FROM: EXECUTIVE OFFICE AND HUMAN RESOURCES, AUDITOR-CONTROLLER:

SUBJECT: EXECUTIVE OFFICE/HUMAN RESOURCES/AUDITOR-CONTROLLER: Approve and Execute the Agreement with Workday, Inc. for Human Capital Management System for five (5) years with one (1) additional five (5) year renewal, All Districts. Total Cost $32,375,416; Department Budgets 100% (Vote Separately)

RECOMMENDED MOTION: That the Board of Supervisors:
1. Approve the Master Subscription Agreement between the County of Riverside and Workday, Inc. for Human Capital Management Subscription Services for $2,611,949 annually for five (5) years, with the option to renew for five (5) additional years with a five (5) percent increase, or $2,742,546 annually and authorize the Chairman of the Board of Supervisors to execute said Agreement;
2. Approve the Professional Services Agreement between the County of Riverside and Workday, Inc. for implementation services to deploy the Human Capital Management Subscription Services in fifteen (15) months with a not to exceed total of $4,033,225 and authorize the Chairman of the Board of Supervisors to execute said Agreement;
3. Approve the financing of $10,586,751 with IBM Credit Financing which includes the implementation costs, first two years of training and subscription, project management costs and financing interest and direct the Executive Office to return to the Board with the Master Lease Agreement for execution as approved by County Counsel, and;
4. Authorize the Purchasing Agent, in accordance with Ordinance No. 459, based on the availability of fiscal funding and as approved by County Counsel to: sign amendments that do not change the substantive terms of the Agreement; and sign amendments to the compensation provisions that do not exceed 10% annually for either agreement.

ACTION: Policy
MINUTES OF THE BOARD OF SUPERVISORS
FINANCIAL DATA

<table>
<thead>
<tr>
<th>COST</th>
<th>Current Fiscal Year:</th>
<th>Next Fiscal Year:</th>
<th>Total Cost:</th>
<th>Ongoing Cost</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$435,452</td>
<td>$1,874,214</td>
<td>$32,375,416</td>
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NET COUNTY COST

<table>
<thead>
<tr>
<th>SOURCE OF FUNDS:</th>
<th>Department Budgets 100%</th>
<th>Budget Adjustment:</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>For Fiscal Year: 2018-2027</td>
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</tbody>
</table>

C.E.O. RECOMMENDATION: [CEO use]

BACKGROUND:

Summary

The County’s current on premise Human Resources Management System software Oracle PeopleSoft has come to the end of its useful life on the current version, which was deployed in 2008. The software provider has released updated versions of the software, however, the significant upgrade costs and resource-intensive upgrade deployment activities have been unable to be accomplished. Additionally, other approaches to HRMS software now include cloud-based systems that are viable for County business operations. The County is faced with the decision of having to upgrade and change its current Human Capital Management System (HCMS) because the system will no longer be supported by the current vendor. Because this type of change to a countywide system involves significant costs, the County researched and began a process to identify options for its approach to the Human Capital Management (HCM) system. An optimal solution was sought to cover all human resources requirements including talent management, recruitment, onboarding, time and labor, payroll and employee benefits administration.

An analysis of the current system revealed that functionality is very limited and the vendor (Oracle PeopleSoft) is no longer supporting the current version of the system. Additionally, RCIT has limited resources to support the existing system or to expand on supporting additional HR service modules. The risk of a system failure will increase in the coming months, and without continuous investment in keeping the system up to date. In addition, the current system lacks functionality for Human Resources Department business process requirements such as supporting mobile devices, and a significant number of customizations exist that have become burdensome to maintain. Every upgrade requires reconfiguring the customizations for the new version. Estimates to perform these tasks ranged from $5 million per year and higher. Even with the upgrade of the current version, the County would have had to undertake a considerable effort to put in place any new functionality.

With the assistance of primary stakeholders that included the Auditor Controller’s Office, Human Resources Department and RCIT, the Executive Office directed a team to undertake a project to research leading business practices and the best software solutions for a HCM system. This effort is consistent with the Board’s policy to utilize information technology management systems to meet the County’s business needs and improve the delivery of services to the citizens of Riverside County.
During the research phase, KPMG was added to the project team to guide the project and assist the County with the review and the value analysis of several different options. Based on the team’s research, the County identified that adopting the Software as a Service (SaaS) model for its HRMS platform would be the best solution. The selection of this model was primarily based on:

- The ability to standardize the business practices of the County to vendor and public sector best practices;
- Savings offered by the cloud-based model where infrastructure of the system is managed by the vendor;
- Elimination of the burdensome upgrade process and associated upgrade deployment and project management cost;
- The ability to always remain current with the version of the software because the vendor releases new features on a more frequent schedule to all customers on the cloud-based platform;
- Reduced need of County of Riverside programming staff to maintain ongoing operation of the system; and
- The ability to secure a fixed price model for the project to afford the county better planning of budgets.

