



**BOARD OF SUPERVISORS  
AGENDA LETTER**

**Agenda Number:**

**Clerk of the Board of Supervisors**  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** County Executive Office, Auditor-Controller, General Services, Human Resources  
**Department No.:** 012, 061, 063, 064  
**For Agenda Of:** May 24, 2022  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

**TO:** Board of Supervisors

**FROM:** Department Director(s)

Mona Miyasato, County Executive Officer  
Betsy Schaffer, Auditor-Controller  
Janette Pell, General Services Director  
Maria Elena De Guevara, Human Resources Director

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Contact Info: Jeff Frapwell, Assistant County Executive Officer (x83432)  
Kyle Slattery, Chief Deputy Controller (x82126)

**SUBJECT: Enterprise Resource Planning Software and Implementation Services Contracts**

**County Counsel Concurrence**

As to form: Yes

**Other Concurrence:** Risk Management

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors:

- a) Approve and authorize the Chair to execute a Contract for Subscription Rights, Training, and Delivery Assurance Services with Workday, Inc., which consists of a Master Subscription Agreement (MSA) and the following Order Forms to the MSA, in an amount not to exceed \$28,035,644, subject to annual appropriations from the Board:
  - (i) Order Form #00344646.0 for subscription rights in a not to exceed amount of \$27,689,587 for the term of May 27, 2022 through June 30, 2037,
  - (ii) Order Form #00346947.0 for Workday Training in a not to exceed amount of \$138,000 for the term of July 1, 2022 through June 30, 2025, and

- (iii) Order Form #00346997.0 for Workday Delivery Assurance in a not to exceed amount of \$208,057 for the term of July 1, 2022 through November 30, 2024;
- b) Approve and authorize the Chair to execute an Agreement for Services of Independent Contractor (Agreement) with Accenture LLP to provide business process alignment, organizational change management, and software implementation services for the deployment of Workday software in a not to exceed amount of \$7,251,500 for the term of July 5, 2022 through December 31, 2024;
- c) Delegate to the County Executive Officer the authority to authorize change orders to the Agreement with Accenture LLP in an amount not to exceed \$725,150 (10%), subject to the Board’s authority to rescind this delegation at any time. Prior to executing such change order, County Executive Officer will confer with County Counsel, Auditor-Controller, and Risk Management.
- d) Determine that the above actions are not a project under the California Environmental Quality Act (CEQA) pursuant to Sections 15378(b)(4) and (b)(5) of the CEQA guidelines because they consist of administrative activities of government and government fiscal activities that will not result in direct or indirect physical changes in the environment.

**Summary Text:**

This item is on the agenda to request approval of contracts to acquire and implement an Enterprise Resource Planning (ERP) System to replace disparate and aging software applications currently in use to perform essential County business processes. This will allow the County to further standardize and automate business processes, simplify the County’s technology landscape, meet the expectations of the County workforce, and facilitate the modernization of County business operations.

The subscription with Workday (hosted software provider) extends for 15 years (through June 2037). Considering the time value of money, the estimated average annual cost of subscribing to Workday over 15 years is approximately \$1.43 million per a year. The 15-year term of the County’s Workday subscription provides a stable and predictable cost model that will allow the County to lock in current pricing for a long-term period. The contract with Accenture to implement the software is for 28 months (through December 2024). The estimated one-time cost of implementing Workday’s software, including additional County staff positions needed throughout the project, is approximately \$11.95 million over the next three fiscal years. The cost of this project will be incurred in the General Fund and annual amortized costs will be included in the Countywide Cost Allocation Plan with a proportionate share charged to all other County funds with employees. While actual cost recovery will not be known until costs are incurred and allocated, staff estimate approximately 55% of the total cost will be recovered from other funds.

