



DISCUSSION

City of San Bernardino Request for Council Action

Date: November 20, 2024

To: Honorable Mayor and City Council Members

From: Rochelle Clayton, Acting City Manager;
C. Jeannie Fortune, Interim Director of Finance & Management Services

Department: Finance & Management Services

Subject: **Approval of the ERP Migration Plan and Associated Agreements for Oracle Cloud, Data Conversion, and Supplemental Staffing Services (All Wards)**

Recommendation:

It is recommended that the Mayor and City Council of the City of San Bernardino, California:

1. Approve the migration plan for Financial, Budget, and Human Capital Management (HCM) and the related Applications Software Technology, LLC (AST) for systems integration for a not to exceed amount of \$6,000,000 (which includes a 10% contingency) for the term beginning January 1, 2025 and ending February 28, 2027;
2. Authorize the City Manager, or designee, to sign the agreements, make ministerial revisions and any subsequent amendments to the scope of work without increase to the contract award amount, subject to the review and approval by the City Attorney as to form;
3. Authorize the City Manager, or designee, execute seven (7) optional one-year amendments at approximately \$500,000 annually for FYs 2026-27 through 2032-33;
4. Authorize the City Manager, or designee, to execute a Professional Services Agreement with Onsite Computing for data conversion services for an amount not to exceed \$780,000 (includes a 10% contingency) and execute all documents to effectuate the Agreement for the term beginning January 1, 2025 and ending December 31, 2026; and

5. Authorize the City Manager, or designee, to execute a Professional Services Agreement with MV Cheng & Associates for supplemental staffing services for an amount not to exceed \$1,937,000 (includes a 10% contingency) and execute all documents to effectuate the Agreement for the term beginning January 1, 2025 and ending December 31, 2026.

Executive Summary

Approval of the Migration Plan for the City's ERP system is beneficial to both the organization and its constituents, because newer ERPs are more comprehensive software systems that help organizations automate and manage core business processes for optimal performance. Specific to government entities, an ERP solution is often the pillar financial information system used to record and manage all financial records, to minimize risk by improving financial controls and improving compliance with local, state and federal requirements, government accounting and audit related standards. A new robust ERP system will provide comprehensive solutions used across multiple City functions, including but not limited to budgeting, general ledger, payroll, business license collection, accounts receivable, accounts payable, cash management, purchasing, financial reporting and human resources.

Background

The City of San Bernardino was awarded \$77,656,407 under the American Rescue Plan Act (ARPA). The City received half of the funds in May 2021, and the remainder of the funds in May of 2022. On July 19, 2023 staff presented an ARPA Update to the Mayor and City Council. At that time, \$10,000,000 in ARPA funds was allocated to fund the City's Enterprise Resource Planning (ERP) systems for financial, budgeting, and human capital management and the Land Management system (LMS) to improve city-wide operations, streamline processes related to permitting, building safety, and other land management functions. Investing in IT infrastructure and the ERP system will not only allow the City to provide more efficient service, but also enable the City to provide better and more transparent reporting to the Mayor and City council, and to the public. Staff's estimate that a system able to serve all of these financial, budgeting and human resources needs, with implementation and technology infrastructure upgrades to support it, will cost approximately \$9.39 million, with \$6.67 million using part of the ARPA's allowed standard allowance of \$10 million. The ARPA balance of \$3.33 million will be used to fund the City's Land Management System (LMS) implementation (\$3.2m) and the economic development software (\$130k) previously approved by City Council.

In reviewing the City's organizational needs, staff identified that the new ERP system should meet the following objectives and requirements:

- Consolidate information, link processes and functions, and eliminate separate departmental spreadsheets/Access databases in favor of a single system that integrates the City's financial and non-financial applications through a common database.
- Upgrade from outdated menu drive solution to new system with expanded

- features and capabilities.
- Streamline business processes to take advantage of best practices through automation, integration, and workflows.
 - Provide a user-friendly and intuitive user interface to promote system use and productivity.
 - Expanded budget and planning tools/capabilities.
 - Eliminate the need for redundant data entry.
 - Eliminate the need for manual input when preparing various financial documents, including the annual budget and preparation of the Comprehensive Annual Financial Report (ACFR).
 - Improve and/or provide necessary reports and reporting capabilities, and access to data through inquiry or drilldown capabilities.
 - Provide interface capabilities with third-party systems.
 - Direct integration with other key City systems, including but not limited to cashiering system, and Accela permitting system.
 - Established cybersecurity system/processes in place to ensure security and privacy of City’s financial records.
 - Phased implementation of all modules within 24 months from contract signature.
 - Robust technical support for implementation phase of project, as well as on-going support during term of service.

