Finance positions noted in the Backfill Resources table. Finance will also utilize a part-time Intern II position to assist project implementation tasks, backfill, or daily tasks. Additionally, the City will contract with a payroll consultant, Theresa Lee Consulting, who is highly qualified and has been instrumental in multiple payroll module Workday implementations in other cities.

The Information Technology Department also received quotes for additional staffing resources. Due to the significant additional cost for the Information Technology backfill, it was determined that the most cost-effective option is to hire two (2) full-time, limited-term positions now, in lieu of using temporary staffing. This will allow the new employees to become familiar with the system from the outset. After full project implementation, staff will re-evaluate the need to continue the funding for the Information Technology positions.

The positions and consultants identified below will be charged to the ERP System Project until the project is fully implemented, or their respective portion is completed. The appropriation request for resources totaling \$1,683,387 is the full amount of the backfill resources as those are specifically project based. The agreements for temporary staffing services will come to the City Council for review and approval at the November 20, 2024 meeting. The costs are included at this time to provide a wholistic picture of the project costs.

The recommended backfill staffing resources include the following:

BACKFILL RESOURCES – Needed through project term

Department	Position	FY 2025 Cost	FY 2026 Cost	Total
Finance	2 Purchasing Assistants (Temp Services)	\$85,313	\$119,438	\$204,750
Finance	1 Accounting Technician (Temp Services)	\$46,313	\$64,838	\$111,750

Finance	1 Limited-term Payroll Technician	\$62,360	--	\$62,360
Finance	1 Intern II (Part-Time)	\$11,232	\$15,725	\$26,957
Finance	Payroll Consultant	\$168,980	\$191,510	\$360,490
Human Resources	2 HR Analysts (Temp Services)	\$207,188	\$290,063	\$497,250
Information Technology	1 Limited-Term ERP Administrator	\$91,191	\$127,668	\$218,859
Information Technology	1 Limited-Term Applications Analyst	\$83,988	\$117,583	\$201,572
TOTALS		\$756,564	\$926,824	\$1,683,387

FINANCIAL IMPACT:

The total cost for the ERP project includes both one-time expenditures of and recurring subscription fees spanning a ten-year term. The tables provided below offers a detailed breakdown of the estimated costs associated with the ERP implementation and ongoing system maintenance, as well as the individual costs linked to the agreements with Workday, Cognizant, CanAm, and BerryDunn. The project has one-time costs of \$7,498,396 and recurring costs of \$7,395,376, bringing the project total to \$14,893,772 over a 10-year period.

	ONE-TIME COSTS				RECURRING COSTS			Yearly Total	
	Cognizant	BerryDunn	Staff Backfill	Contingency	One-Time Total	Workday	CanAm		Recurring Total
Year 1	\$3,714,345	\$1,114,960	\$756,564	\$985,704	\$6,571,573	\$541,813	\$99,216	\$641,029	\$7,212,602
Year 2			\$926,824		\$926,824	\$669,354	\$99,216	\$768,570	\$1,695,394
Year 3					\$ --	\$908,732	\$99,216	\$1,007,948	\$1,007,948
Year 4					\$ --	\$569,908	\$99,216	\$669,124	\$669,124
Year 5					\$ --	\$581,306	\$99,216	\$680,522	\$680,522
Year 6					\$ --	\$592,929	\$102,192	\$695,121	\$695,121
Year 7					\$ --	\$604,789	\$105,258	\$710,047	\$710,047
Year 8					\$ --	\$616,885	\$108,416	\$725,301	\$725,301
Year 9					\$ --	\$629,221	\$111,668	\$740,889	\$740,889
Year 10					\$ --	\$641,807	\$115,018	\$756,825	\$756,825
Totals	\$3,714,345	\$1,114,960	\$1,683,387	\$985,704	\$7,498,396	\$6,356,744	\$1,038,632	\$7,395,376	\$14,893,772

When the City implemented its current financial system in 1997, the one-time costs were approximately \$1 million, which is equivalent to about \$1.96 million in today's dollars. Given the current reliance on technology as the backbone of our City's financial and human resource management activities, and significantly broader scope of the new ERP system which combines financial and HR functions and integrates a greater number and variety of systems than two decades ago, the one-time costs for deploying Workday represent a significant but necessary investment. Additionally, the transformational benefits that Cognizant will deliver during the implementation will yield further long-term benefits for the City's investment.

Another financial consideration is the recurring subscription cost for Workday, which offers advanced functionality and capabilities far beyond those of our existing system, making a direct cost comparison impractical. Instead, using cost data from SAP, Oracle, and Tyler Technologies gathered during the procurement process as benchmarks, Workday's annual subscription fees align with those of other modern ERP solutions.

The tables above include details the one-time and year 1 costs required for the Fiscal Year 2025 budget. Costs for years 2 through 10 will be included in the operating budget and approved through the annual budgeting process. Future annual subscription costs will be allocated between the General Fund and other funds based on a cost allocation plan that includes overhead costs distributed to various special funds and the Utilities Department. For Fiscal Year 2025, the allocation will be reviewed and revised with the mid-year budget update in February 2025.

The City Council has already allocated \$1,427,238 toward the ERP system for FY 2025. Additionally, the remaining balance from the previous Business Process Mapping project amounts to \$219,441. These combined funds, totaling \$1,646,679, will be applied to cover the projected expenses for Fiscal Year 2025. To fully finance this year's project costs, including the backfill resources, an additional appropriation of \$6,492,746 from the General Fund 110 is requested to the ERP System account number 77880. The appropriation request is a combination of the one-time costs of \$7,498,396 and the year one recurring costs totaling \$641,029, adjusted for the funding that already exists. There is sufficient fund balance for the appropriation request. The additional funds needed for the project in future years will be allocated through the annual budget process.

Description	Fund	Existing Funds	Appropriation	Total
ERP System- Project 77880	Measure X 120	\$1,100,000		\$1,100,000
ERP System- Project 77880	General Fund 110	\$327,238	\$6,492,746	\$6,819,984
Business Process Management – Project 72750	Various	\$219,441		\$219,441
Totals		\$1,646,679	\$6,492,746	\$8,139,425

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action is approve items related to the implementation of an ERP system, and there is no possibility that approval of the recommended actions will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: KIM SITTON, FINANCE DIRECTOR
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REVIEWED BY: BRETT CHANNING, ASSISTANT CITY MANAGER

ATTACHMENTS:

1. Exhibit 1 – Main Subscription Agreement - Workday
2. Exhibit 2 – Master Services Agreement – Cognizant
3. Exhibit 3 – Cognizant Statement of Work – Workday Deployment Services
4. Exhibit 4 – Teller Software as a Service Agreement – CanAm Technologies
5. Exhibit 5 – Professional Services Agreement - BerryDunn