The implementation of Workday with implementation services from Accenture is scheduled from July 2022 through October 2024 (28 months) and divided into three phases:

<b>Phase 1</b>	Financials	July 2022 – August 2023
<b>Phase 2</b>	Human Capital Management & Payroll	February 2023 – May 2024
<b>Phase 3</b>	Budget Development & Data Analytics	May 2024 – November 2024

**Discussion**

**Prior Actions to Prepare for Enterprise Resource Planning (ERP) System**

On July 7, 2020, your Board approved a contract with Guidehouse to perform a Countywide Business Applications Needs Assessment (BANA) and develop a plan of action to implement solutions. The

principal recommendation from the assessment was for the County to acquire and implement an Enterprise Resource Planning (ERP) System to replace disparate and aging software applications currently in use to perform essential County business processes. This will allow the County to further standardize and automate business processes, simplify the County's technology landscape, meet the expectations of the County workforce, and facilitate the modernization of County business operations.

On December 8, 2020, your Board adopted a new Budget Development Policy to set aside a minimum of \$1.5 million annually, beginning in Fiscal Year (FY) 2021-22, to build a balance to help offset the costs of licensing and implementing an ERP system. This set aside will continue in FY 2022-23 pursuant to the Budgeted Development Policies adopted by your Board on December 7, 2021. Amounts set aside for the ERP are included in the Tech Replacement & Investment General Fund balance.

On August 17, 2021, your Board received a BANA Project Update and authorized the release of the Request for Proposal (RFP) for County ERP Software and Implementation Services. The County received twelve (12) proposals from qualified vendors and conducted a thorough evaluation process with participation from over 50 employees to recommend Workday (subscription) and Accenture (implementation services) as the superior solution capable of providing the best value to the County.

On November 16, 2021, your Board approved the addition and funding of three (3) new positions and the funding for one (1) existing unfunded position in fiscal year 2021-22 to begin to augment staffing for the ERP implementation. This included the addition of an Accountant-Auditor in Auditor-Controller, a Team/Project Leader in Human Resources, and a Team/Project Leader in the General Services-ICT Division to backfill the job duties of staff already dedicated to the project in these departments, and funding for an Enterprise Leader in Auditor-Controller for the role of Finance Lead for the project.

On April 14, 2022, the Board heard a status update of the project and impending contract approval for Workday and Accenture as part of the Budget Workshop Digital Transformation Special Issue

Since inception of this initiative in 2019, the County's Executive Information Technology Council (EITC) has overseen ongoing progress to ensure alignment with the County's overall IT governance framework. The ERP Project Steering Committee is a subcommittee of the EITC and includes an Assistant CEO as the Sponsor, the Auditor-Controller, the General Services Director, the Human Resources Director, the Budget Director, and the Social Services Director. Daily activities are managed by a member of the Auditor-Controller's Office, with active participation from functional leads in the Auditor-Controller, Human Resources, and General Services departments. Key recommendations are made first to the Steering Committee, then to the EITC, and then ultimately to your Board for approval.

The subscription to Workday begins May 27, 2022 and through June 30, 2037, with annual pricing fixed for each year of the subscription term. The estimated one-time cost of implementing Workday's software, including additional County staff positions needed throughout the project, is approximately \$11.95 million over the next three fiscal years. Considering the time value of money, the estimated average annual cost of subscribing to Workday over 15 years is approximately \$1.43 million per a year. The County expects to incur additional ongoing staffing costs to internally administer, support, and optimize the use of Workday throughout the subscription term, which may be partially offset by a reduction in the number of existing staff resources currently supporting our legacy software applications.

### **Competitive Selection and Contracting**

The County released the RFP for ERP Software and Implementation Services on August 20, 2022 and held a mandatory pre-proposal conference with interested vendors on August 27, 2021. Over 40 interested software and professional services vendors participated in the conference. The County also issued three

addendums to the RFP in September 2021 to respond to questions received from interested vendors and to provide other clarifications on the RFP. A total of nineteen (19) companies submitted intent to bid statements by the County's required deadline, and ultimately the County received twelve (12) written proposals from eligible bidders by the County's October 11, 2021 RFP response deadline.

