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 on behalf of Steering Committee
Department No.:	012
For Agenda Of:	October 15, 2024
Placement:	Departmental
Estimated Time:	20 minutes
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
Kristy Schmidt, Human Resources Director
Chris Chirgwin, Chief Information Officer
Daniel Nielson, Social Services Director
Kirk Lagerquist, General Services Director

Contact Info:
Paul Clementi, Budget Director
Kyle Slattery, ERP Implementation Director

SUBJECT: County ERP Project Update – Revised Timeline for Phase 1 Financials

County Counsel Concurrence	**Auditor-Controller Concurrence**
As to form: N/A	As to form: N/A

Other Concurrence:
As to form: N/A

Recommended Actions:

That the Board of Supervisors:

a) Receive and file a County Enterprise Resources Planning (ERP) Project Update regarding the Revised Timeline for Phase 1 Financials;

b) Direct staff to return before the end of 2024 with an amendment to the County's Agreement for Services of Independent Contractor (Agreement) with Accenture LLP to extend implementation services within the contract's current scope of services for the deployment of Workday Financials software by no later than August 1, 2025;

c) Determine that the above actions are not a "project" within the meaning of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(5), because

they are government organizational and administrative activities that will not result in direct or indirect physical changes in the environment.

Summary Text

This presentation provides a status report on the Workday enterprise resource planning (ERP) software implementation. The project began in July 2022 to implement a new financial system (Phase 1), human resource and payroll system (Phase 2), and a budget and analytics system (Phase 3). This project is needed to unify the County's various financial, human resource and payroll software systems into one, integrated system. When fully implemented, this will allow greater automation of work, modernize business operations, retire older systems, leverage Artificial Intelligence adaption, and meet modern functionality expectations of management, the workforce, and our community.

In 2022, at the time the software was purchased and contracts for implementation were approved by the Board, the schedule for all phases was planned from July 2022 to December 2024. The implementation date for the first phase (financials) has been revised with a "go-live" date of August 1, 2025, with no dates yet determined for future phases. Movement of this date will require a contract extension with the implementer, Accenture, with additional costs, estimated up to $500,000. Staff will return to the Board with the contract extension before the end of 2024. There are sufficient appropriations in the project budget in the current fiscal year to complete Phase 1, including these additional costs.

The Board of Supervisors formed an informal ad hoc committee of Supervisors Hartmann and Nelson to ensure accountability and progress on the project. The Ad Hoc Committee requested the project team report to the full Board on the status of the project and confirmation of the schedule.

Discussion

The Project Steering Committee consists of executive leadership from the County Executive Office, Auditor- Controller, Human Resources, Information Technology Department, General Services, and Social Services departments, and is staffed by the Project Management Team from the Information Technology Department. Project Phase 1 (Financials) largely involves completing software configurations, business processes, training materials and testing in the Auditor-Controller's Office for appropriate accounting of County transactions.

New Phase 1 "Go-live" date of no later than August 1, 2025 - The new Phase 1 "Go-live" date is now set for no later than August 1, 2025. Phase 1, which is critical for the subsequent phases, is taking longer than initially expected. The County began evaluating this transition in 2019. The original plan was to move from a customized, locally-developed financial software system to a more standardized "software as a service" model between July 2022 and August 2023 (later revised to August 2024). However, this timeline has proven to be unachievable in our current environment.

For several months, given the delay in the timeline, the Steering Committee members and Project Team met to better understand the causes of delay and evaluate ways to expedite the schedule. In March 2024, the County contracted with a professional services firm with experience implementing Workday for governments, to help assess the issues and make recommendations. The final report, issued on May 29, concluded that a fall 2024 date would be dependent on the nature and extent of outstanding items. In June 2024, the Auditor-Controller's Office finalized a comprehensive "punch list" that identified all outstanding critical technical configurations, mandatory legacy system functions requiring solutions outside the new ERP, knowledge transfer and training for business process owners, and departmental readiness needs.

