County of Monterey

Board Report

Item No.6

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 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 is an anticipated cost overrun of $1,905,391 for FY25-26 as a result of Change Order 4 to extend the ERP implementation to July 2026.

DISCUSSION:

The last update provided to the committee was January 2025, covering the project's progress since November 2023. 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.

The objective is to provide the committee with an update on project progress and FY24-25 project expenditures to Fund 478 (ERP Resource Planning, sub fund ERP) since the last report.

Scope:

Significant progress has been made by the implementor in resolving ERP (Enterprise Resource Planning) functional gaps. The County Project Team and Departments are currently participating in the fourth round of system validations (Conference Room Pilot 4). Processes being validated include General Ledger, Billing, Cash Management, Accounts Payable, Accounts Receivable, Purchasing, Contracts, Asset Management, Expenses, and Projects/Grants.

The Human Resources Department had identified potential gaps and concerns for HCM (Human Capital Management) based on the second conference room pilot held last year. The System Implementor continues to work with the County Subject Matter Experts to address functional gaps and system feedback through subsequent Conference Room Pilots and System Testing.

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.

ERP (Financials) Go Live July 2026 remains on track.

HCM (Human Capital Management) Go Live currently remains January 2026, however it is at risk due to County resource constraints, System Implementor Subject Matter Expert attrition, remaining critical tasks, and scheduling delays. There is a critical dependency on accurate Payroll and is the highest priority for the Project Team. A Go/No Go Check-In will be held November 1st and a Final Go/No Go Check-In will be held after User Acceptance Testing (beginning of December).

Budget:

FY24-25 Actual Costs resulted in a budget underrun of $610,954.

Due to the additional costs for Change Order 4 to extend the Oracle ERP (Enterprise Resource Planning) Go Live from July 2025 to July 2026, the FY25-26 budget shortfall is estimated to be $1,905,391. The funding shortfall is expected to occur in March 2026. The overall budget shortall is estimated to be $2.6M.

As of June 2025, the total expenses to date including the pre-implementation phase total $14,198,635. With the most recent Change Order the overall budget overrun is estimated to be $2,601,703. The estimated overrun assumes County resource costs remain within budget and the HCM phase remains on track for January 2026 Go Live. Extending the HCM Go Live beyond January 2026 may impact the ERP July 2026 Go Live which will have additional budget implications.

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

There is an average of 22 FTE between 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.

· ACO 10.72
· CAO 3.75
· HRD 3.0
· ITD 5.5

Some key staff are still required to support operations on an ongoing basis. As of July 2025, dedicated staff are now reporting on site at the project co-location site (1488 Schilling Pl.) to increase collaboration and communications on joint high priority tasks.

The System Implementor has been experiencing attrition with key project staff which has resulted in loss of project and County Business Process knowledge continuity.

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

Four Change Orders have been approved to date, impacting the project schedule with Change Order 4 resulting in an estimated overall budget overrun of $2.6M.

· 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 October 2024 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

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 November 2025.

FINANCING:

With the most recent Change Order 4, there is a projected budget overrun for FY25-26 of $1,905,391. 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 June 2025 are $14,198,635 with a current estimated fund balance of $6,668,248 as of 7/15/25.

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.

_____ 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

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Attachments:
ERP Replacement Budget Update