



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

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Receive an update on the Enterprise Resource Planning (ERP) Replacement Project Planning.

RECOMMENDATION:

It is recommended that the Budget Committee: :

Receive an update on the Enterprise Resource Planning (ERP) Replacement Project Planning.

SUMMARY:

This agenda item is to provide the Budget Committee with an overall project status update on the ERP Replacement project including project funding and implementation costs to date. Cost for subsequent fiscal years will be incorporated as the department prepares its requested budget for the corresponding fiscal year. As of the date of this report, there is an anticipated cost overrun of \$2M for FY25/26 as a result of Change Order 7 to extend the HCM implementation to January 2027. Funding in the amount of \$4.2M will also be required for FY26/27.

DISCUSSION:

The last update provided to the committee was August 2025. It was communicated that Change Order 4 was required to extend the Oracle ERP (Enterprise Resource Planning) implementation from July 2025 to July 2026 due to County resource constraints and critical tasks remaining to be completed.

There have been three additional change Orders related to the Human Capital Management (HCM) phase since the last update with the most recent (Change Order 7) revising the HCM Go Live from February 2026 to January 2027.

The objective is to provide the committee with an update on project progress, expenditures to date, and estimated project costs through FY26/27.

Scope:

The ERP County Project Team and Departments are currently participating in System Integration Test phase. Processes being validated include General Ledger, Billing, Cash Management, Accounts Payable, Accounts Receivable, Purchasing, Contracts, Asset Management, Expenses, and Projects/Grants. The project team continues to work with the departments and system implementor to address business process gaps, data conversion, interfaces, reporting, User Acceptance Testing preparation, and Training preparation.

The HCM project team continues to work on resolving Payroll calculation issues, User Acceptance Testing, data conversion, reporting, interfaces, and training preparation. Scope includes core HR functions, Benefits, Time and Absence, and Payroll Processing.

Schedule:

The EPM (Enterprise Performance Management) phase went Live in December 2024, and the

County utilized Oracle EPM (Budgeting) to develop the FY25-26 Recommended Budget and Budget Book. The FY26-27 budget development cycle is in progress.

The Project Team continues to work towards the ERP (Financials) July 2026 Go Live. The System Integration Testing phase will conclude as of February 27th and both County and Graviton project teams will begin to prepare for User Acceptance Testing scheduled to begin in April. Training will immediately follow in May.

Based on the January 2026 Go/No Go Check-In, it was determined that the February 2026 Go Live would not be achieved. The primary factor was not achieving an accurate payroll based on the established tolerance criteria. Due to the manual effort to analyze and address payroll variances, it has taken longer than expected to achieve and accurate payroll. This is attributed to the complex pay requirements defined within the County's MOU's. In addition, some critical tasks have been delayed due to County resource constraints, primarily within the ACO Payroll area.

Resources:

There are ACO, CAO, HRD, and ITD full-time and part-time staff supporting both the HCM and ERP implementation phases. Below is a summary of average FTE by department based on Actual Hours logged on timesheets.

- ACO 3.05
- CAO 1.2
- HRD 3
- ITD 6.5

Key challenges:

- Some key staff are required to support critical operational tasks
- The same resources are required to support multiple workstreams in parallel
- Dependency of a single resource for knowledge and expertise resulting in a single threaded approach
- Key Functional Leads from ACO and CAO Contracts & Purchasing were out on LOA
- The number of ACO staff available to support the project has been significantly reduced due to the need to support critical operations and staff turnover. (Original Planned FTE was 12)
- Departments are struggling to dedicate time to support the project due to staffing constraints and operational priorities.

Budget:

- Due to the additional costs for Change Order 7 to extend the Oracle HCM (Human Capital Management) Go Live from July 2025 to July 2026, the FY25-26 budget shortfall is estimated to be \$2M. The funding shortfall is expected to occur in March 2026. The FY26-27 estimated costs are \$4.2M. The overall budget overrun is estimated to be \$6.2M. A transfer of fund balance from the General Capital Assignment (Fund 001 BSA 3065) will be made to Fund 478-ERP to cover the project cost overruns in FY25-26. The FY26-27 project costs will be included in the CAO's FY26/27 Recommended Budget from various eligible fund balances.
- As of January 2026, the total expenses to date including the pre-implementation phase total \$18,905,495. With the most recent Change Order, the overall budget overrun is estimated to be \$6.2M.
- The estimated overrun includes the following assumptions:
 - o County resource costs remain within budget

- o County resources supporting the system post go-live will no longer be charged to the project
- o ERP Go Live remains on track for July 2026 Go Live and HCM phase remains on track for January 2027 Go Live.
- o Extending the ERP Go Live beyond July 2026 will have additional budget implications.

