



County of Monterey

Item No.

Board Report

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

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- a. Amend the County Administrative Office Fiscal Year (FY) 2025-26 Adopted Budget 478-8506-CAO034 to increase appropriations by \$2,000,000, financed by a release from General Capital Assignment BSA 3065, to provide funding for the Enterprise Resource Planning (ERP) Replacement Project FY 2025-26 cost overrun (4/5ths required);and
- b. Authorize and direct the Auditor-Controller and County Administrative Office to incorporate the changes in the FY 2025-26 County Administrative Office Adopted Budget 478-1050-8506-CAO034 (4/5ths vote required)

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Amend the County Administrative Office Fiscal Year (FY) 2025-26 Adopted Budget 478-8506-CAO034 to increase appropriations by \$2,000,000, financed by a release from General Capital Assignment BSA 3065, to provide funding for the Enterprise Resource Planning (ERP) Replacement Project FY 2025-26 cost overrun (4/5ths required);and
- b. Authorize and direct the Auditor-Controller and County Administrative Office to incorporate the changes in the FY 2025-26 County Administrative Office Adopted Budget 478-1050-8506-CAO034 (4/5ths vote required)

SUMMARY:

There is an anticipated cost overrun of \$2 Million for the Enterprise Resource Planning (ERP) Replacement Project in FY 2025-26 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 FY 2026-27. An overall project status update on the ERP Replacement project including project funding and implementation costs to date is also provided below.

DISCUSSION:

The last update provided to the Budget Committee was February 2026. In the August 2025 update 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 August 2025 update with the most recent (Change Order 7) revising the HCM Go Live from February 2026 to January 2027. Overall project status including project funding and expenses to date is included below.

Scope:

The implementation scope includes replacing the existing CGI Performance Budgeting, Financials, and Human Resources Management applications with the following Oracle Cloud Enterprise solutions:

The Enterprise Performance Management (EPM - Budgeting) includes functions for Budget Planning/Forecasting, Baseline, and Adoption. In addition, the Budget Narratives are now generated from the Oracle solution which eliminated the need for a 3rd party solution to produce the Budget Book.

The Enterprise Resource Planning (ERP-Financials) scope includes General Ledger, Billing, Cash Management, Accounts Payable, Accounts Receivable, Purchasing, Contracts, Asset Management, Expenses, and Projects/Grants.

The Human Capital Management (HCM) 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 of Monterey utilized Oracle EPM (Budgeting) to develop the FY 2025-26 Recommended Budget and Budget Book. The FY 2026-27 budget development cycle is in progress.

The Project Team continues to work towards the ERP (Financials) July 2026 Go Live. The County and Graviton project teams are in the process of preparing for User Acceptance Testing scheduled to begin in April. Training will immediately follow in May. While many tasks remain to be completed over the course of the next few months, no showstoppers have been identified to date.

Based on the January 2026 Go/No Go Check-In for HCM, 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 (98% with an acceptable Net pay variance of \$0.05). Due to the manual effort to analyze and address payroll variances, it has taken longer than expected to achieve an 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. The Project Team will continue to focus on completing critical tasks over the next several months in order to achieve a January 2027 Go Live.

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 3.4 (original planned resources 12)
- CAO 1.4
- HRD 3
- ITD 6.9

Key challenges:

- Some key project staff are sometimes 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 for several months resulting in knowledge and authority gaps.
- 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 have struggled 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 January 2026 to January 2027, the FY25-26 budget shortfall is estimated to be \$2 Million. The funding shortfall is expected to occur in April 2026. The FY26-27 estimated costs are \$4.2M. The overall budget overrun is estimated to be \$6M. A release from General Capital Assignment BSA 3065 is being requested, to provide funding for the Enterprise Resource Planning (ERP) Replacement Project FY 2025-26 cost overrun. The FY26-27 project costs will be included in the CAO's FY2026-27 Recommended Budget funded from various eligible fund balances.
- As of February 2026, the total expenses to date including the pre-implementation phase total \$19,584,338. With the most recent Change Order, the overall budget overrun is estimated to be \$6 Million.

The estimated overrun includes the following assumptions:

- County resource costs remain within budget
- County resources supporting the system post go-live will no longer be charged to the project
- ERP Go Live remains on track for July 2026 Go Live and HCM phase remains on track for January 2027 Go Live.
- 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 Million.

- CO01 approved in October 2023 to move up Enterprise Performance Management Go Live from May 2025 to November 2024. Additional cost of \$88,126.50 for 7 months of EPM licensing.
- 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. No additional costs.
- 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 was 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:
 - Vendor Implementation Services increased by \$2,747,524
 - Oracle Licensing increased by \$1,289,550
 - County Resources \$211,483 to \$4,157,319
 - 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:
 - Continue with Payroll Cycle 1 to achieve tolerance criteria of 90% Net Pay within \$3
 - 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
 - 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:
 - Vendor Implementation Services \$790,200
 - Vendor Managed Services \$209,000
 - County Resources Cost (July through December 2026) \$1,302,000
 - Oracle Licensing \$1,423,471
 - Total CO7 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 Budget Committee received and supported this update on February 27, 2026. 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 FY 2025-26 of \$2 Million and an overall overrun of \$6 Million. Funding for the project FY 2025-26 cost overrun will be provided by Fund 478 (Enterprise Resource Planning), Department 1050 CAO, Unit 8506, Appropriation Unit CAO034, financed by a release from General Capital Assignment BSA 3065. The FY 2026-27 project costs will be included in the CAO’s FY 2026-27 Recommended Budget funded by various eligible fund balances. Enterprise Resource Planning project on January 13,2025 was estimated at \$20,866,883 which includes earned interest.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

- ___ 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

X Administrative: The overall goal of this project is to implement a state-of-the-art ERP system that can support County activities, increase operational effectiveness, and efficiencies in business processes. Oracle Cloud Products (EPM, ERP & HCM) will replace all CGI applications which are very outdated and are reaching end of support.

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Approved by: Eric A. Chatham, Chief Information Officer, 759-6920

Attachments:

ERP Replacement Budget Committee Update

High Level Budget Summary