



# CITY OF SAN MATEO

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## Agenda Report

Agenda Number: 7

Section Name: {{section.name}}

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**TO:** City Council

**FROM:** Drew Corbett, City Manager

**PREPARED BY:** Finance Department

**MEETING DATE:** February 22, 2022

**SUBJECT:**

Enterprise Resource Planning System Replacement – Agreements and Budget Appropriation

**RECOMMENDATION:**

1. Award an agreement to Workday for software subscription, training, and delivery assurance costs related to the City's new enterprise resource planning system in the amount of \$4,217,394;
2. Award an agreement to Collaborative Solutions for enterprise resource planning system implementation costs in the amount of \$2,527,160;
3. Award an agreement to Can/Am Technologies for Software as a Service (SaaS) and implementation costs related to replacement of the City's cashiering software in the amount of \$410,737;
4. Amend an agreement with Plante Moran to provide project management services for an additional amount of \$740,000 for new total not to exceed amount of \$959,240;
5. Authorize the City Manager to execute the agreements and agreement amendments in substantially the form presented, and
6. Adopt a Resolution to approve a supplemental budget appropriation for CIP Project 200001 (Fund 59) in the amount of \$1,168,307, with \$237,614 in transfers out from the Sewer Fund, \$58,271 in transfers out from the Construction Services Fund, and \$872,422 in transfers out from the Equipment Replacement Fund.

**BACKGROUND:**

In 2012, Tyler Technologies, the software vendor for the City's current enterprise resource planning (ERP) system, Eden, provided notice to all Eden clients that it would no longer be selling Eden. Since that time, over the past decade, support for the Eden system declined substantially, and research and development has been limited to statutory compliance with changes in employment and tax law. In 2020, Tyler Technologies further affirmed this direction by issuing a letter to all remaining Eden clients that they should begin moving forward with plans to replace Eden if they have not done so already.

Replacement of the City's ERP has been a key initiative for the Finance Department since fiscal year 2017-18. Consistent with best practices for replacement of ERP systems, the City issued a Request for Proposals (RFP) in October 2019 for advisory services for ERP selection and implementation. Due to the onset of the COVID-19 pandemic in March 2020, award of an agreement to Plante Moran was postponed until July 2020.

**Project Governance**

As a precursor to project inception, the City established governance for the ERP replacement project, which established groups to carry out key responsibilities, including:

The Core Committee was comprised of the Finance Director, Director of Information Technology, Human Resources Director, Consulting and Applications Manager, and Web Specialist. Its primary roles were to review project status, ensure

that major project milestones were met, conduct reference check interviews, provide status updates to the Selection Committee, and provide overall project guidance.

The Selection Committee was comprised of staff members from a broad array of City departments, including Community Development, Finance, Human Resources, Information Technology, Police, Public Works, as well as the San Mateo Consolidated Fire Department (SMC Fire). Its primary role was to review and rate RFP responses, attend ERP system demonstrations, and rate finalist vendors.

### **Needs Assessment | Gap Analysis**

After the project governance was established, Plante Moran conducted needs assessment interviews with subject matter experts from every City department to identify opportunities for improvement to business processes and recommendations for the City's future ERP strategy. The primary deliverable of this phase was an ERP Needs Assessment and Gap Analysis Report, which included process maps for both the current state and future state of major business processes, prioritization of solution requirements, an issues and opportunities matrix, and a marketplace overview.

### **RFP**

Plante Moran assisted the City with development of the RFP to solicit responses from vendors that provided ERP implementation services and solutions for entities similar in size and complexity to the City. As a part of the RFP preparation, the Core Committee developed solution selection criteria and weighting factors to evaluate vendor responses. The selection criteria were as follows, with the weight indicated in parentheses:

- Functionality (30%) – Compliance with requirements, including proposed modifications and customizations, product information and direction.
- Vendor Viability (25%) – Number and size of comparable installations, company background, financial stability, completeness and quality of proposal, research and development.
- Cost (20%) – Including one-time, ongoing, and 10-year cost.
- Implementation Services and Ongoing Support (12.5%) – Implementation approach, vendor staffing provided on the project, post-implementation support, completeness of work plan, training approach, change management approach, project management approach.
- Technical Requirements (12.5%) – Current technology, use of industry standard tools, compatibility with existing infrastructure.

