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DATE: November 18, 2024

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Jessie Gooch, Finance Director  
Linda Le, Director of Human Resources

SUBJECT: Authorizing the City Manager to Sign Agreements with Strada Global, SpryPoint Services Inc., Plante Moran, and Nicholson Strategic Services for ERP Implementation; and Updating the Job Classification Allocations Associated with the Adopted Fiscal Year 24/25 Budget by Adding Two (2) Fixed-Term Accountant Positions, One (1) Fixed-Term Accounting Technician Position, One (1) Fixed-Term Accounting Assistant I/II Position, One (1) Fixed-Term Human Resources Analyst I/II Position, and One (1) Fixed-Term Human Resources Specialist Position for Assistance During and After ERP Implementation

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### **RECOMMENDATION**

It is recommended that the City Council adopt the attached Resolutions Authorizing the City Manager to Sign Agreements with Strada Global, SpryPoint Services Inc., Plante Moran, and Nicholson Strategic Services; and Updating the Job Classification Allocations Associated with the Adopted Fiscal Year 24/25 Budget by Adding Two (2) Fixed-Term Accountant Positions, One (1) Fixed-Term Accounting Technician Position, One (1) Fixed-Term Accounting Assistant I/II Position, One (1) Fixed-Term Human Resources Analyst I/II Position, and One (1) Fixed-Term Human Resources Specialist Position for Assistance During and After ERP Implementation.

### **BACKGROUND**

The City of Petaluma has been using Tyler Eden as its core financial and utility billing system since 2008. The technology is outdated, provides minimal functionality compared to the financial systems available today, and is being phased out and no longer supported as of April 2027. The system maintains financial and utility billing records, however many of the City's financial processes are managed via paper workflows and Excel spreadsheets. Additionally, the City utilizes NeoGOV for human capital management. While NeoGOV provides certain features for recruitment, onboarding, and performance tracking, it does not provide full functionality for comprehensive human capital management and does not integrate with our current financial

system.

The City of Petaluma has been planning and budgeting for this transition since FY 2020-21 and has completed the thorough process of selecting an Enterprise Resource Planning (ERP) software solution to replace its existing financial, human resource, and utility billing software. This process began in late 2022 when the City released a Request for Proposal (RFP) for a consultant to support the City through the evaluation and selection of new ERP solution. The City engaged Plante Moran in June 2023 as the selected consultant to conduct interviews with City stakeholders to understand and document key business processes, identify areas of opportunity, develop and distribute a request for proposal, and support the procurement of a software solution that best meets the City's long-term needs. As a result of this process, the City has determined that Workday is the preferred solution for the financial and human resource portion of the ERP. A ten-year Universal Master Subscription Agreement with Workday was brought to Council on October 21, 2024, and approved unanimously. The City also determined that Strada Global is the preferred implementer of the Workday software, and that SpryPoint Services Inc. is the preferred solution for the utility billing portion of the ERP. This document represents an overview of the activities taken to get to the finalist vendor selections.

Timeline of Events	
Discovery and stakeholder interviews	September 2023
Needs assessment delivery	November 2023
RFP development	December 2023 – February 2024
Proposal review period	April – May 2024
On-site vendor demonstrations	June 2024
Vendor due diligence	June – September 2024
Contract negotiations	September – November 2024

### **Business drivers**

1. Tyler Eden, the primary finance, human resources, payroll, and utility billing system, will no longer be supported by Tyler Technologies after March 2027.
2. There are limited integrations between Tyler Eden and other applications in use throughout the City, resulting in duplicated efforts to meet business processes.
3. There is an inability of the current system(s) to meet all of the City's functional needs.

### **Needs assessment phase**

Plante Moran performed a comprehensive ERP Needs Assessment, involving stakeholders across roles and departments. Process owners from Finance and Human Resources and departmental end-users submitted questionnaires prior to the 20+ discovery interviews held in September 2023 to provide direction on the ERP. From the documentation and responses provided, Plante Moran compiled the following components in the needs assessment:

1. Key limitations of technology in use throughout the City
2. Observations related to policy and procedure that should be addressed in tandem with the procurement
3. Opportunities for improvement in City processes and technology

4. A complete listing of the systems in use throughout the City, along with their anticipated future use
5. Implementation and ongoing software costs along with considerations for internal costs
6. Implementation and staffing details
7. An action plan for navigating the procurement.

