CITY OF PALM DESERT
STAFF REPORT

MEETING DATE: September 26, 2024

PREPARED BY: Veronica Chavez, Director of Finance
                 Clay von Helf, Information Technology Manager

ASUBJECT: APPROVAL OF AGREEMENTS WITH WORKDAY, INC., RELATED TO
                 THE IMPLEMENTATION OF A NEW ENTERPRISE RESOURCE
                 PLANNING (ERP) SYSTEM

RECOMMENDATION:

1. Approve Agreements with Workday, Inc., for the acquisition and implementation of a new enterprise resource planning system.
2. Appropriate $393,353 to the Information Technology Special Programs Account Number 1104190-4390000 from unobligated General Fund Reserves for implementation, training, and 10% contingency.
3. Authorize the City Attorney to make any necessary nonmonetary changes to the agreements.
4. Authorized the City Manager to execute the agreement, future amendments, and any other documents necessary to effectuate this action, in accordance with Section 3.30.170 of the Palm Desert Municipal Code.

BACKGROUND/ANALYSIS:

Like most organizations of its size, the City uses specialized software to record financial transactions and manage human resources. These types of systems are referred to as Enterprise Resource Planning (ERP) systems. The City's current ERP system is commonly referred to as Finance Enterprise.

Finance Enterprise (FE) was implemented in 2015. Over time, FE has remained substantially unchanged and no longer meets current technology standards. Additionally, support for the current product is expected to be discontinued soon, ultimately requiring migration to a new system. In the meantime, FE remains inefficient and outdated, requiring other systems to digitize processes and generate necessary reports, which increases the risk of errors. Staff has maximized efficiencies within the current system, but ongoing customer support challenges and a lack of investment from Finance Enterprise make further innovation impossible.

Staff has been researching and reviewing demonstrations from various ERP systems available to local governments. A Request for Information (RFI) was conducted in 2022 to identify programs that could best fit the City's needs. However, staff was not impressed with the response and decided to continue using FE until a more innovative solution was found. Soon after, staff began hearing positive feedback about Workday. At the time, Workday did not work with smaller cities as their robust government program had been developed for counties and

cities. In late 2023, staff learned that Workday had developed a new product intended for mid-size cities like Palm Desert (less than 300 employees).

A demonstration from Workday, tailored to address the City's specific needs and issues, was requested. Over the past few months, Workday has provided multiple demonstrations, training sessions, and both virtual and in-person meetings to ensure we had the information necessary to make an informed recommendation for implementation.

Some of the key benefits and reasons for the selection of the Workday proposal include the following:

- Workday is a significant provider to corporations worldwide that has successfully moved into the public sector over the last decade. Some of their municipal clients in California now include the cities of Los Angeles, Ontario, San Mateo, Rancho Cucamonga, and the County of Santa Barbara. Staff has met with both Ontario and Rancho Cucamonga and received excellent feedback on the system, the implementation partners, and ongoing support.

- The system is independently audited annually for security standards, uses state of the art encryption technology, and a cloud based system architecture to provide excellent security, continuity, maximum system uptime, and full functionality from any location- including mobile devices.

- Workday's delivered functionality would allow the City to decommission other systems, resulting in savings from reduced systems costs and improved efficiencies.

- Workday is a Cooperative Purchasing Partner within OMNIA, which is a national cooperative purchasing agreement and satisfies bidding requirements pursuant to Section 3.30.160 of the Palm Desert Municipal Code.

Workday also provided a Functional Capabilities Assessment to determine the current state of our system and the improvements available through Workday and their program that offers innovation and best practices. The assessment revealed that current systems are currently at an innovation standstill, have many operating inefficiencies due to our current system limitations, reduced engagement of staff due to difficulties in finding information, and increased risk of error throughout the organization due to other systems and/or human error. Attached is the presentation provided by Workday with some of the results, as well as quotes from staff from their surveys. On a scale of "Foundational" to "Leading" (Low to High), the surveys showed that our current system provides Foundational to Intermediate functionality. The intermediate functionality seems to be where other systems are used to improve capabilities.