The RFP was issued on March 12, 2021. The process included a period of time for vendors to submit questions, a pre-bid meeting, and an RFP addendum to respond to questions. The City received ten responses to the RFP noted in the table below, all of which met the minimum requirements documented in the first round of evaluation as defined in the RFP.

Vendor Responses	
Integrator	Software
6e Technologies	Oracle
Application Software Technology (AST) Corporation	Oracle
CherryRoad Technologies, Inc	Oracle
Ciber Global LLC	Oracle
Collaborative Solutions, LLC	Workday
Graviton Consulting Services, Inc	Oracle
Highstreet IT Solutions, LLC	Oracle
Rock Solid Technology	OneGovERP
Superion, LLC	CentralSquare Finance Enterprise and IntelliTime
Tyler Technologies	Munis

In May 2021, the Selection Committee began reviewing each proposal, supported by a comparison prepared by Plante Moran. In June 2021, based on the scores from the second round of evaluation from the Selection Committee, reference

checks for the top six vendors were conducted by the Core Committee. Based on the feedback from the reference checks that was shared with the Selection Committee and the selection criteria established in the RFP, the Selection Committee selected the top four vendors noted in the table below to advance to the third round of evaluation for software demonstrations and additional due diligence:

Shortlisted Vendors	
Integrator	Software
Application Software Technology (AST) Corporation	Oracle
CherryRoad Technologies, Inc	Oracle
Collaborative Solutions, LLC	Workday
Tyler Technologies	Munis

From July through August 2021, each of the shortlisted vendors provided a comprehensive four-day software demonstration to the Selection Committee and many city staff that use the current ERP on a daily basis based on scripts developed by Plante. Following the software demonstrations, additional due diligence was completed, which included:

- Additional reference checks for top-ranked vendors
- Written follow up questions and responses from multiple vendors
- Multiple days of detailed follow-up demonstrations for specific areas with top-ranked vendors
- Sandbox demonstrations for City staff to utilize software with vendor guidance

Results from the additional due diligence were shared with the Selection Committee in November 2021, and final scores from the Selection Committee were tabulated as follows:

1. Collaborative Solutions (Workday) – 84.15
2. AST (Oracle) – 63.33
3. CherryRoad (Oracle) – 51.58
4. Tyler Technologies (Munis) – 51.43

The City notified Collaborative Solutions and Workday that they were the preferred finalist vendor and began contract negotiations in December 2021. The attached agreements reflect input and iterative revisions between the Core Committee, the City Attorney's Office, and Collaborative Solutions, Workday, and Can Am.

### **Implementation Approach, Timeline, and Support**

The City has opted for a phased approach to the ERP implementation. The first phase, which is scheduled to begin in late February and end in mid-December 2022, will include the core financial modules, including the general ledger, accounts payable, accounts receivable, budget, and project accounting. The second phase, which is scheduled to begin in mid-September 2022 and end in mid-July 2023, will include the payroll and human resources modules.

The level and amount of resources required to ensure that the ERP is implemented within the projected timeline and within the project budget is substantial. As a part of the due diligence process, the Core Committee conducted several reference checks, which identified a common theme: backfilling staff resources is critical to the success of the ERP implementation, as City staff does not have the capacity to cover their daily core operational responsibilities and implement the ERP.

