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DATE: October 21, 2024

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

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

SUBJECT: Authorizing the City Manager to Sign a Universal Main Subscription Agreement with Workday, Inc. for Enterprise Software as a Service

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### **RECOMMENDATION**

It is recommended that the City Council adopt the attached Resolution Authorizing the City Manager to Sign a Universal Main Subscription Agreement with Workday, Inc. for Enterprise Software as a Service.

### **BACKGROUND**

The City of Petaluma has been using Tyler Eden as its core financial system since 2008. The technology is outdated, provides minimal functionality compared to the financial systems available today, and is being phased out and is no longer supported. The system only maintains core financial records, whereas most 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 preferred features for recruitment, onboarding, and performance tracking, it does not provide 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 and human resource software. This process began in late 2022 when the City released an RFP for a consultant to support the City through the evaluation and selection of a 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. The City is currently finalizing agreements with a Workday implementer and a utility billing solution to complete the replacement of the

current ERP. This document represents an overview of the activities taken to get to a finalist vendor selection.

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 – October 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 complete business processes.
3. There is an inability of the current system(s) to meet all of the City's functional needs.

### **Needs assessment phase**

1. 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 over 20 in September 2023 discovery interviews to provide direction on the ERP. From the documentation and responses provided, Plante Moran compiled the following components in the needs assessment:
2. Key limitations of technology in use throughout the City
3. Observations related to policy and procedure that should be addressed in tandem with the procurement
4. Opportunities for improvement in City processes and technology
5. A complete listing of the systems in use throughout the City, along with their anticipated future use
6. Implementation and ongoing software costs along with considerations for internal costs
7. Implementation and staffing details
8. 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.

### **RFP development**

Following the needs assessment phase, the City designated a selection committee comprising key staff across Finance, Human Resources, and Information Technology. As part of the governance structure, staff citywide and cross-departmentally provided input throughout the process as needed.

Plante Moran developed draft software specifications based on the unique requirements gathered from previous interviews with City staff and public sector best practices. City staff reviewed and prioritized the requirements and finalized them, with support from Plante Moran, to be included as an attachment in the Request for Proposals (RFP). Plante Moran then facilitated the development of an RFP that comprised the scope of the project, key criteria, response guidelines, and the vendor selection process.

The City released the RFP in February 2024. The process also included an invitation for bidders to attend a virtual pre-proposal meeting, submit questions in writing, and sign off on any addenda released to clarify the RFP.

### **Proposal evaluation and shortlist**

The City received the following 5 proposals on the RFP due date of April 10th, 2024.

Implementor	System	Third-Party Products
Tyler Technologies	Tyler EERP	
Oracle	Oracle NetSuite	
Strada (fka Alight)	Workday (Financial/HCM)	Can/Am Teller (Cashiering) SpryPoint (Utility Billing)
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, Alight/Workday, Can/Am, and SpryPoint to perform on-site vendor demonstrations.

Shortlisted Vendors	
Implementor	Software
Tyler Technologies	Tyler EERP
Strada	Workday
Can/Am	Teller
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: still in discussion

The City has since notified Alight, Workday, and SpryPoint that they were the preferred finalist vendors and began contract negotiations. 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 is still completing contract negotiations with Alight and SpryPoint and plans to bring those contracts to Council on November 18, Workday has offered the City a substantial discount of \$682k over the ten-year contract if the City can finalize the contract by October 31.

Plante Moran facilitated contract negotiations and reviewed the documents alongside City staff to ensure that the City has finalized statement of work documents and master service agreements from the selected vendor.

Plante Moran's Public Sector & Infrastructure – Public Sector Consulting team supports the process that the City has followed to perform the selection and agrees with the recommendations of the City's steering committee to move forward and contract with Workday at this time.

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.

Looking forward to the November 18 meeting, the City will bring forward the other pieces of the full ERP replacement project:

1. Workday Implementation: Strada; approximately \$3.2 million to implement Workday, including building integrations to the City's other software programs, testing, and training

2. Utility Billing Replacement: SpryPoint; approximately \$400k to implement with \$140k annual subscription cost
3. Cashiering Replacement: in final discussions with vendor
4. Project Management: not to exceed \$600k over 24 months
5. Staffing – 1 full-time IT position and approximately 5 limited-term positions to support City operations during software implementation

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, enable 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 in place and the lack of a comprehensive system for human capital management leads into inefficiencies, inadequate internal capabilities, and higher risk for human error due to disjointed systems, and multiple points of data entry. As the City is expected to continue 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. This is a large-scale project that will require effort not only from Finance, Human Resources, and IT, but all City departments.

### **PUBLIC OUTREACH**

This agenda item appeared on the City’s tentative agenda document on 10/7/2024 which was a publicly-noticed meeting.

### **COUNCIL GOAL ALIGNMENT**

This subscription and 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 purchasing a license for 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 annual average cost of the Workday subscription is \$393,133, with actual costs ranging from \$288,647 to \$441,548 each year. The FY 2024-25 portion of the subscription will be budgeted in the project total, with annual payments thereafter coming from the Information Technology Internal Service Fund. This fund receives dollars from all City funds that it serves, thereby spreading the cost amongst multiple funds.

The total estimated cost of the ERP project is approximately \$6 million; final numbers will be provided at the November 18, 2024, Council meeting when the remaining contracts are brought to Council. This amount would be allocated across City funds based on budgeted expenditures, FTE counts, and numbers of Accounts Payable and Accounts Receivable transactions. This methodology results in an impact of \$2 million to the General Fund, \$1.2 million to the 6600 fund, and \$0.9 million to the 6700 fund, with the remainder spread across other City funds. The City has already set aside \$975,000 for this project from Measure U, which will reduce the impact to the General Fund from \$2 million to about \$1 million. These costs will be split across FY 2024-25 and FY 2025-26, with a mid-year budget adjustment to account for the current fiscal year impacts.

### **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 increased implementation efforts.

### **ATTACHMENTS**

1. Resolution Authorizing the City Manager to Sign a Universal Main Subscription Agreement with Workday, Inc. for Enterprise Software as a Service – **Exhibits Updated 10/17/24**  
Exhibit A – Workday Universal Main Subscription Agreement; Workday UMSA FAQ and Public Sector Addendum, Workday Order Form  
Exhibit B – Workday Universal Security Exhibit  
Exhibit C – Workday Universal Data Processing Exhibit FAQ  
Exhibit D – Workday Universal Data Processing Exhibit