Discussion

To ensure a successful implementation, the City has programmed staff, outside resources, set aside much needed funding described in detail below.

ENTERPRISE RESOURCES PLANNING (ERP) System

Understanding the significant financial and human resources investment required for this effort, the City’s overall approach and end goal is to successfully replace the existing system with a comprehensive ERP system that is designed around best practices, consolidates and streamlines existing functions, and integrates with other key technology systems, thereby allowing the City to streamline and improve processes that result in timely, accurate, and easy-to-access information.

To accomplish this, the City first reviewed its business processes, along with ClientFirst, the City’s project management consultant, identified streamlining and synergistic opportunities, considered the numerous ERP systems on the market, selected the best product, negotiated a competitive contract, and will now oversee the system’s implementation.

RFP #F-23-70 was posted on September 14, 2023, and 13 proposals were received from the following vendors:

PROPOSED IMPLEMENTOR	APPLICATION
1. Alight Solutions	Workday - Can/AM Teller
2. Application Software Technologies (AST)	Oracle Cloud – Can/AM Teller

PROPOSED IMPLEMENTOR	APPLICATION
3. CentralSquare Technologies	Finance Enterprise
4. Cognizant	Workday - Can/AM Teller
5. DLT Solutions	Infor - Questica
6. Ellipse Solutions	Microsoft Dynamics
7. Harris Computer Systems	Harris ERP
8. Highstreet IT Solutions	Workday - Can/AM Teller
9. OpenGov	OpenGov
10. Oracle	NetSuite for Government
11. Phoenix Business Consulting	SAP S/4HANA
12. Sierra Cedar	Oracle Cloud – Can/AM Teller
13. Tyler Technologies	Enterprise ERP (Tyler Munis)

A comprehensive evaluation of the proposals involved staff from the City Manager’s Office, Human Resources, and Finance departments. Proposals were reviewed and ranked based on the following criteria: qualifications and experience of the firms, proposed team and organization, proposed technical project approach, and cost proposal.

Three vendors progressed to the interview/reference phase based on the RFP response:

PROPOSED IMPLEMENTOR	APPLICATION
1. Application Software Technologies (AST)	Oracle Cloud – Can/AM Teller
2. Highstreet IT Solutions	Workday - Can/AM Teller
3. Tyler Technologies	Enterprise ERP (Tyler Munis)

The City chose AST as the most responsible bidder that will meet the City’s needs. AST was founded in 1995 with corporate headquarters in Lisle, IL with over 500 employees world-wide. AST has more than 25 years of experience which includes projects in which customers were migrated an older, legacy ERP to the proposed Oracle Cloud software. A distinct feature that distinguished AST was their extensive experience in the public sector. Of AST’s 100 clients, 68 were public sector customers.

AST staff are experts in their designated roles as many of the consultants served in government accounting, budgeting and procurement positions prior to joining AST. Additional factors that led to the selection of AST include their experience with other City and County clients, extensive library of county government “best practices”, proven solutions for government specific issues, user-friendly training materials, outstanding references, clear milestones and deliverables and their emphasis on change management.

AST proposes implementing the financial, budgeting, and human capital management

Oracle Cloud applications to address the City's business requirements. Services will include project management, change management, design, chart of accounts review, system configuration, development, and data conversion. Testing and preparation for Go-live activities will include training materials and classes. Oracle ERP Cloud standard reports will be developed as part of the implementation.

AST will configure the Enterprise Performance Management (EPM) module of the Oracle Cloud as a solution to complete the planning and budgeting process. The application will deliver the planning, data management, and narrative reporting functions related to budgeting. The implementation will be a collaborative approach between AST and the City. As such, City resources will be assigned to support the project. City staff will be required to manage the project and provide functional support. The staffing plan includes project governance, management, subject matter experts, and functional and technical staff. The project's one-time implementation cost is estimated at up to \$6 million, being funded by ARPA funds.

The Mayor and City Council have previously approved the commitment of \$10 million of American Rescue Plan Act (ARPA) funds to support the ERP project. In addition to the ARPA funds, approximately \$5 million of the Information Technology approved budget has been invested to support the ERP acquisition to substantially cover the one-time costs associated with the implementation. Any project savings may be used to offset ongoing subscription costs, which will be charged to Departments based on the standard internal service fund cost allocation methodology.

