



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Award a Contract to Sierra-Cedar, Inc. in the amount of \$4,025,000 for Implementation Services for an Oracle Cloud Enterprise Resource Planning System (F19-221)

REPORT IN BRIEF

Approval is requested to award a Contract to Sierra-Cedar, Inc. in the amount of \$4,025,000 which includes \$3,842,500 in base services and \$182,500 in optional services for Implementation Services for an Oracle Cloud Enterprise Resource Planning System. Approval is also requested for a 10% contingency in the amount of \$384,250.

EXISTING POLICY

Pursuant to Section 2.08.040 of the Sunnyvale Municipal Code ("SMC"), City Council approval is required for the procurement of goods and/or services exceeding \$100,000 in any one transaction.

In addition, pursuant to Section 2.08.060 of the Sunnyvale Municipal Code the purchasing officer may engage a competitive negotiation procurement and enter into negotiations with the persons reasonably likely to be considered for selection of contract award based on best value to the city and evaluation criteria set forth in the proposal documents. Moreover, SMC Section 2.08.230 states that when a contractor fails to deliver goods or services in the quality, quantity, manner and time specified in the contract, such goods and/or services may be obtained from any source.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonable foreseeable indirect physical change in the environment.

BACKGROUND AND DISCUSSION

In June of 2017 the City issued a Request for Proposals (RFP) for the purchase and implementation of an Enterprise Resource Planning (ERP) System to replace the City's legacy financial and human resources systems. The RFP sought an integrated solution for the City's core financials, human resources, and payroll systems. An evaluation team consisting of staff from the departments of Finance, Human Resources, and Information Technology evaluated the eight proposals. After a comprehensive evaluation process the team recommended the City negotiate with CherryRoad Technologies, Inc. of Morris Plains, NJ (CherryRoad) for the purchase of the Oracle Fusion Cloud platform suite, other necessary third party tools, and implementation services.

In August of 2018, Council awarded a ten-year agreement in the amount of \$12,072,676 to CherryRoad for the implementation services, Software-as-a-Service (SaaS) cloud licensing of the Oracle Fusion Cloud platform suite for an ERP, and licenses for associated third party tools.

Subsequently, the City began the implementation with CherryRoad. After approximately six months, with the project partially underway, the City's ERP Executive Steering Committee elected to part ways with CherryRoad by terminating the agreement and engaging a different service provider to complete implementation services. In the meantime, the project team has continued making progress on project tasks (e.g., data mapping/conversion) and business process changes (e.g., change in accounting periods).

In accordance with the SMC Section 2.08.230, the City engaged three qualified companies, recommended by the product vendor, through a competitive negotiation to select a firm that would restart the implementation services of the Oracle Fusion Cloud ERP. Through an expedited review process that included the departments of Finance, Human Resources, Information Technology and the City Manager's Office, staff evaluated initial proposals, conducted interviews and checked references with each proposer. After this review, staff initiated detailed negotiations with Sierra Cedar Inc., identified as the best qualified proposer, for implementation services.

Contract negotiations proceeded with a City negotiating team, consisting of the ERP Executive Steering Committee (Assistant City Manager, Finance Director, Human Resources Director, and Chief Information Officer), the project leads from the project team, a representative from the Office of the City Attorney and the Purchasing Officer. Negotiations included discussions that reviewed the Master Services Agreement (MSA) and the detailed implementation Statement of Work.

Implementation Approach

Successful implementation of an ERP is a very resource intensive and focused effort. The Sunnyvale ERP project constitutes the following rollouts of functionality, which is described in further detail in the Statement of Work:

- Rollout I - Financials: General Ledger (Chart of Accounts), Vendor Management, Purchasing/eProcurement, Accounts Payable, Accounts Receivable, Inventory/Warehouse Management, Fixed Asset Management, Contract Management, Bank Account Management & Reconciliation, Cashiering & Till Management, Expenses, Projects & Grants
- Rollout II - Human Capital Management (HCM): Payroll, Time Entry, Human Resources, Benefits, Leave Management, Performance Reviews/Management, Risk Management, Certification/Training/Learning Management/Career Development, and Expense reporting

Overall, the project will consist of implementing the following Oracle products:

- Fusion Financials Cloud
- Fusion Procurement Cloud
- Supply Chain Management Cloud
- Fusion Human Capital Management Cloud
- Fusion Talent Management Cloud
- Expense Cloud
- Learning Cloud

The timeline targets a system going live for Rollout I in September of 2020 and Rollout II in April of 2021. The solution will also include at least one additional third party product from CanAm Technologies, called Teller Point of Sale System. Staff is currently working through the details of this implementation and software contract and anticipates bringing it to Council within the next several months. Staff is also evaluating, through the implementation process, the need for tax reporting services from ADP Payroll Services. Should this be required a separate agreement will also be negotiated and brought to council if required.

The following are potential optional products to be implemented within Oracle:

- Planning & Budgeting Cloud Service (not included in this agreement)
- Enterprise Performance Reporting Cloud Service
- Fusion Project Portfolio Management Cloud

Documents to Approve

Master Services Agreement: Staff is recommending approval of a Master Service Agreement with Sierra-Cedar, Inc for the implementation of the Oracle Fusion Cloud platform suite product.

Statement of Work: This document, included by reference in the Master Service Agreement, details the process for implementation, the various deliverables agreed to by the City and Sierra-Cedar, the timeline, and the detailed payment schedule. The publicly redacted elements of the Statement of Work, which include the Project Approach, Sierra Cedar Resources and specific responses to the City's requirements, have been held as Proprietary and Confidential Trade Secrets.

The City will continue to contract with CherryRoad for the Oracle licenses for the next two years, upon which the City anticipates contracting directly with Oracle for future licenses.

In summary, continuing the efforts to replace this key business system is one of the highest priorities for the City. The City's financial, payroll, and human resource systems support key operations across multiple business units in multiple departments. Consolidating to a single ERP solution will streamline work effort, automate outdated processes, and provide new and modern reporting and analytical capabilities.

FISCAL IMPACT

Funds are available in Project 830521 - ERP System Acquisition, Implementation, and Support

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Award a Master Services Agreement and Statement of Work in substantially the same form as Attachment 1 and 2 to the report in the amount of \$4,025,000 (\$3,842,500 in base services and \$182,500 in optional services) to Sierra Cedar Inc. for Implementation Services for an Oracle Cloud Enterprise Resource Planning System; Authorize the City Manager to execute the Master Services Agreement and Statement of Work when all conditions have been met; and Approve a 10% contingency in the amount of \$384,250.
2. Do not approve the award of contract and provide staff other direction.

STAFF RECOMMENDATION

Staff recommends Alternative 1: Award a Master Services Agreement and Statement of Work in substantially the same form as Attachment 1 and 2 to the report in the amount of \$4,025,000 (\$3,842,500 in base services and \$182,500 in optional services) to Sierra Cedar Inc. for Implementation Services for an Oracle Cloud Enterprise Resource Planning System; Authorize the City Manager to execute the Master Services Agreement and Statement of Work when all conditions have been met; and Approve a 10% contingency in the amount of \$384,250.

Prepared by: Timothy J. Kirby, Director of Finance

Reviewed by: Kathleen Boutté Foster, Chief Information Officer

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Master Services Agreement
2. Statement of Work