

BOARD LETTER APPROVAL

Norma Grubb

Norma Grubb (Nov 3, 2025 10:33:16 PST)

NORMA GRUBB

Chief Information Officer and Chief Artificial
Intelligence Officer

JANISSE QUIÑONES

Chief Executive Officer and Chief Engineer

DATE: October 28, 2025

SUBJECT: Amendment No. 3 to Agreement No. 47652 for Enterprise Resource Planning Software as a Service and System Integration with Workday, Inc.

SUMMARY

The proposed Amendment No. 3 (Amendment) to Agreement No. 47652 (Agreement) with Workday, Inc. (Workday) is to increase the term by three years, from five years to eight years, and increase the not-to-exceed amount by \$27,823,336 from \$157,944,063 to \$185,767,399 (budgeted). With the exception of the terms and conditions amended in this Amendment, all other terms and conditions of the Agreement remain unchanged.

Because the go-live of the human resources and payroll phase of the enterprise resource planning (ERP) system project was extended to June 16, 2025, the go-live of the financial management phase needed to be extended by one year to July 1, 2026, beyond the current term of the five-year Agreement which expires on April 11, 2026. Due to the ongoing level of Workday resources engagement in the financial management phase and the timeline to obtain City Council approval associated with a single amendment, two separate amendments are being requested for this extension.

Amendment No. 2 provided the increased funds necessary to extend the professional services and replenish the contingency amount through the current term of the Agreement. Amendment No. 3 completes the financial management phase, provides for post go-live application management services, covers three additional years of required subscription services, and authorizes some subsequent optional professional and subscription services.

City Council approval is required in accordance with Charter Section 373,

Amendment No. 3 expires on April 11, 2029.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council approval of the Amendment to the Agreement as required in Charter Section 373.

ALTERNATIVES CONSIDERED

LADWP determined that a July 1, 2025 go-live of the financial management phase of the ERP system project was not an alternative for three primary reasons:

1. Amendment No. 1 to the Agreement reallocated unneeded optional professional services and subscription services funds to the contingency amount primarily for a six-month extension of the human resources and payroll phase which went live on June 16, 2025 and LADWP was not able to implement both ERP phases concurrently, and
2. The integration of the financial management phase to the present-state financial and supply chain systems, data conversion, end-to-end testing, and user acceptance testing needed more time to be completed with those activities now projected for completion in the first quarter of 2026, and
3. The LADWP Financial Services Organization determined that it was too risky for the financial management phase to go-live outside of the fiscal year boundary so a go-live date of July 1, 2026 appears to be well aligned with the organizational change management, training, and go-live readiness activities that will be necessary following the completion the activities in item 2 directly above.

The one-year period after the human resources and payroll phase go-live will be used to complete the following financial management phase activities:

- Complete the business process transformations within the present-state financial and supply chain systems that must be integrated with the Workday ERP financial management phase.
- Complete the critical reports necessary for the go-live.
- Complete the end-to-end testing and user acceptance testing to ensure that the configuration and functionality meet the minimum necessary requirements for the go-live.
- Complete the organizational change management, training, and readiness activities for the go-live.

The recommended option is to amend the Agreement by increasing the term and the funds necessary to complete the financial management phase of the Workday ERP system project.

FINANCIAL INFORMATION

This Amendment will add three years to the term for a total term of eight years. The not-to-exceed amount of \$157,944,063 will be increased by \$27,823,336 to \$185,767,399 (budgeted).

Term of the Agreement	Current Maximum Expenditure	Amendment Increase Amount	Total Maximum Expenditure
Original Agreement Total Term: 5 years	\$131,582,518		
Amendment No. 1 Total Term: 5 years		\$0	\$131,582,518
Amendment No. 2 Total Term: 5 years		\$26,361,545	\$157,944,063
Amendment No. 3 Total Term: 8 years		\$27,823,336	\$185,767,399
Agreement Total			\$185,767,399

The new not-to-exceed amount of \$185,767,399 is outlined in the table below.