After an initial screening of all proposals received, to confirm responsiveness to the County's RFP, an eight-member Evaluation Committee consisting of management-level staff from the County Executive, Auditor-Controller, Human Resources, General Services, Social Services, Probation, and Community Services departments evaluated and scored the proposals. After a thorough evaluation, scoring, and consensus process, the Evaluation Committee recommended three (3) proposals for reference checks and further evaluation as Finalists were invited to provide demonstrations of their proposed solutions.

The County provided a script of demonstration topics for each functional area of an ERP system to the Finalists and scheduled three full days with each Finalist for the demonstration of their proposed ERP solution. The Evaluation Committee participated in all portions of the demonstrations, while forty-six (46) additional subject matter experts representing nearly all County departments participated in the portions of the demonstrations relevant to their functional area of expertise. After a thorough evaluation, scoring, and consensus process by the County participants, the Evaluation Committee recommended the highest scoring joint proposal from Accenture and Workday for further discovery.

The further discovery process began with Steering Committee member discussions with four California counties that use Workday as their ERP software (two of which used Accenture consultants as their implementer) about their experience implementing and using Workday. The process continued with a series of written further discovery questions seeking additional information and clarifications that Accenture and Workday provided responses to in writing. The process concluded with a series of three workshops with Accenture and one workshop with Workday to discuss further specifics about the scope, timeline, resources, and critical components of the proposed project. At the conclusion of the further discovery process, the County posted its intent to award contracts to Accenture and Workday. After a five-day bid protest period expired with no protests, the County commenced contract negotiations.

The Executive Sponsor led contract negotiations with participation from a second Steering Committee member and the Project Manager. The County received additional software demonstrations from Workday to confirm the scope of products included in the software subscription. The County also worked with Accenture to refine the scope and timeline of the implementation at a price agreeable to both parties. To achieve a long-term predictable cost for the Workday software subscription, the County negotiated a 15-year term with annual cost increasing less than 2% a year after the system is fully implemented in year 3 of the subscription. The County held additional discussions with Accenture and Workday to reach agreeable terms and conditions, and then finalized the contracts for Board approval.

The competitive selection and contracting process spanned over a period of nine months with close involvement by the County's Chief Procurement Officer, executive oversight by the Project Steering Committee, professional guidance from Guidehouse, and legal support from County Counsel. The identification of Workday and Accenture as the superior solution capable of providing the best value, and resulting contracts recommended for your Board's approval, concludes the County's BANA Project.

### **Contract with Workday for ERP Software**

Workday licenses software as a cloud hosted subscription service governed by a Master Subscription Agreement (MSA). The service consists of individual products subscribed through Order Forms, which collectively comprise the components of the ERP system. The specific products subscribed to by the County include critical functions for Finance (Core Financials, Grants Management, Projects, Expenses,

Procurement, Strategic Sourcing), Human Capital (Core Human Capital Management, Talent Optimization, Learning, Recruiting, Cloud Connect for Benefits and Learning), Payroll, and Budget & Analytics (Financial Planning, Prism Analytics, People Analytics). Pursuant to Workday's "one-to-many" software delivery model, all Workday customers are always on the same and most current version of the software, which is updated with fixes, new features, and enhancements two times a year. The subscription also includes the enhanced Workday Success Plan for ongoing customer support.

The subscription fees for Workday are based a Full-Service Equivalent (FSE) pricing model that scales the pricing based on the size of the organization as measured by the number of full time (20 or more hours a week) and part time (less than 20 hours a week) workers. All existing County employees as of March 2022 (4,724) are included in the County's FSE Count (4,172) that produced the County's baseline subscription fees. The County is required to report the actual number of FSE workers to Workday annually and whenever a one-time addition of workers causes the County to exceed its subscription rights by greater than 5%. If the FSE count increases, the County will be required to acquire additional subscription rights for an additional subscription fee by executing an Order Form. New Order Forms will require an amendment to the County's Contract with Workday thus require Board approval.