Change Order History:

Seven Change Orders have been approved to date, impacting the project schedule with the most recent Change Order 7 resulting in an estimated overall budget overrun of \$6.2M.

- CO01 approved in October 2023 to move up Enterprise Performance Management Go Live from May 2025 to November 2024.
- CO02 approved in February 2024 to extend the timeline for Enterprise Resource Planning (ERP - Financials) from November 2024 to April 2025 and Human Capital Management (HCM) from April 2025 to July 2025 to allow address County resource constraints and additional time to design and develop solutions to address functional gaps.
- CO03 approved in September 2024 to extend the ERP Go Live from April 2025 to July 2025 and HCM Go live from July 2025 to January 2026 to grant additional time for the County project team to validate the system design during each iteration and for the Implementor to design and configure the system to address the County's specific Business processes and implementation approach feedback. The additional cost of \$1.9M for this Change Order will be covered by the current project surplus with no impact to the overall budget.
- CO04 approved in April 2025 to revise the implementation timeline for Enterprise Resource Planning (ERP-Financials) from July 2025 - July 2026. This resulted in an overall budget overrun of \$2.6M due to the following additional costs:
 - o Vendor Implementation Services increased by \$2,747,524
 - o Oracle Licensing increased by \$1,289,550
 - o County Resources \$211,483 to \$4,157,319
 - o FY26-27 costs for ERP Post Go Live vendor support \$696,312
- CO05 approved in August 2025 to separate some of the HCM and ERP deliverables. This was an informational change with no additional cost.
- CO06 approved in October 2025 to extend HCM Go Live from January 2026 to March 2026 Additional cost of \$200K. Change Order scope:
 - o Continue with Payroll Cycle 1 to achieve tolerance criteria of 90% Net Pay within \$3
 - o Address open items in preparation for UAT: Time and Absence, Payroll Costing, New MOU
 - o Additional Payroll Cycle 3 to validate elements not included in Payroll Cycle 1 or 2
 - o Add full conversion Dress Rehearsal
- CO07 submitted for approval in February 2026 to extend HCM Go Live from February 2026 to January 2027 due to Go/No Go criteria not being achieved. Additional Costs:
 - o Vendor Implementation Services \$790,200
 - o Vendor Managed Services \$209,000
 - o County Resources Cost (July through December 2026) \$1,302,000

o	Oracle Licensing	\$1,423,471
	§ Total Additional Cost	\$3,724,671

OTHER AGENCY INVOLVEMENT/COMMITTEE ACTIONS:

The implementation project team will be led by the Information Technology Department and will include County Administrative Office, Auditor-Controller’s Office, and Human Resources Department leaders and staff. Other County departments will need to participate as stakeholders and will be engaged throughout various phases of the project. The next Budget Committee Update will be provided August 2026, unless requested sooner.

FINANCING:

With the most recent Change Order 7, there is a projected budget overrun for FY25-26 of \$2M and an overall overrun of \$6.2M. Funding for the project will be provided by Fund 478 (Enterprise Resource Planning), Department 1050 CAO, Unit 8506, Appropriation Unit CAO034, which was established for this purpose. A transfer of fund balance from the General Capital Assignment (Fund 001 BSA 3065) will be made to Fund 478-ERP to cover the project cost overruns in FY25-26. The FY26-27 project costs will be included in the CAO’s FY26/27 Recommended Budget from various eligible fund balances.

The available fund balance of the Enterprise Resource Planning project on 01/13/25 was estimated at \$20,866,883 which includes earned interest. Total Expenditures through January 2026 are \$18,905,495 with a current estimated remaining fund balance of \$1,961,388.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

In addition to supporting the existing basic ERP functions, the below Project Objectives support the BOS Strategic Initiative for Administration:

- A. Enable the County to increase operational efficiencies by implementing best business practices and increased automation.
- B. Implement standard functionality and best business practices embedded in the solution to reduce cost, long-term maintenance impacts, and avoid or minimize customizations.
- C. Improve quality and accessibility of information through standard reports, ad hoc tools, and the ability to create new reports.
- D. Promote a system that provides for self-services to the General Public, County departments, County employees, and external agencies via online and mobile capabilities.
- E. Implement a scalable platform that will support future growth and integration without requiring significant upgrades, costs, and County resources.

Mark a check to the related Board of Supervisors Strategic Plan Goals [Include one or two sentences referencing the Ordinance, Code, Board Order/Resolution, etc. in relation to this selection]:

- Well-Being and Quality of Life
- Sustainable Infrastructure for the Present and Future

- Safe and Resilient Communities
- Diverse and Thriving Economy
- Dynamic Organization and Employer of Choice
- Administrative

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Attachments:

ERP Replacement Committee Update