Total Authorized Contract Expenditure

Professional Services Phase 1 (HCM, Payroll)	\$68,125,880
Professional Services Phase 2 (Financials)	\$61,345,383
Subscription Services (HCM, Payroll, Financials)	\$32,187,485
<u>Subscription rights:</u> Human Capital Management, Talent Optimization Add On, Help, Peakon Employee Voice, Cloud Connect for Benefits, Recruiting, Financial Planning, Core Financials, Grants Management, People Analytics, Prism Analytics, Projects, Project Billing, Time Tracking, Expenses, Procurement, Payroll for United States, Extend Professional, Workday Success Plan - Accelerate Plus	
Training	\$1,764,652
Application Management Services	\$5,197,198
Optional Professional Services	
SOW Appendix G: Financial Planning	\$3,469,661
SOW Appendix H: Training Staffing Augmentation	\$859,963
SOW Appendix I: Prism Analytics – 10 Add. Use Cases	\$750,000
SOW Appendix J: Workday Help	\$350,000
Optional Subscription Services	
Additional non-production tenant(s)	\$600,000
Contingency	\$11,117,177
Not-to-Exceed Amount	\$185,767,399

BACKGROUND

LADWP has a series of antiquated and unsupported applications that underpin its human resources, payroll, and financial management business processes. These legacy systems run on aging platforms and are highly customized with heavy reliance on manual procedures and institutional knowledge from internal and external resources to make up for non-integrated technology. As part of LADWP's strategic planning, the Department identified several operational improvements that could be achieved by an ERP system that would replace these legacy systems.

To find the most qualified ERP system solution and integrator/implementer, LADWP issued Request for Qualifications 90549 to solicit proposals from qualified and experienced firms. Four vendors submitted proposals (Infor Public Sector, Oracle America, SAP America, and Workday) and the selected vendor was Workday.

On March 9, 2021, the Board authorized Agreement No. 47652 with Workday for a term of 5 years and a not-to-exceed amount of \$131,582,518 (budgeted) for the purchase of cloud-based ERP software as a service subscription licenses, integration/implementation services, and ongoing maintenance and support services as part of an ERP system project utilizing a cooperative purchasing agreement with the City of Los Angeles, Information Technology Agency under City Contract No. 135368. The Workday portion of the ERP system project was to be implemented in two separate phases with the following objectives:

Phase 1 – Human Resources and Payroll

- Implement the human resources and payroll modules of the Workday ERP system.
- Define and implement all necessary integrations with existing LADWP systems.

Phase 2 – Financial Management

- Design a chart of accounts in Workday that supports LADWP's financial goals and objectives and complies with LADWP's regulatory requirements.
- Implement the financial management module of the Workday ERP system.
- Define and implement all necessary integrations with existing LADWP systems.

The ERP system project was structured with two separate Workday teams working simultaneously on both phases with the individual LADWP functional and technical teams. To avoid a "big bang" in terms of the change impact to LADWP if both phases were implemented simultaneously, the project plan was structured with a go-live separation between the two phases. Phase 1 was originally planned to go-live on January 1, 2024, the start of a calendar year, and Phase 2 was originally planned to go-live on July 1, 2024, the start of a fiscal year.

Due to the complexity of replacing the aforementioned legacy systems with an ERP system, both phases of the ERP system project experienced project schedule delays leading up to the January 1, 2024 and July 1, 2024 go-live dates. As a result, LADWP and Workday agreed to Change Order No. 1 on September 15, 2023 to utilize \$21,781,136 of the original contingency amount for the purpose of extending the go-live dates for the two phases by one year to January 1, 2025 and July 1, 2025, respectively. This change order, along with Change Order No. 2 to utilize \$201,885 of the original contingency amount to add subscription services for the Workday “Extend” solution, left only \$4,333,483 in the original contingency amount.

While the one-year extension provided LADWP and Workday additional time to address the complexities, progress was significantly affected by the turnover of internal and external key personnel. Internally, three key LADWP personnel retired and two of them, the project manager and the technical lead, had been part of the ERP system project from the beginning. Externally, there have also been changes within Workday key personnel that included an engagement manager, a functional workstream member, and the change management and training lead. These changes required time for the replacement personnel to get up to speed, time to restructure aspects of the functional and technical ERP system project teams and in some cases, rebaselining the overall ERP system project schedule.

On December 10, 2024, the Board authorized Amendment No. 1 to the Agreement to reallocate \$12,294,432 in optional services deemed not necessary to the remaining contingency amount thereby increasing it to \$16,627,915. This reallocation of funds ensured that a sufficient contingency amount was available for a six-month extension of the human resources and payroll phase of the ERP system project, for one year of post go-live application management services for the human resources and payroll phase, and for other unforeseen future expenses. All other terms and conditions of the Agreement remained unchanged.