As such, the City's RFP required that vendors include a Staffing Plan to estimate the type and amount of staff resources necessary to support the ERP implementation. Based on Collaborative Solution's Staffing Plan, it is estimated that over 17,000 hours of staff resources are required. The proposed amendment to the agreement with Plante Moran amends the scope of services to include project management services for the duration of the ERP implementation. The agreement amendment is flexibly structured, and the City will only be invoiced for consulting hours/services rendered. If the ERP implementation does not require as much project management support from Plante Moran, then the final cost will be less

than the not-to-exceed amount.

The remainder of the staff resources required during implementation will be discussed in greater detail upon implementation kickoff at the end of this month upon approval of the attached agreements by the City Council, and the agreements for backfill staff resources will be procured and presented to for Council consideration in the next six weeks to ensure a successful and timely implementation.

#### BUDGET IMPACT:

The table below lists total costs (excluding staff backfill costs) for the new ERP system by vendor, with the subscription fees and training fees paid to Workday spread out over the ten-year term, and allocates the cost between the City of San Mateo and SMC Fire based on the proportional number of Full-Service Equivalent (FSE)(Full Time Equivalent in City parlance) between the City and SMC Fire. Based on the adopted 2021-22 budget for both organizations, there are 670 total FSE combined for the City (608) and SMC Fire (154) as shown in the table below from Attachment 3, which prorates the applicable percentage based on the employee type:

Worker Category	Total Workers (excl. SMCFD)	Total Workers (SMCFD)	Applicable Percentage	FSE Count
Full Time Employees	500	154	100.0%	654
Part-Time Employees	15	0	25.0%	4
Associates	93	0	12.5%	12
Former Workers with Access	0	0	2.5%	0
<b>Total FSE Count:</b>	<b>608</b>	<b>154</b>		<b>670</b>

As such, SMC Fire's proportional share of the new ERP is 23%.

Vendor	Workday				Plante Moran			Collaborative Solutions	Can Am			Total by Year	SMC Fire	City
Year	Subscription Fee	Training Fee	Delivery Assurance	Workday Subtotal	Pre-Implementation Consulting	Project Management	Plante Moran Subtotal	Implementation	Cashiering Implementation	SaaS Fees*	Can/Am Subtotal			
1	253,576	84,936	133,075	\$ 471,587	\$ 201,020	\$ 740,000	\$ 941,020	\$ 2,527,160	\$ 116,280	\$ 57,840	\$ 174,120	\$ 4,113,887	\$ 945,580	\$ 3,168,307
2	295,856	32,867		\$ 328,723						\$ 57,840	\$ 57,840	\$ 386,563	\$ 88,852	\$ 297,711
3	367,489	32,867		\$ 400,356						\$ 57,840	\$ 57,840	\$ 458,196	\$ 105,317	\$ 352,879
4	374,839	32,867		\$ 407,706						\$ 59,575	\$ 59,575	\$ 467,281	\$ 107,405	\$ 359,876
5	382,336	32,867		\$ 415,203						\$ 61,362	\$ 61,362	\$ 476,565	\$ 109,539	\$ 367,026
6	389,982	32,867		\$ 422,849							\$ -	\$ 422,849	\$ 97,192	\$ 325,657
7	397,782	32,867		\$ 430,649							\$ -	\$ 430,649	\$ 98,985	\$ 331,664
8	405,739	32,867		\$ 438,606							\$ -	\$ 438,606	\$ 100,814	\$ 337,792
9	413,853	32,867		\$ 446,720							\$ -	\$ 446,720	\$ 102,679	\$ 344,041
10	422,128	32,867		\$ 454,995							\$ -	\$ 454,995	\$ 104,581	\$ 350,414
<b>Total</b>	<b>\$ 3,703,580</b>	<b>\$ 380,739</b>	<b>\$ 133,075</b>	<b>\$ 4,217,394</b>	<b>\$ 201,020</b>	<b>\$ 740,000</b>	<b>\$ 941,020</b>	<b>\$ 2,527,160</b>	<b>\$ 116,280</b>	<b>\$ 294,457</b>	<b>\$ 410,737</b>	<b>\$ 8,096,311</b>	<b>\$ 1,860,943</b>	<b>\$ 6,235,368</b>

\*Agreement is for a five year term.