The 15-year term of the County's Workday subscription provides a stable and predictable cost model that will allow the County to lock in current pricing for a long-term period. While the subscription fees ramp up in the first three years as the County implements the software in phases, annual increases are capped at a 2% "Innovation Index" to compensate for the improved functionality and performance rolled out by Workday each year. There are no increases for consumer price index (CPI) increases during the initial 15-year term. At the end of the initial term, the County will have the option to renew the subscription for a single three-year renewal term; at which point a 5% Innovation Index plus the then current CPI would be applied each year of the three-year renewal term. Alternatively, if the County is satisfied with the Workday service and wishes to use the software for a longer period, the County may attempt to negotiate a new arrangement with Workday prior to the expiration of the initial term in 2037.

In addition to the software subscription, the County is purchasing required Workday Delivery Assurance services throughout the implementation period for an upfront fixed fee of \$208,057 due in July 2022. Delivery Assurance is a Workday consulting service that provides Checkpoint Reviews and Project Management Reviews designed to ensure the software is being deployed correctly. The County is also purchasing Workday Training so that County project team members may receive mandatory instruction on deploying Workday. The training credits (175) are purchased for an upfront fixed fee of 123,000 due in July 2022 and \$7,500 due in years 2 and 3 for a total amount of \$138,000. While the training credits are valid for up to three years, Workday recommends that project team members complete the training immediately before working on deploying the software.

### **Contract with Accenture for ERP Implementation Services**

Accenture will provide the following services to help the County implement Workday: Project Readiness and Executive Alignment; Business Process Alignment; Project Management; Change Management; Workday Deployment with configuration, integration, and data migration; Train-the-Trainer and End User Training Support; and Post-Production Support. Accenture will deliver these services through a team of Workday Certified consultants with experience implementing Workday for local governments similar to the County. As the County's project staff will be key to the success of the project, Accenture will work closely with the County project team throughout the project to share knowledge to help the County achieve self-sufficiency and ownership of the new Workday system.

The Agreement with Accenture is a fixed-fee not to exceed \$7,251,500 (including \$242,000 for travel) for the scope of work with periodic compensation at selected milestones throughout the project. Payment

milestones are linked to specific deliverables, which must be provided by Accenture and accepted by the County as a condition of making the payment. Based on the project plan and deliverable schedule, the County expects milestone payments will be due monthly throughout the project, with 50% of the fixed fee due in Year 1, 45% due in Year 2, and the remaining 5% due in Year 3. During the Business Process Alignment Phase, County staff will refine the list of applications that need to be integrated into the Workday solution. The value of any net decreases to Accenture's scope of work will be available for the County to repurpose during the project or for additional post production support.

If issues arise during the project, the County Project Manager and the Accenture Project Manager are the escalation points for their respective team members assigned to the project. The project managers will work closely together to resolve any issues before escalating issues to the Joint Steering Committee of County and Accenture executives. The Joint Steering Committee will be responsible for resolving all escalated issues. In the event of a project delay, the project managers will attempt to mitigate the effects of the delay before invoking the issue escalation process. If a delay does occur, the Joint Steering Committee will take into consideration the cause of the delay and negotiate in good faith if there is a material change in scope or schedule that impacts Accenture's work effort and requires a change order. While the County aims to avoid change orders, due to the complex and one-time nature of the project, unexpected issues or complications may arise that necessitate a change order. To provide a mechanism to process change orders without delaying the project, staff recommend that the Board delegate authority to the County Executive Officer to authorize change orders in an amount not to exceed \$725,150 (10%).