Approval is requested to contract with AST based upon RFP #F-23-70 issued by the City of San Bernardino on September 14, 2023. The effective date of the contract is January 1, 2025, through February 28, 2027.

DATA CONVERSION

Data conversion consists of taking data from the City's existing ERP system (New World), translating/converting said data into a format that can be uploaded into the new system, and transferring the entire data set into the new ERP system. The City expects to convert 5 years of historical data into the new system.

Items for consideration during data conversion are:

- Analyzing the City's baseline data, taking into consideration related quantity, quality and integrity of the City's general ledger accounts, employee records, purchasing records, etc.
- Assessing the City's open transactional data. This includes all open accounting transactions, such as: purchase orders, budget amendments, etc.
- Assessing the City's historical data that will be imported into the new ERP over the 5-year period the City would like to import, whether only account balances are imported, or transactional data will be imported.
- Data testing to validate the mapping according to the pre-set rules and reconcile with the original data sources.

The City is requesting City Council to approve a Professional Services Agreement with

Onsite Computing to implement the City's data conversions. Onsite Computing, Inc (OSCI), is a local Corona California based DVBE (Disabled Veteran Owned Business Enterprise) that has been serving California organizations both public and private sector since 2001. Onsite Computing has a proven track record for being able to provide professional technology services for a wide range of industries including manufacturing, financial, medical, law firms, government, logistics, and non-profits. Their team of experienced technicians, engineers, and project managers have a wide array of skill sets and professional industry certifications from CompTIA, AWS, Microsoft, Cisco Networks, and other leading technology organizations. Onsite Computing has completed projects which include data conversions and migrations from legacy databases to modern SQL based systems. Including converting legacy systems to modern Epicor ERP systems for multiple manufacturing and logistics companies. Additionally, they have provided migrations for legacy financial and traffic control software and infrastructure systems to AWS GovCloud for other cities. Finally, they provide managed and co-managed IT services to a wide variety of businesses, agencies, and non-profit organizations. The City of San Bernardino needs experienced SQL database conversion IT consultants such as Onsite Computing. Through over two decades of providing IT consulting and advisory services, Onsite Computing has built a reputation for delivering on time, quality services, and solutions to its clients.

SUPPLEMENTAL STAFFING

Staff seeks approval to enter a Professional Services Agreement with MV Cheng & Associates for temporary staffing support while implementing the City's Enterprise Resource Planning (ERP) system. The contracted personnel will assist with daily operations, allowing City staff to focus on key tasks such as system integration, data migration, user training, and technical support. This temporary staffing will help ensure the smooth integration of the ERP system into municipal functions, minimizing disruptions and meeting project deadlines. MV Cheng & Associates specializes in providing skilled temporary staffing for organizations undergoing similar large-scale projects, ensuring that the personnel on board are well-trained and capable of performing necessary functions with minimal onboarding time. This will maintain operational continuity and efficiency. Additional temporary staffing will be critical for the Finance, Information Technology, and Human Resources departments. City staff must focus on validating financial workflows, troubleshooting technical issues, and migrating employee data without neglecting daily operations. The investment in temporary staffing, supported by reserves from the Information Technology budget, will be offset by the benefits of maintaining uninterrupted services while ensuring the successful implementation of the ERP system. The contracted personnel will include the following positions below from January 2025 through December 2026, with a detailed cost breakdown provided in the table below.

Department	Position	Duration	FTE	Total Expense
Finance & Management Services	Accountant II	12 Months	1	75,438.00
Finance & Management Services	Accounting Technician III	12 Months	3	183,626.00
Finance & Management Services	Buyer	12 Months	1	68,030.00
Finance & Management Services	Management Analyst II	12 Months	1	85,841.00
Finance & Management Services	Management Analyst II	9 Months	1	63,317.00
Finance & Management Services	Financial Consultant	12 Months	1	200,000.00
Human Resources & Risk Management	*Human Resources Analyst II	12 Months	2	180,609.00
Human Resources & Risk Management	*Supervising Human Resources Analyst	12 Months	1	107,730.00
Information Technology	Network Systems Administrator	24 Months	1	222,175.00
Information Technology	Information Technology Analyst II	24 Months	2	364,355.00
Information Technology	Senior Information Technology Analyst	24 Months	1	209,921.00
Total			15	1,761,042.00

Salary expenses for Fiscal Year 2025 account for the cost-of-living adjustments (COLA) as outlined in all existing MOUs. For Fiscal Year 2026, a 2% wage increase is projected across all positions, while Fiscal Year 2027 includes a 2% increase to accommodate further COLAs.

