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

RECOMMENDATION:

It is recommended that the Board of Supervisors:

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, funding has been set aside for the full cost of the project and there are no anticipated cost overruns for FY24-FY25. However, an expected overrun is anticipated for FY25-26 as Change Order 4 is in progress to extend the ERP implementation to July 2026.

DISCUSSION:

The last update provided to the committee was August 2024, covering the project's progress since November 2023. It was communicated that Change Order 3 was required to revise the implementation approach and project schedule to accommodate the County's request to focus on the integrated business processes and address functional gaps.

Significant progress has been made towards ERP functional gap resolution. However, due to County resource constraints critical tasks remain to be completed, therefore impacting the project schedule. The objective is to provide the committee with an update on project progress and FY23-25 project expenditures to Fund 478 (ERP Resource Planning, sub fund ERP) since the last report. In addition, an update will be provided on Change Order 4 budget impacts.

Scope:

Project scope remains a key Risk item due to functionality concerns that were raised by the Auditor Controller and CAO-Contracts and Purchasing departments earlier in the project. Significant progress has been made by the implementor in resolving the ERP functional gaps.

The Human Resources Department has identified some potential gaps and concerns as well based on the second conference room pilot. These issues have been documented and the project team will continue to work with the implementor to resolve.

Schedule:

The EPM phase went Live in December and the County is currently utilizing Oracle to develop the FY25-26 budget.

There were previous schedule delays with the ERP phase due to the functionality concerns. These

delays impacted the HCM and EPM phases as the Oracle solution is tightly integrated and modules are dependent upon one another.

Change Order 03 was approved to revise the implementation approach and schedule based on County feedback and the schedules were revised as follows:

- Enterprise Performance Management (EPM - Budgeting) Current Go Live - November 2024/ No Change
- Enterprise Resource Planning (ERP - Financials) Current Go Live - April 2025 / Revised Go Live July 2025
- Human Capital Management (HCM - Human Resources)   Current Go Live - July 2025/ Revised Go Live October 2025

Change Order 4 is needed to address the following:

- ERP Go Live - Change from July 2025 to July 2026
- HCM Go Live - Remains January 2026
- The project schedule and meeting cadence is not sustainable for the County
- Some key ACO staff are having to support both the project and operational needs
- Complete Interface development
- A critical gap for CAO Contracts & Purchasing will require a custom solution to be built (Estimated 6-month effort)
- Billing to Cash Extension Development
- Project Costing department participation needed
- Additional time needed to increase department participation in discovery and CRP sessions. Operations and other projects take priority

Budget:

The FY23-24 budget surplus of $3,104,820 was reduced by $760,000 to $2,344,820 due to an adjustment from the Auditor Controller's Office for staff time not captured correctly within FY23-24.

The FY24-25 Planned Budget has been adjusted to $10,003,923 to include the additional cost for Change Order 03.

The FY25-26 Planned Costs have been adjusted to $5,674,632 to include the additional costs for Change Order 4.

As of January 13, the total expenses to date including pre-implementation phase total $10,352,012. With the most recent Change Order the budget overrun is estimated to be $75,000. The estimated overrun assumes County resource costs remain within budget and the HCM phase remains on track for a January 2026 Go Live.

<u>**Resources:**</u>

The Auditor-Controller has had 5 full-time dedicated staff supporting the project. In addition, there is an equivalent of 2.3 FTEs that support the project on a part-time basis. Due to operational Calendar Year End activities, some key ACO staff are not available to support the project for the month of January. Beginning in February, ACO will have 4 full-time dedicated staff and an equivalent of more than 6 FTE's supporting the project on a part-time basis going forward.

 The Human Resources Department has 3 full time dedicated and CAO Contracts and Purchasing has 2 full time dedicated staff.

There has also been some transition of key staff for both the Implementor and County which has also resulted in delays due to loss of history and knowledge.

<u>**Change Order History:**</u>

Three Change Orders have been approved to date, impacting the project schedule without affecting the overall budget. One new Change Order (CO04) is in progress to move the ERP Go Live to July 2026. CO04 may result in a budget overrun based on current estimates.

- CO01 approved in October 2023 to move up the 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 October 2024 to grant the 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.
- NEW CO04 is in progress to revise the implementation timeline for Enterprise Resource Planning (ERP-Financials) from July 2025 - July 2026 and additional implementation services cost of $1.9M. The total cost to extend the timeline will also include estimated costs for County resources and Oracle licensing for the total amount of $5.6M. The Graviton Consulting Services agreement will need to be extended to support the revised timeline.

OTHER AGENCY INVOLVEMENT:
The implementation project team will be led by 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. An update will be provided to the Board of Supervisors in February 2025.

FINANCING:
With the most recent Change Order 4, there is a projected budget overrun for FY25-26 of $75K. 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. The available fund balance of the Enterprise Resource Planning project as of 01/13/25 is estimated at $20,866,883 which includes earned interest. Total Expenditures through December 2024 are $10,352,012 with a current estimated fund balance of $10,514,871 as of 1/15/25.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:
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.

__Economic Development

X Administration

__Health & Human Services

__Infrastructure

__Public Safety

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