The report, which Plante Moran delivered in November 2023, recommended that the City initiate a formal procurement to replace Tyler Eden.

Implementer	System	Third-Party Products
Tyler Technologies	Tyler EERP	
Oracle	Oracle NetSuite	
Strada (fka Alight)	Workday (Financial/HCM)	Can/Am Teller (Cashiering)
Can/Am	Teller (Cashiering)	
SpryPoint	SpryPoint (Utility Billing)	

City staff reviewed the vendor proposals while Plante Moran prepared analyses of how vendors complied with the requirements, costs for the software and services, and responses to the vendor forms. The analysis materials provided to the selection committee assisted the review process. Selection committee members submitted scoring on each proposal based on functionality, vendor viability, implementation approach, technical infrastructure, and costs. Based on the aggregated scoring, the selection committee invited Tyler Technologies, Strada (fka Alight)/Workday, Can/Am, and SpryPoint to perform on-site vendor demonstrations.

Shortlisted Vendors	
Implementer	Software
Tyler Technologies	Tyler EERP
Strada (fka Alight)	Workday
Can/Am	Teller (Cashiering)
SpryPoint	SpryPoint (Utility Billing)

### Vendor demonstrations and due diligence activities

Plante Moran and the City provided vendors with detailed three-day software demonstration scripts that encompassed critical functionality in finance, human resources, utility billing, and IT. Demonstrations by software teams also included discussions around implementation approach, staffing expectations from the City, and details about how the implementor planned to integrate the ERP with existing applications throughout the City. City staff, including the selection committee and key users of current software, participated and submitted feedback for each of the software demonstrations. Following the software demonstrations, City staff engaged in additional due diligence for the vendors, including:

- Reference checks for organizations across the country, with emphasis given to organizations of similar complexity within California
- Written follow-up questions and answers
- Follow-up demonstrations for essential functionality in payroll and utility billing compliance

## **DISCUSSION**

The selection committee members submitted individual scoring for each vendor following the previously agreed upon criteria and weights, where total scoring favored the following:

- Finance, HR, and Payroll: Strada and Workday
- Utility Billing: SpryPoint
- Cashiering: SpryPoint

The City has since notified Strada, Workday, and SpryPoint that they were the preferred finalist vendors and began contract negotiations. Plante Moran's Public Sector & Infrastructure – Public Sector Consulting team supported the process that the City has followed to perform the selections and agrees with the recommendations of the City's steering committee to move forward and contract with these vendors. As part of the contract due diligence, staff attended additional targeted demonstrations and received written responses as attachments to the contract to guarantee that the system can accommodate necessary functionality related to key business processes.

While the City was still completing contract negotiations with Strada and SpryPoint, Workday offered the City a substantial discount of \$682,000 over the ten-year contract for the City to finalize the contract by October 31. Plante Moran facilitated contract negotiations and reviewed the documents alongside City staff to ensure that the City had finalized statement of work documents and master service agreements from the selected vendor. The Workday contract represents a commitment of \$3.9 million over the ten-year term. This cloud-based enterprise software will not only replace the financial modules of Tyler Eden, but provide much needed functionality for Human Resources, including recruiting, performance management, and learning modules. The contract was brought to Council on October 21, 2024, and unanimously approved by Council.

The City has decided to exercise their option in the Plante Moran contract to extend the agreement to add project management of the ERP replacement project. Additional project management and subject matter expertise services for Human Resources will be supplied by Nicholson Strategic Services. These experienced, highly skilled project managers will help ensure that the City and their contracted vendors will successfully complete the project on time and on budget.

This item contains the remaining pieces of the full ERP replacement project:

1. Workday Implementation: Strada; \$3,227,241 to implement Workday, including building integrations to the City's other software programs, testing, and training
2. Utility Billing and Cashiering Replacement: SpryPoint; \$389,300 to implement with an annual subscription cost of \$139,250
3. Project Management: not to exceed \$884,160
  - a. Plante Moran: overall project management and subject matter expertise, not to exceed \$584,160 over 24 months
  - b. Nicholson Strategic Services: Human Resources project management and subject matter expertise, not to exceed \$275,000 over 16 months

4. Staffing: addition of six (6) fixed-term positions of 24 months to backfill regular operations while Finance and Human Resources staff are focused on project implementation
  - a. Human Resources: One (1) Human Resources Specialist and One (1) Human Resources Analyst I/II
  - b. Finance, Revenue Division: One (1) Accounting Assistant I/II and One (1) Accounting Technician
  - c. Finance, Accounting Division: Two (2) Accountants