Finance and Management Services

The ERP implementation requires a significant focus on ensuring that financial processes are accurately integrated into the new system. This includes ensuring that accounting, payroll, budgeting, and financial reporting functions are seamlessly migrated. The level and extent of Finance related configuration, testing, and set-up required for the transition will require such support, to ensure the most efficient implementation process, while balancing on-going financial operations. It is important to note, that regular financial operations will need to continue uninterrupted during the implementation of the new ERP system. Additional temporary staffing will be essential to manage ongoing daily tasks such as accounts payable, receivable, and general ledger maintenance. Permanent City staff will focus on validating the financial workflows, resolving system issues, and ensuring compliance with financial regulations.

Information Technology

IT will be a central player in configuring the ERP system, managing data migration, troubleshooting technical issues, and supporting system security throughout the implementation phase. With such a large-scale project, existing IT staff will be heavily involved in system integration, security protocols, and ongoing testing. Temporary IT personnel will allow the department to continue supporting other essential citywide IT operations such as network management, system maintenance, and troubleshooting for non-ERP systems. This ensures that critical IT functions remain intact while focusing on the ERP project.

Human Resources

The HR team will play a critical role in the migration of employee data, payroll systems, and benefits administration. Implementing the ERP system will involve significant changes to how HR data is stored, accessed, and reported. The added workload of training staff, addressing employee concerns, and ensuring that the new system

complies with employment laws will require temporary HR support. This will ensure that daily HR operations, such as recruitment, onboarding, and employee relations, continue to function without disruption.

The Agreement with Onsite Computing for data conversion services and MV Cheng & Associates for supplemental staffing is being brought forward for the Mayor and City Council's approval in accordance with Section 3.04.010 D.3. of the City's Municipal Code and Section V (e) of the City's Purchasing Policy (Attachment 11). As outlined in both the Municipal Code and Purchasing Policy, a purchase that is otherwise approved by the action of the Mayor and City Council in a public meeting is exempt from the City's Purchasing Policy.

2021-2025 Strategic Targets and Goals

Investments in the community using the American Rescue Plan funds support Key Strategic Goal 2. Focused, Aligned Leadership and Unified Community, b. Evaluate operations and performance, investment in resources, technology, and tools to continually improve organizational efficiency and effectiveness; and Goal 3. Improved Quality of Life.

Fiscal Impact

The total estimated cost for the ERP Migration project is detailed below:

Funding Sources	Project/Vendor	Amount
1. ARPA	ERP System - AST	\$6,000,000
2. ARPA	City - Internal Staffing	\$670,000
3. IT Adopted FY2024-25 Budget	Onsite Computing – Data conversion	\$780,000
4. IT Adopted FY2024-25 Budget	MV Cheng & Associates – Supplemental Staffing	\$1,937,000
	TOTAL PROJECT ESTIMATE	\$9,387,000

Approval of this project has no fiscal impact on the General Fund.

Conclusion

It is recommended that the Mayor and City Council of the City of San Bernardino, California:

1. Approve the migration plan for Financial, Budget, and Human Capital Management (HCM) and the related Applications Software Technology, LLC (AST) for systems integration in the amount of \$6,000,000 (which includes a 10% contingency) for the term beginning January 1, 2025 and ending February 28, 2027;
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Attachments

Attachment 1	AST Professional Services Agreement
Attachment 2	Oracle OD - Software Ordering Document
Attachment 3	Oracle PaaS - Software Ordering Document
Attachment 4	Exhibit A Subscription Pricing Details
Attachment 5	Oracle Reseller - Business Associate Agreement
Attachment 6	CanAm Teller Agreement
Attachment 7	CanAm Teller Agreement SOW Exhibit C
Attachment 8	Public Sector Agreement for Oracle Cloud Services
Attachment 9	Onsite Computing Professional Services Agreement
Attachment 10	MV Cheng and Associates Professional Services Agreement
Attachment 11	Purchasing Policy

Ward:

All Wards

Synopsis of Previous Council Actions:

N/A