The team identified leading vendors that could provide the SaaS model and began the review of their product capabilities. After various demonstrations and the conclusions of the evaluations, the project team recommends awarding Workday to provide the county with a new a human capital management system. The system will be comprised of the following modules: Core Human Capital Management, Benefits, Compensation, Absence, Talent, Onboarding, Time Tracking, Recruiting, and Payroll. The total contract with Workday for the cloud-based software service and associated implementation services is $31.3M (implementation, training and subscription). Typically, these types of projects would require payment from current funding while the project is accomplished; however, Workday has provided a financing option through IBM Credit Financing that will provide a five-year financing plan at a fixed interest rate of approximately ranges from 2.23% to 2.26% based on schedule. The Executive Office recommends financing the start-up costs of implementation, first two years of training and subscription, and project management costs for a total of $10,586,751 with IBM Credit Financing.

The Executive Office and project team also recommends that due to size and complexity of this project that there is a need to subcontract for project management. This role will assist in implementing the project and any changes required for the county. The estimated cost for project management is approximately $562,980 and it is included in the finance cost with IBM.

**Impact on Residents and Businesses**
The citizens will benefit from the County having software that will provide efficiencies and cost saving in the range of $70-80 million over the next 10 years and will result in significant soft cost savings. This will allow departments to benefit from up to date human resources management system capabilities that will help to relieve administrative burdens of existing business processes. The implementation of a SaaS solution will also provide prospective employees with a smooth onboarding experience.

SUPPLEMENTAL:

Additional Fiscal Information:
Because Workday is a cloud solution, it is also easier, quicker, and less costly to implement and operate than traditional on premise enterprise systems. KPMG conducted a value analysis to determine the cost to maintain the current on premise Human Capital Management system and concluded that moving to this new system would be the most cost effective choice for the county. The estimated total cost of operations to maintain the current Oracle PeopleSoft system through 2022 would be $231.6 million. The estimated total cost of operations through 2022 for Workday would be $206.6 million resulting in an estimated savings of $25 million over 5 years. In other words, the cost of the system itself is projected to cost departments less than the current OASIS system. Also, the increased labor costs throughout the County and the range of $45-55 million. RCIT will pick up the cost of the lease payment for FY 2017/18. Future year lease payments and Workday subscription costs will be charged through a rate structure similar to the one being used for PeopleSoft.

Total Project Cost includes the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Implementation</td>
<td>$4,033,225</td>
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<tr>
<td>Project Management Costs</td>
<td>562,980</td>
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<td>Training/Learning</td>
<td>451,360</td>
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<td>Subscription</td>
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<td>Interest for Financing</td>
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<td><strong>Total Project Cost</strong></td>
<td><strong>$32,375,416</strong></td>
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Contract History and Price Reasonableness
KPMG developed an assessment approach for the evaluation of the vendors that focused on key elements of: functional capabilities, technical capabilities, current user references and total
cost of HR, payroll and IT costs over a ten-year period. The evaluation team consisted of technical and functional stakeholders from the Executive Office, Auditor-Controller’s Office, the Human Resources Department, and RCIT.

The team evaluated the leaders in the SaaS model and reviewed the HCM solutions offered by three (3) leading HCM vendors. The primary stakeholders developed specific use cases for the vendors to respond to and the vendors were provided the County’s security criteria. The evaluation team held separate sessions with each vendor to review their approach to data security, system availability and system backup approaches. Vendors were also allowed to present additional capabilities of their SaaS model. Each vendor was asked to provide three (3) references preferably from the public sector. Vendors were provided a pricing template to ensure that each vendor supplied proposed costs in a format that allowed clear comparison between each of them. Vendors provided initial pricing and were given opportunities for best and final offers. With KPMG’s assistance with negotiations, initial offers to final offers were reduced by 14 - 32%.

Based on meeting the use cases criteria, functionality, technical approach, security criteria, references, and the final pricing, Workday presented the overall best solution at a project cost of $31,257,060 (implementation, training and subscription). The County will utilize the National Cooperative Purchasing Alliance (NCPA) contract award with Workday for the HCM procurement. Riverside County Ordinance 459.5 provides for utilization of cooperative purchasing arrangements to obtain volume discounts from the efforts of statewide and/or nationwide solicitations.

On July 30, 2015, NCPA released a formal RFP#16-15 for Cloud Administrative Solutions that was advertised in USA Today as well as on the NCPA website. The solicitation was delivered to 22 vendors, of which four (4) vendors responded to the solicitation. The bidders were evaluated based on pricing, ability to service the contract, references, technology, and value added products and services. NCPA awarded Workday contract #11-15 from October 1, 2015 to October 31, 2017 with the option to renew for three (3) additional one (1) year periods.

The pricing and terms from the NCPA contract provided the base contract pricing for the HCM procurement. Workday has arranged for financing through IBM Credit Financing, which will provide a five-year financing schedule at a fixed interest rate of approximately ranges from 2.23% to 2.26% based on lease schedule. The Executive Office will return to the Board for approval of the master lease financing agreement with IBM. The tentative financing plan will provide for the first payment on the project on 01/31/2018 and last payment will be due on 07/31/2022.
SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA

Susana Garcia-Bocanegra  6/15/2017
Michael Stock, Assistant HR Director of Human Resources  6/13/2017
Dave Rogers, Chief Information Officer  6/14/2017

Lisa Brandl, Director of Purchasing and Fleet Services  8/13/2017
Gregory V. Piarros, Director County Counsel  6/15/2017