In August and September 2024, at the Ad Hoc Committee's request, the Auditor-Controller's Office provided a detailed analysis and documentation of the remaining punch list items, a critical rating of those

items, and the timeline for their completion, which indicated August 1, 2025, as an achievable "go-live" date. The Information Technology Department staff also provided analysis of its remaining items and supports needed. The Steering Committee endorsed the August 1, 2025, date as proposed by the Auditor-Controller's Office, given their assessment of the work they will need to complete. The Project Team and Steering Committee will continue to meet and review the schedule and progress towards completing the remaining work for Phase 1 of the project.

Contract Extension and Funding Needed - The County entered into an Agreement with Accenture in May 2022 to serve as the required qualified implementer for the software. The original contract with Accenture was for implementation of a full suite of Workday Financials (Phase 1), Human Capital Management and Payroll (Phase 2), and Budget and Analytics (Phase 3) software, in a not to exceed amount of $7,251,500, for the term of July 5, 2022, through December 31, 2024. The County also purchased a multi-year subscription with Workday for the software in May 2022. Concurrent with the approval of that Agreement, the Board delegated to the CEO the authority to authorize change orders to the Agreement in an amount not to exceed $725,150 (10% contingency). Six change orders totaling $657,357 have been authorized pursuant to this authority.

Based on the revised Phase 1 go-live date endorsed by the Steering Committee of no later than August 1, 2025, the County will need to amend the Agreement with Accenture before the expiration of the original contract term on December 31, 2024, and increase the contract amount for additional services resulting from the extended timeline. It is estimated the additional cost to complete Phase 1 may be up to $500,000.

Staff recommends that the Board approve Recommended Action (b) so that staff may return with an Administrative item by the end of 2024 that includes an amendment to the implementation contract with Accenture to accommodate a Phase 1 go-live date of no later than August 1, 2025 and increase the contract costs. There are sufficient appropriations in the project budget in the current fiscal year for these costs.

Reasons for Time Extension - Workday is a cloud-based, "Software as a Service" (SaaS) platform providing greater efficiencies, integration with dozens of County systems, and a more modern, user-friendly interface. The Workday methodology requires that an organization's processes adapt to a more standardized approach, with some limited variability. Accenture, as the implementation consultant, ensures new business processes in the software are aligned with the organization's work, changes necessary are identified and managed, and the software is configured and tested appropriately.

The original timeline for implementation was aggressive to save on costs, and did not account for changes in contract scope that altered the standard Workday software implementation methodology; difficulty in staffing authorized positions for the project or allocating appropriate staff time to the project given existing demands; and requirements identified for the system by the Auditor-Controller's Office. While funding authorized for all phases in the contract will be exhausted in early 2025, there remain sufficient appropriations in the current year's project budget to complete Phase 1. The timing and cost to complete the remaining phases are yet to be determined. Future funding for resuming Phase 2 will be evaluated but could come from the Technology Innovation Fund set-aside that has been used to address software needs countywide.

Informal Ad Hoc Committee of the Board of Supervisors - At the June 25, 2024, Board of Supervisors meeting, two members of the Board agreed to form an informal Ad Hoc Committee to meet with the Steering Committee to gain a better understanding of the issues and plans to move forward with the County's deployment of the Workday system as timely as possible.

Over a series of four meetings held in July through September, the Ad Hoc Committee members, County Executive Officer, and Steering Committee received detailed information on the Punch List of outstanding items, requested further information on the plan and estimated schedule for completion, monitored progress on efforts to further define and prioritize the items, and ultimately received an update from project staff. At the September 30, 2024, Ad Hoc Committee meeting, the Auditor-Controller staff indicated that with a concerted effort, the remaining items could be completed in time for an August 1, 2025, go-live date. Following this report, and with support from the Auditor-Controller, the Steering Committee unanimously endorsed a revised Phase 1 go-live date of no later than August 1, 2025.