## **Background:**

### **Need for Unified Countywide ERP System**

An ERP system is a software solution that unifies finance, human resources, and payroll software into one fully integrated system to perform business processes, record and store financial and employee data, and report information. When ERP systems emerged in the 1990s, the market did not offer solutions specifically designed for local governments, so the County developed, supported and enhanced custom solutions to meet Countywide business needs. As the need for tools to automate business processes and perform specialized functions grew, the County continued to acquire and develop additional separate solutions to meet specific needs. Over time, this produced an increasingly complex technology landscape that presented challenges supporting, integrating, and upgrading disparate systems.

In response to the challenges present in the County's current technology landscape and awareness of modern ERP solutions, the County conducted an RFP process that led to the selection of Guidehouse to conduct a comprehensive evaluation of the existing business applications in use throughout the County against the County's business needs, best practices, and innovative technologies available in the market. Within the resulting BANA Report, Guidehouse identified the following current state challenges and future state opportunities that support the overall recommendation to acquire a modern ERP system:

<b>Current State Challenges</b>	<b>Future State Opportunities</b>
<b>No new versions available</b> Upgrades to older, highly customized systems must be completed internally with significant investment of staff with hard to find skillsets	<b>Mature market for government software</b> The market for government specific software matured, resulting in a variety of vendor solutions capable of meeting the needs of the County
<b>Limitations to functionality and integrations</b> Existing Countywide systems have limited functionality, so departments must implement non-standard solutions with varying abilities to integrate	<b>Emergence of cloud computing</b> Subscriptions to vendor applications hosted in the cloud are commonplace and offer the latest features without the burden of onsite hosting
<b>Pervasive use of multiple disparate systems</b> Departments must use multiple systems to perform a task, resulting in cumbersome workflows that can require duplicative work and lead to errors	<b>Maximized value of existing software</b> County software systems have provided value but are reaching end of life with various critical systems up for replacement in the near future
<b>Changing expectations of the workforce</b>	<b>Focus on core competencies</b>

Rapid advances in technology created an expectation in the workforce of similar advances in workplace technology

The County no longer needs to develop and enhance software internally thereby allowing the County to focus on its core government competencies

After analyzing the County's business needs and existing business applications, Guidehouse determined that the County's existing Countywide systems do not meet all business needs, and as a result, departments have deployed their own systems to work around the shortcoming of the Countywide systems with varying degrees of success. Gaps between business needs and existing software functionality led to continued use of paper and manual processes, disconnected business processes, manual reconciliations between systems, and other shortcomings which could be improved by an ERP. Guidehouse also determined that various existing business applications could be replaced by a modern ERP system. As shown in the following table, nearly half of the County's existing business applications, the majority of which are used Countywide, may be retired upon implementation of an ERP.

<b>Application Type (used by)</b>	<b>Existing</b>	<b>Replace w/ ERP</b>	<b>Future w/ ERP</b>
Countywide (All Departments)	34	26	8
Cross-Department (Multiple Departments)	6	0	6
Departmental (One Department)	59	22	37
<b>Total Applications</b>	<b>99</b>	<b>48</b>	<b>51</b>
<i>Percentage of Current</i>	<i>100%</i>	<i>48%</i>	<i>52%</i>

### **Fiscal Impact:**

**Budgeted:** The Year 1 costs of \$6,842,000 are included in the FY 2022-23 Recommended Budget for the General County Programs Department 990 General Fund 0001. The source of funding is a release from the General County Programs Department 990 General Fund Technology Replacement & Investment committed fund balance. The costs beyond FY 2022-23 shown in the fiscal analysis section below will be included in future year budgets and funded by remaining balances already set aside in the Technology Replacement & Investment committed fund balance, ongoing General Fund contributions, and cost recovery charges to other County funds for their proportionate use of the ERP System. The cost of this project has previously been accounted for in the County's 5-year forecast.