Prior to the start of Year 2 and every year thereafter in the ten-year term, the City will provide Workday with a census report that lists the number of FSE for the City and SMC Fire. If the number of FSE is greater than the baseline value of 670, the subscription fee will increase accordingly. Staff will also recalculate the cost allocation based on the proportional ratio of FSE between the City and SMC Fire on an annual basis. SMC Fire's proportional share will either be deducted from the invoice that the City pays to SMC Fire for its operational contribution or invoiced separately as costs are incurred throughout the implementation process and throughout the ten-year term.

As shown in the tables below, the City's share of total costs for Year 1 of \$3,168,307 will be accounted for in CIP Project 200001, which already had \$2,000,000 in CIP budget appropriated beginning in 2019-20, funded by the Equipment Replacement Fund, which had accumulated resources to replace the existing ERP system. The current agreement with Plante Moran to provide consulting services to guide the City through the various pre-implementation phases has largely already been paid and accounted for in CIP Project 200001. The remaining CIP budget of \$1,798,980 for this project can be applied to the remaining costs due in Year 1 of \$2,967,287. The difference of \$1,168,307 between the remaining budget and the remaining costs represent the additional CIP budget appropriations that are needed for CIP Project 200001 (Fund 59):

Description	Amount	Index	Footnote
CIP Budget for Project 200001	\$ 2,000,000	A	
Pre-Implementation consulting services costs	201,020	B	
Remaining Budget	1,798,980	C	A-B
Year 1 Costs	\$ 3,168,307	D	
less Pre-Implementation consulting services costs	\$ (201,020)	B	
Remaining Year 1 Costs	\$ 2,967,287	E	D-B
Additional budget needed for CIP Project 200001	\$ 1,168,307	F	E-C

The funding sources for the \$1,168,307 of additional budget needed will be allocated proportionately based on the major operating funds' share of the adopted 2021-22 operating budget, as calculated in the table below:

Fund	%	Proportional Share	Note
Sewer Fund	20.34%	\$ 237,614	Based on adopted 2021-22 operating budget.
Construction Services Fund	4.99%	\$ 58,271	Based on adopted 2021-22 operating budget.
Equipment Replacement Fund		\$ 872,422	Remaining costs
<b>Total</b>		<b>\$ 1,168,307</b>	

For example, the City's total adopted 2021-22 operating budget was \$200,990,594, and the Sewer Fund's share of the operating budget was \$40,878,976, or 20.34%.

Consistent with the City's practice with other subscription based software, the costs for Years 2 through 10 will be included in the operating budget for the Department of Information Technology. The proportional share for the Sewer Fund and the Construction Services Fund will be captured via the City's Cost Allocation Plan by adding to the cost of overhead, which is distributed to the other operating funds and recognized as in-lieu revenue in the General Fund based on various allocation bases, including headcount and operating budget.

#### ENVIRONMENTAL DETERMINATION:

These agreements are not a project subject to CEQA, because they are an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).)

#### NOTICE PROVIDED

All meeting noticing requirements were met.

#### ATTACHMENTS

- Att 1 – Proposed Resolution
- Att 2 – Workday Master Subscription Agreement
- Att 3 – Workday Order Form #252735
- Att 4 – Workday Order Form #252740 (Training Fees)
- Att 5 – Workday Order Form #319918 (Delivery Assurance)
- Att 6 – Collaborative Solutions Master Services Agreement
- Att 7 – Collaborative Solutions Statement of Work
- Att 8 – Can/Am Technologies Teller Software as a Service Agreement
- Att 9 – Can/Am Technologies Statement of Work
- Att 10 – Draft Amendment No. 1 with Plante Moran

#### STAFF CONTACT

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