June 8, 2018

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Finance and Human Resources Modernization (Finance and Human Resources Enterprise Resource Planning system replacement) Project Budget. (Pearson/Skinner)

PROPOSED: It is proposed that the Board of Regents approve two actions associated with the Modernization Initiative (replacement of core finance and human resources systems).

1. The Board of Regents approve the One-Time Project Budget with a not to exceed cost of $30,000,000 and authorize and delegate authority to the President or his designee to enter into any and all contracts necessary to complete the initiative within the budgeted amount.

2. The Board of Regents authorize and delegate authority to the President or his designee to enter into the appropriate agreement with Workday, Inc. to provide core finance and human resources software in accordance with the terms described herein. The software costs will be paid for as part of the on-going costs budget. The on-going costs budget is presented for information purposes below.

SUBMITTED BY: Stacy Pearson, Vice President for Finance and Administration

SUPPORTING INFORMATION: Supporting information associated with the two requested actions is provided below. In addition, the attached document provides additional background on the Modernization Initiative.

Item One: One-Time Project Costs

The Finance and Human Resources Modernization (Finance and Human Resources Enterprise Resource Planning system replacement) will be accomplished with a one-time project budget will not exceed $30,000,000. The one-time project budget will cover costs such as engagement of a strategic integration partner (a consulting firm that helps configure the software to meet WSU needs and provide change management and training assistance), appropriate project contingencies and other costs.
Implementation, training, change management, quality assurance and other consulting or other services (including contingency) | 27,000,000
---|---
Team training, temporary staffing, start-up, etc. | 3,000,000
Total One-Time Cost Budget | 30,000,000

**Source of Funds for One-Time Project Costs**

The one-time project budget will be covered with up to $30,000,000 in externally financed debt, to be repaid in no more than 22 years. Please see the financing action item for additional information.

**Item Two: Software Contract with Workday**

Through a formal, competitive procurement process, WSU has named Workday, Inc. as the apparent successful vendor to provide the underlying core finance and human resources software for the University.

The Workday contract will include an initial term of up to 6 years, with a base annual cost not to exceed $2.3 million per year, and no annual cost inflation escalator. However, the annual cost of the subscription may increase on a pro-rata basis if the number of WSU employees using the system increases above the current level.

The contract will provide for an optional second term of 5 years, with a base annual cost equal to year 6 of the initial term. During the second term, an annual cost inflation escalator percentage of 1 + consumer price index, not to exceed 3% per year will be applied. In addition, the annual cost of the subscription may increase on a pro-rata basis if the number of WSU employees using the system increases above the current level.

Given the expected dollar value of the contract for Workday software, a delegation of authority from the Board to the President or his designee will be needed to enter into the agreement with Workday in accordance with the contractual terms described above.

**On-going costs budget**

To provide context, the contract with Workday for software will be part of the on-going costs for the initiative. WSU anticipates a total on-going cost of approximately $7,000,000 per year associated with this initiative. These costs, include but are not limited to: annual software subscription costs, security, and authentication; dedicated project staffing, change management, training, functional service desk; and data conversion and testing software,
and other costs. The annual on-going cost may change in future years, once the new system is stabilized, based on University budget actions, salary programs, inflationary cost changes, etc.

**Funding the On-Going Cost**

The on-going cost will be funded through a number of actions. Backup funding plans are in place as a contingency. The following table demonstrates how the funding sources will work together over multiple years.

<table>
<thead>
<tr>
<th>Funding Sources</th>
<th>FY2019</th>
<th>FY2020</th>
<th>On-Going</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Seed funding</td>
<td>3,300,000</td>
<td>700,000</td>
<td>700,000</td>
</tr>
<tr>
<td>2. From Strategic Reallocation Pool</td>
<td>1,500,000</td>
<td>700,000</td>
<td>0</td>
</tr>
<tr>
<td>3. Overhead rate on payroll and revenue generated by enrollment growth</td>
<td>2,200,000</td>
<td>5,600,000</td>
<td>6,300,000</td>
</tr>
<tr>
<td>Total</td>
<td>7,000,000</td>
<td>7,000,000</td>
<td>7,000,000</td>
</tr>
</tbody>
</table>

**ATTACHMENT A:** Overview of Modernization Initiative
BOARD OF REGENTS
Finance and Human Resources Modernization (Finance and Human Resources Enterprise Resource Planning system replacement) Project Budget.

Resolution # 180608-585

WHEREAS, the Board of Regents of Washington State University by virtue of RCW 28B.10.528 has authority to delegate by resolution to the President of the University, or designee, powers and duties vested in or imposed upon the Board by law and to enable the President, or designee to act on behalf of the Board of Regents in matters relating to the administration and governance of the University.

RESOLVED: That 1) The Board of Regents approve the One-Time Project Budget with a not to exceed cost of $30,000,000 and authorize and delegate authority to the President or his designee to enter into any and all contracts necessary to complete the initiative within the budgeted amount and 2) The Board of Regents authorize and delegate authority to the President or his designee to enter into the appropriate agreement with Workday, Inc. to provide core finance and human resources software.

The Workday contract will include an initial term of up to 6 years, with a base annual cost not to exceed $2.3 million per year, and no annual cost inflation escalator. However, the annual cost of the subscription may increase on a pro-rata basis if the number of WSU employees using the system increases above the current level.

The contract will provide for an optional second term of 5 years, with a base annual cost equal to year 6 of the initial term. During the second term, an annual cost inflation escalator percentage of 1 + consumer price index, not to exceed 3% per year will be applied. In addition, the annual cost of the subscription may increase on a pro-rata basis if the number of WSU employees using the system increases above the current level.

Dated this 8th day of June, 2018.

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Chair, Board of Regents

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Secretary, Board of Regents