In addition, the Ad Hoc Committee requested further information on the plan and expectations for resuming Phase 2 of the County's Workday project. Efforts are currently underway to facilitate discussions on this item at the Committee before the end of 2024.

Background

In 2019, the Auditor-Controller's Office began a business application needs assessment to begin preparing a Request for Proposal for an Enterprise Resource Planning (ERP) system. In fiscal year 2021-22, the County completed a competitive procurement that resulted in the selection of the Workday Enterprise Resource Planning (ERP) system with professional implementation services from Accenture. Workday will unify the County's Finance, Human Resources, and Payroll software into one integrated system and retire existing Countywide systems used for many critical business functions. The implementation and ongoing enhancement of Workday will allow the County to further standardize and automate business processes, simplify the County's software landscape, meet the expectations of the County workforce for innovative business software, and facilitate the modernization of County business operations. The functions and phases of implementation contracted with Accenture were as follows:

Phase:	1. Financials	2. HCM & Payroll	3. Budget & Analytics
Original Timeline:	July 2022 – August 2023	February 2023 – April 2024	May 2024 – October 2024
Functions:	Financial Accounting	Human Capital Management	Adaptive Planning
	Business Assets	Compensation	Prism Analytics
	Banking & Settlement	Benefits	People Analytics
	Customers	Absence	
	Projects	Payroll	
	Grants	Time Tracking	
	Supplier Management	Recruiting	
	Procurement	Talent Management	
	Expenses	Learning Management	

Phase 1 and Phase 2 implementation activities commenced as scheduled in July 2022 and February 2023, respectively.

Over the past three fiscal years, the Board approved temporary and permanent positions to support the project in the Auditor-Controller's Office, Human Resources, General Services, and Information Technology Department. Positions were funded for implementation and ongoing support.

In May 2024, the Auditor-Controller and Human Resources Director made a joint request to the ERP Steering Committee to pause further Phase 2 implementation activities with Accenture in order to focus County resources on completing Phase 1. With exception to a few nearly complete items, all Phase 2 work with Accenture was paused effective May 20, 2024. County staff resources dedicated to Phase 2 have been focused on strengthening business processes, staff expertise, and documentation in anticipation of a resumption of project work. While activities associated with implementing Phase 3 of Workday have not

commenced, efforts are underway to implement Sherpa budgeting software to integrate with the Workday platform.

Fiscal Impact:

Budgeted: Yes, for Phase 1.

Funding is available in the project budget for the additional estimated cost of up to $500,000 to complete Phase 1.

Fiscal Analysis:

Except for $200,000 of payment milestones related to Phase 1 go-live and $99,900 of payment milestones related to Phase 3 functionality that is planned for deployment at the end of the project, the funding authorized in the contract for all phases will be exhausted in fiscal year 2024-25 for reasons described above. Unused funding designated for Phase 2 at the time of the pause was repurposed for Phase 1 to address changes in scope and timeline. Ongoing funding in the General Fund has been set aside every year to support the project and ongoing costs (licensing and staff). Staff has estimated that around 55% of the implementation costs and ongoing support will be recouped from special revenue funds through the cost allocation plan or the Information Technology Department's internal service fund over the life of the project.

The following table summarizes the actual costs incurred in the General County Programs General Fund over the past two fiscal years along with the budget established for the project for the current fiscal year.

General County Programs General Fund	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Budget
Workday Software, Services, and Training	$ 1,343,961	$ 1,317,740	$ 1,757,800
Accenture Implementation Services	3,207,521	2,496,092	2,273,100
Reimbursements to Departments for Added Staffing	254,691	1,054,453	2,574,800
Sherpa Software and Implementation Services	-	159,260	591,900
Other Project Expenses	1,980	307,471	345,000
Additional Appropriations Available for the Project	-	-	1,189,300
Total Cost	$ 4,808,153	$ 5,335,016	$ 8,731,900

Attachments:
Attachment A: County ERP Project Update Presentation