By implementing the Workday system, the City should see value in 1) optimized IT support, 2) less need for costly consultants and/or shadow systems, 3) empowered HR and Finance teams, 4) time saved on administrative work that is automated, 5) faster onboarding time to productivity, improved spend controls and greater visibility, and 6) increased ownership as a result of ease

of use. Attached on Page 6 of the Workday presentation are statements of projected savings related to Key Operating Metrics that may be realized city-wide.

The proposed master subscription agreement with Workday (Attachment A) includes three different order forms for (1) subscription rights, (2) training/library access, and (3) Workday Launch Implementation.

Workday's order form for subscription rights establishes a 10-year term with a final negotiated contract amount of $2,760,179. This long-term agreement will provide predictable costs for the Workday software subscription, resulting in savings for the City over the 10 years. Although the City does not typically enter into 10-year agreements with vendors, purchasing a new cloud-based ERP system is a time-intensive project that requires a substantial upfront investment. Cloud-based ERP systems like Workday are better suited for long-term contracts compared to older on-premises systems, which would require significant reinvestments in hardware and software upgrades approximately every five years. With Workday, the required semi-annual updates are included in the subscription, ensuring the City always has the most up-to-date version of the software.

The implementation of Workday will be comprehensive, covering both HR and Finance components. It will include data transformation and conversion, configuration, third-party system integration, reporting, absence and benefits management, time tracking, payroll, core financials, procurement, planning and budgeting, and projects and grant management.

Workday Launch Implementation: During the contract term, Workday will provide, for a fixed price based on the agreed-upon scope, professional services for the implementation of the Workday ERP system over two phases. The first phase would cover Human Capital Management, while the second phase will cover Financials, Planning, Procurement, and Grant Management. Staff is also seeking to contract with a third-party consultant to prepare for the implementation, increasing the potential for early success. The table below summarizes the anticipated timeline for the implementation phases.

	Start Date	Go Live	End Post-Production Support
Phase 1	January 13, 2025	December 19, 2025	January 30, 2026
Phase 2	September 20, 2025	June 30, 2026	July 31, 2026

During the implementation of ERP systems, it is not uncommon for situations to arise or new facts to come to light that require a change in the scope of the project. As a result, staff recommends a contingency of $305,266 (10%).

The Workday ERP system does not include a cashiering system, as most large cities have utility billing systems or other specialized systems, making this redundant. Therefore, staff has begun demonstrations to address this need. The efficiencies a Point of Sale (POS) system can be recognized immediately in our current system, so we will begin that transition upon selection.

Legal Review:
This report has been reviewed by the City Attorney's Office.

FINANCIAL IMPACT:

Funds in the amount of $1,594,580 were appropriated during the 2024-25 Budget process for implementation based on initial estimates. Revised costs of implementation, training, support, and a 10% contingency for unforeseen circumstances and/or related auxiliary services now total $1,987,933. Therefore, an additional appropriation of $393,353 will be necessary from unobligated General Fund reserves.

The annual software license fee is comparable to other recent innovative cloud-based technologies like Clairiti, which has an annual fee of $299,075. Although it is a jump from our current ERP system cost of $43,866 per year, it aligns with the current costs of other ERP systems in neighboring cities and estimates received through the 2022 RFI process, which averaged $275,000 per year. We will also recognize substantial cost savings, not only in staff time but also in eliminating duplicative shadow systems like Executime, OpenGov, and possibly NeoGov, which have combined annual license fee of $36,351 per year. Funds for the annual license fee are available in the Information Technology Software Subscriptions Account No. 1104190-4362001.

Component	Implementation Period				
	Year 1	Year 2	Year 3	Years 4-10	Total
Training/Library	113,950				113,950
Launch Implementation	564,421	987,736	141,105		1,693,262
Total	**678,371**	**987,736**	**141,105**	**-**	**1,807,212**
10% Implementation Contingency	67,837	98,774	14,111		180,721
Total Amount Needed	**746,208**	**1,086,510**	**155,216**	**-**	**1,987,933**
Annual Subscription	*251,125*	*251,125*	*282,241*	*1,975,688*	*2,760,179*

ATTACHMENTS:

1. Workday Order Form
2. Master Service Agreement
3. Professional Service Agreement
4. Workday Service Level Availability Policy
5. Workday Functional Capabilities Assessment Results