However, Amendment No. 1 did not address the financial management phase which at the time of Amendment No. 1, required further analysis of the business process transformations and system integration activities to integrate the present-state financial and supply chain systems with the Workday ERP system. That analysis was subsequently completed and the determination was made to extend the financial management phase of the ERP system project by twelve months for a go-live date associated with the new fiscal year starting on July 1, 2026.

On August 26, 2025, the Board authorized Amendment No. 2 to the Agreement, the first of two amendments to extend the financial management phase. Amendment No. 2 increased the not-to-exceed amount by \$26,361,545 to extend the professional services of the financial management phase of the ERP system project by twelve months and replenish the contingency amount through the current term of the Agreement which is April 11, 2026.

Amendment No. 3 is the second of the two amendments. Amendment No. 3 extends the term by three years and increases the not-to-exceed amount by \$27,823,336 to complete the financial management phase of the ERP system project, provide for post go-live application management services, cover three additional years of required subscription services, and authorize some subsequent optional professional and subscription services such as an internal Workday help feature and the possible replacement of the current budgeting solution with an internal Workday budgeting solution. The replenishment of the contingency amount under Amendment No. 2 was sufficient to complete the financial management phase of the ERP system project so there is no increase in the contingency amount under Amendment No. 3.

Workday has performed satisfactorily on this agreement.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guideline 15060(c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(4) states that government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment do not meet that definition. Therefore, the amendment of a contract for software services is not subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Amendment and Resolution as to form and legality.

ATTACHMENTS

- Procurement Summary
- Resolution
- Amendment

PROCUREMENT SUMMARY

1.	Recommended Vendor(s): Workday, Inc. (Workday)
2.	Procurement Type: Amendment
3.	Procurement Details: A. Contract Status: Amendment No. 3 (Amendment) to Agreement No. 47652 B. Bid Advertisement Date: Not applicable C. Pre-Proposal Conference Date: Not applicable D. Proposal Due Date: Not applicable E. Number of Downloads of Solicitation: Not applicable F. Number of Proposals Received: Not applicable G. Protest Received: Not applicable
4.	Buyer Assigned: Shaun Larsuel
5.	Contract Administrator: Andrew Herd
6.	LADWP System/Division: Joint/Information Technology Services
7.	Contact Person for Item: Andrew Herd

A. Evaluation Rating Summary of Proposal

Not applicable to this Amendment.

B. Evaluation of Amendment

Under this Amendment, LADWP negotiated and reduced the cost for the professional services extension of the financial management phase by approximately \$3.74 million. This reduction represents a savings of nearly 16 percent compared to Workday's original proposal for this phase extension.

C. Procurement History

Service/Item History – Number of Times Item or Service has been Procured					
Contract/ PO No.	Contractor	Term of Contract	Start Date	Ending Date	Contract Amount
47652-1	Workday	5 years	04/12/2021	04/11/2026	\$157,944,063

Vendor Experience – Number of Contracts Vendor had with LADWP During the Past 5 Years					
Contract/ PO No.	Contract Description	Term of Contract	Start Date	Ending Date	Contract Amount
47652-1	ERP Software as a Service and System Integration	5 years	04/12/2021	04/11/2026	\$157,944,063

D. Local Business Preference Program (LBPP)

Not applicable to this Amendment.

E. Additional Outreach Efforts Taken

Not applicable to this Amendment.

F. Small Business Enterprises (SBE)/Disabled Veterans Business Enterprises (DVBE)/Minority Business Enterprises (MBE)/Women Business Enterprises (WBE)/Other Business Enterprises (OBE) Participation

Not applicable as this was a cooperative agreement. However, Workday committed to utilize an SBE for 15% of the professional services portion of the contract which will continue to apply to the total “guaranteed” (i.e. non-contingent) professional services amount which is now \$116,885,414.

Actual subcontractor participation commitment and achievements are provided below:

SBE PARTICIPATION		
Name	Original Commitment	Achievement thru August 2025
Precision Task Group, Inc.	15%	8.1% ¹
SBE Totals:	15%	8.1%¹

¹Based on the new “guaranteed” professional services (Phase 1 and 2) amount of \$116,885,414

OBE PARTICIPATION (Non-Certified Firms)		
Name	Original Commitment	Achievement thru August 2025
Accenture, LLP	NA	30.8%
OBE Totals:	NA	30.8%

Board Letter - Amend. No. 3 to Agmt. 47652 - signed

Final Audit Report

2025-11-08

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