



# CITY OF SAN MATEO

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## Agenda Report

Agenda Number: 6

Section Name: {{section.name}}

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**TO:** City Council  
**FROM:** Alex Khojikian, City Manager  
**PREPARED BY:** Information Technology Department  
**MEETING DATE:** January 21, 2025

**SUBJECT:**

Enterprise Resource Planning Software Project – Supplemental Budget Appropriation and Change Orders

**RECOMMENDATION:**

Adopt a Resolution to approve a supplemental budget appropriation of \$210,172 from unassigned fund balance of the Equipment Replacement Fund to increase the capital budget for the Enterprise Resource Planning Project; approve Change Order No. 8 to the master services agreement with Collaborative Solutions, LLC for ERP implementation services in the amount of \$199,922 for a new agreement total of \$4,739,292; approve Change Order No. 485765 to the master subscription agreement with Workday, Inc. for delivery assurance services in the amount of \$10,250 for a new agreement total of \$187,605; and authorize the City Manager to execute the Change Orders in substantially the form presented.

**BACKGROUND:**

In February 2022, the City Council awarded a contract to Collaborative Solutions, LLC in the amount of \$2,527,160 as part of the enterprise resource planning (ERP) system replacement project (Project). Collaborative Solutions, LLC is now known as Cognizant.

The ERP supports the City's core administration functions of Human Capital Management (HCM), Payroll, and Core Financials. The ERP implementation has occurred in phases. Phase 1 covered Core Financials, began in March 2022, and went live on November 1, 2022. Phase 2 began in October 2022 and covers HCM and Payroll. The Plan, Architect, Configure, and Test Stages of Phase 2 have been completed, and project work is currently focused on the Deployment Stage. The Deployment Stage is a critical time when HR and Payroll staff ensure payroll calculations are accurate, City staff are trained, and City bargaining units are informed of changes brought by the new HCM and Payroll system through the meet and confer process. When the Deployment Stage is complete, the Project will continue with Post-Production Support.

Delays with the Testing Stage resulted in the need for significant previous timeline extensions and Change Orders. End-to-End testing was originally scheduled for completion on August 18, 2023, but was extended by 26 weeks with the approval by Council of Change Orders No. 5 and No. 6 on September 18, 2023. This resulted in a new target Go-Live in June 2024 and increased the Project budget by \$780,580. However, in November 2023, it became clear that insufficient testing progress was occurring to meet the new Go-Live target. While Change Orders No. 5 and No. 6 extended the Project schedule and increased consultant resource commitments, they did not properly address the root causes of Project delays.

Change Order No. 7 extended the Project timeline an additional 26 weeks for a Go-Live in December 2024, concurrent with the first pay period of calendar year 2025. However, it required significantly less funding than prior Change Orders. Rather than extend time and money on the same trajectory, the Project team addressed Project deficiencies and remediated them through a Project re-plan. The new approach emphasized City staff performing functional work as is the best practice for Workday projects, rather than outsource that work to consultants to fill resource gaps. This re-plan also included new

Cognizant project managers and leadership to provide more support and guidance for the Project. Additionally, the City's Project Steering Committee consisted of HR and Finance Directors who have since left City employment. These roles were re-filled by the City's current Finance Director, IT Director, and our recently hired HR Director. The Project Steering Committee reports to the City Manager, who serves as the Project Sponsor.

Approval of Change Order No. 8 will extend the project timeline an additional 3 months for Go-Live at the end of March 2025. This will provide HR and Payroll staff and the rest of the Project team sufficient time to ensure a successful Deployment Stage. Work toward that end will include ensuring accurate payroll calculations, 'meet and confer' with bargaining units, and end user training. Much of the work during this proposed 3-month project extension will be led by City staff rather than consultants, with the expectation that staff will gain a more complete understanding of the system and be better able to support and manage it long term. As reflected in Attachment 2 (Change Order No. 8), the additional scope cost for Cognizant is \$199,922. As reflected in Attachment 3 (Change Order No. 485765), the additional delivery assurance services from Workday for the extended period will cost \$10,250. All told, the project cost increase is \$210,172.

#### **BUDGET IMPACT:**

The proposed Resolution, included as Attachment 1, approves adding \$210,172 supplemental budget appropriations for the ERP Project from unassigned fund balance of the Equipment Replacement Fund. This fund balance will be replenished over a 10-year period.

#### **ENVIRONMENTAL DETERMINATION:**

Approval of the change orders for ERP implementation support is not subject to CEQA review under the common sense exemption in it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment (CEQA Guidelines Section 15061.) In addition, approval of a supplemental budget appropriation for the Project is not subject to CEQA review in that it consists of a governmental fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (CEQA Guidelines Section 15378(b)(4).)

#### **NOTICE PROVIDED**

All meeting noticing requirements were met.

#### **ATTACHMENTS**

Att 1 – Proposed Resolution

Att 2 – Change Order No. 8

Att 3 – Change Order No. 485765

#### **STAFF CONTACT**

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