The ERP System is essential for the City to meet its statutory obligations for financial reporting, providing necessary tools for payroll and human capital management, enabling electronic workflows for major citywide processes such as procurement, grants, projects, accounts payable, accounts receivable, timekeeping, payroll processing, cashiering, and utility billing. The current Eden system and the lack of a comprehensive system for human capital management leads to inefficiencies, inadequate internal capabilities, and higher risk for human error due to disjointed systems and multiple points of data entry. As the City continues to grow, modern information technology tools will enable economies of scale, faster processing times, higher accuracy, and improved analytical abilities and data-driven decision making.

Once all contracts are signed, the City can begin implementation, with the goal of going live with Workday on 1/1/2026 and SpryPoint shortly thereafter. The ERP implementation will be transformative endeavor for the City. The implementation of the proposed modern technology will enable the City to re-imagine their business processes, organize and analyze financial and human capital data, leading to better-informed decision-making, enhanced analytical abilities, and improved security of data and accuracy. The project will transform these internal administrative processes not only for the core implementation departments responsible for the implementation of Finance and Human Resources functions but for all departments citywide. This large-scale project will require dedication to the project from the City.

### **PUBLIC OUTREACH**

This agenda item appeared on the City's tentative agenda document on November 4, 2024 which was a publicly-noticed meeting.

### **COUNCIL GOAL ALIGNMENT**

The overall ERP replacement project fall under the Council goal of "A City That Works for Everyone". This project will streamline City processes, increase efficiencies, and simplify workstreams for City employees, thereby allowing for better support of overall operations.

### **ENVIRONMENTAL REVIEW**

Finds that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, as replacement of ERP software does not meet CEQA's definition of a "project," because the action does not have the potential for resulting either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because the action constitutes

organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. Relatedly, if it was a “project” it would be exempt pursuant to the commonsense exemption as replacing our internal ERP software will not have any indirect or direct environmental effects.

## **FINANCIAL IMPACTS**

The project budget is \$7.1 million, which will be added to the FY 2024-25 Mid-Year Budget Adjustment. The project costs and funding are shown below:

	<b>Finance/HR</b>	<b>Utility Billing</b>
<b>Project Costs</b>	<b>Workday/Strada</b>	<b>SpryPoint</b>
Project Management: Plante Moran	350,496	233,664
Project Management: Nicholson Strategic Services	275,000	0
Implementation Costs	3,227,241	389,300
Fixed-Term Staffing Costs; 24 months	1,311,200	541,000
Software Costs; FY25 Costs Only	324,223	139,250
Contingency	274,440	65,186
Total per Module	5,762,600	1,368,400
<b>Project Total</b>	<b>7,131,000</b>	

<b>Project Funding</b>	<b>Amount</b>
General Funds	2,507,150
Special Revenue Funds	541,240
Redevelopment Funds	49,700
Enterprise Funds	3,777,240
Internal Service Funds	255,670
<b>Project Total</b>	<b>7,131,000</b>

Funding of the project was determined based upon multiple allocation factors, mirroring similar allocations used for the Cost Allocation Plan and the Information Technology Internal Service Fund allocation. The allocated funds do contain the available resources to cover the project expenditures. Future costs related to software subscriptions and the additional IT position will be allocated out in future budgets; this budget will cover only the FY25 portion of their ongoing costs. The City has set aside funds in prior years of approximately \$1.4 million, which will help to offset the General Funds portion of the cost.

Any funds remaining in the project twelve months after go-live will be refunded back to City funds based on this original allocation.

## **ALTERNATIVES**

The City must replace Tyler Eden by March 2027, the sunset date for that application. The selection committee determined that Workday was the best replacement option for the City. If one of the other software packages was selected, the City would be implementing a system with reduced functionality and greatly increased implementation efforts.

### **ATTACHMENTS**

1. Attachment 1: Resolution Authorizing the City Manager to Sign Agreements
  - a. Exhibit A: Strada Global Statement of Work
  - b. Exhibit B: Sprypoint Services Contract
  - c. Exhibit C: Plante Moran Contract Amendment Proposal
  - d. Exhibit D: Nicholson Strategic Services Statement of Work
2. Attachment 2: Resolution Amending the Staffing Plan