### **Fiscal Analysis:**

<b>General Fund Cost</b>	<b>Implementation</b>			<b>Post Implementation</b>	<b>Total 15 Years</b>
	<b>Year 1 FY 2022-23</b>	<b>Years 2 FYE 2023-24</b>	<b>Year 3 FYE 2024-25</b>	<b>Years 4-15 FYE 2026-2037</b>	
Workday - Subscription	\$1,005,404	\$1,310,240	\$1,747,641	\$23,626,285	\$27,689,570
Workday – DA Services	208,057	-	-	-	208,057
Workday - Training	123,000	7,500	7,500	-	138,000
Accenture - Services	3,522,510	3,217,590	269,400	-	7,009,500
Accenture - Travel	121,613	111,086	9,301	-	242,000
Accenture - Contingency	362,595	326,297	36,258	-	725,150
County Staffing	1,399,000	1,436,000	737,500	-	3,572,500
Miscellaneous Expense	100,000	-	-	-	100,000
<b>Total Cost</b>	<b>6,842,179</b>	<b>6,408,713</b>	<b>2,807,600</b>	<b>23,626,285</b>	<b>39,684,777</b>
Estimated Cost Recovery	-	(946,552)	(1,478,047)	(19,376,343)	(21,800,942)
<b>Net General Fund Cost</b>	<b>\$6,842,179</b>	<b>\$5,462,161</b>	<b>\$1,329,553</b>	<b>\$4,249,942</b>	<b>\$17,883,835</b>

Narrative: The table above shows the anticipated costs of implementing and subscribing to Workday based on the not-to-exceed contracts and the recommended contingency for unanticipated issues that could result in change orders with Accenture. Implementation costs (Years 1 through 3) also include estimated salaries and benefits costs for the initial three (3) positions added and one (1) position funded in November 2021 as well as five (5) additional new positions added beginning in FY 2022-23 to augment staffing for the project. These additional new positions consist of one (1) Accountant-Auditor and one (1) Financial Accounting Analyst in the Auditor-Controller, one (1) Team Project Leader and one (1) Department Business Specialist in Human Resources, and one (1) Team Project Leader in General Services. The addition of these positions will allow the County to properly dedicate staff to the project consistent with the County staffing levels recommended by Accenture while providing necessary backfill for normal job duties. While staffing requirements to support and optimize the new Workday system after implementation (targeted to begin in the middle of FY 2024-25) have not yet been determined, a portion of the added staff may remain dedicated to the Workday system or will no longer be needed and therefore reduced over time through attrition. The Year 1 budget also includes \$100,000 for project team workspace, project branding and marketing, and other necessary ancillary costs.

The costs of implementing and subscribing to Workday will be incurred in the General Fund and accounted for as Subscription Based Information Technology Arrangement consistent with the relevant governmental accounting standard. Pursuant to this standard, the present value of future payments for the subscription, along with the costs incurred to implement the system, will be recorded as an asset and amortized over the 15-year term of the subscription. These annual amortized costs will be included in the Countywide Cost Allocation Plan with a proportionate share charged to all other County funds with employees. While actual cost recovery will not be known until costs are incurred and allocated, staff estimate approximately 55% (\$21.8M) of the total cost (\$39.6M) will be recovered from other funds.

**Key Contract Risks:**

Negotiations with Accenture and Workday resulted in changes to the County's Standard Terms and Conditions in the following areas: termination; records, audit, and review; insurance and indemnification; limitations of liability; force majeure. Risks associated with these changes have been mitigated with input from the applicable departments.

**Attachments:**

Attachment A: Workday Contract for Subscription Rights, Delivery Assurance, and Training

Attachment B: Accenture Agreement for Services of Independent Contractor

Attachment C: Accenture-Workday Proposal dated October 11, 2021

**Authored by:**

Kyle Slattery, Chief Deputy Controller, Office of the Auditor-Controller

**cc:**

Nancy Anderson, Budget Director/Assistant CEO, ERP Project Steering Committee Member

Daniel Nielson, Social Services Director, ERP Project Steering Committee Member