

BOARD OF REGENTS BRIEFING PAPER

1. AGENDA ITEM TITLE: Workday Master Subscription Agreement (MSA) Renewal

MEETING DATE: April 19, 2024

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

NSHE first contracted with Workday to provide the System's core Human Resources, Payroll and Financial Management business applications January 29, 2015 as a result of a comprehensive competitive solicitation process. As the contract's initial term was set to expire on April 28, 2020, a contract amendment was executed establishing a new 62-month term expiring June 30, 2025.

Although the current agreement does not expire until 6/30/25; NSHE began planning for the renewal in January 2024 in order to negotiate the addition of several features so rather than adding to a contract with only one year remaining it was desirable to incorporate the new services into a long-term renewal. In the mutual interest of establishing a renewal agreement that ensures longer-term stability for both NSHE and Workday, NSHE has negotiated a renewal for a 10-year term that includes new functionality in addition to resetting the base user allowance with room for growth and a modest locked-in annual escalation of 2% that covers inflation and innovation.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

Vice Chancellor for Budget and Finance/Chief Financial Officer Chris Viton requests approval for the Chancellor to execute the Workday contract amendment under the terms outlined in the attached overview.

4. IMPETUS (WHY NOW?):

The current Workday contract does not expire until June 30, 2025; however, in the absence of a renewal sooner, the agreement will automatically convert to an annual contract with an increase of CPI + 3%. As such, as NSHE institutions developed interest in adding several new products to the NSHE subscription, it is a good opportunity to negotiate a long-term agreement that locks in a significantly lower annual increase while also providing for the additional features and functionality that are of interest to campuses.

5. CHECK THE NSHE STRATEGIC PLAN GOAL THAT IS SUPPORTED BY THIS REQUEST:

- Access (Increase access to higher education)
- Success (Improve student success)
- Close Institutional Performance Gaps
- Workforce (Meet workforce needs in Nevada)
- Research (Increase solutions-focused research)
- Coordination, Accountability, and Transparency (Ensure system coordination, accountability, and transparency)
- Not Applicable to NSHE Strategic Plan Goals

6. INDICATE HOW THE PROPOSAL SUPPORTS THE SPECIFIC STRATEGIC PLAN GOAL

Workday is the NSHE's human capital management and financial management system. Workday is the system of record for financial management and reporting.

7. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

The contract renewal includes additional functionality and reporting capability in a long-term agreement that maintains a stable subscription fee with modest inflation.

8. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

The renewal is not needed at this time as the current agreement does not expire until June 30, 2025.

9. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

None noted.

10. RECOMMENDATION FROM THE CHANCELLOR'S OFFICE:

The Chancellor's Office recommends approval.

11. COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title # _____ Chapter # _____ Section # _____
- Amends Current Board Policy: Title # _____ Chapter # _____ Section # _____
- Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
- Other: _____
- Fiscal Impact: Yes X No _____
Explain: The annual subscription cost is allocated to all NSHE institutions. The renewal agreement includes an annual inflation adjustment of 2% and an average annual subscription fee of \$5, 019,119.



NSHE Workday Master Services Agreement Proposal Summary April 2024

Background

NSHE first contracted with Workday to provide the System’s core Human Resources, Payroll and Financial Management business applications January 29, 2015 as a result of a comprehensive competitive solicitation process. As the contract’s initial term was set to expire on April 28, 2020, a contract amendment was executed establishing a new 62-month term expiring June 30, 2025.

Although the current agreement does not expire until 6/30/25; NSHE began discussing the renewal with Workday in January 2024 as campuses had been exploring interest in pursuing several additional features and services that would require a contract amendment to acquire. Rather than adding to a contract with only a one-year term remaining it became apparent that incorporating the new services into a long-term renewal provided benefits to both NSHE and Workday. In the mutual interest of establishing a renewal agreement that ensures longer-term stability for both NSHE and Workday, Workday has made a highly incentivized renewal offer.

Comparison of Current Agreement and Renewal Proposal

Under equivalent terms in place at the expiration of the first Workday agreement, in the absence of a new multi-year agreement, the current agreement will convert to a year-to-year agreement beginning 7/1/25 with an annual increase in the subscription fees of CPI + 3%. In addition, under equivalent terms to the original Workday agreement, the current subscription fees are based on the number of Full Service Equivalents (FSE) which is a representation of the number of system users based on categories of active Workday employee identities in the System’s tenant.

A comparison of the expected FY25 subscription costs and the proposed FY25 subscription costs under the negotiated renewal is as follows:

	<u>Current FY25</u>	<u>Proposed FY25</u>	<u>Change</u>	<u>%</u>
Base Subscription Fee	\$ 3,290,000	\$ 4,579,306		
FSE Annual Adjustment	<u>\$ 1,026,000</u>	<u>\$ -</u>		
Total Workday Subscription Fee	\$ 4,316,000	\$ 4,579,306		
Additional development tenant	<u>\$ 117,000</u>	<u>included</u>		
	<u>\$ 4,433,000</u>	<u>\$ 4,579,306</u>	\$ 146,306	3.3%
Base included FSE	11,059	15,000	3,941	35.6%
Per FSE overage	\$304/FSE/Yr	\$300/FSE/Yr	\$ (4)	1.3%

Additional Features and Services

As previously noted, the negotiation for the new agreement began as a result of interest in acquiring additional features and services that would require a contract amendment. The following items are included in the proposed contract renewal:

Workday Extend

Workday Extend enables organizations to use extensions to Workday Service applications and to use custom applications with Workday Service applications, provided such extensions and applications were created under the Workday Extend Developer Program. Workday Extend Professional includes additional tooling to build custom extensions and applications leveraging Workday security structure and the Workday data model structure.

Prism Analytics

Workday Prism Analytics is an analytics application that provides Workday customers the ability to blend and analyze Workday data and non-Workday data from multiple sources. Workday Prism Analytics includes a data repository for storage and management of data, data preparation tools for transformation and blending of data from various sources, and tools to explore and analyze the data.

Journeys

Journeys enables customers to surface content from inside and outside of Workday for employee milestone events (journey paths) and everyday work activities.

Workday Learning Management System (LMS)

Workday Learning supports an organization in training and developing its workforce. This includes the ability to manage, organize and deliver learning content using Media Cloud, and to leverage Workday HCM data to create targeted learning campaigns. A variety of learning content is supported - including but not limited to video, packaged third-party content, and user-generated content. Workday Learning also offers the ability to manage certifications and instructor-led course enrollments, and to gather feedback and analytics relating to the learning experience.

Workday Cloud Connect for LMS

Cloud Connect for Learning extends Workday Learning by providing integrations to third party content providers. This includes the ability to search third party learning course information, access learning courses, and, if and when available, track and retain records.

Workday Success Plan Accelerate Plus (WSP)

WSP provides an enhanced level of customer support that includes services currently contracted for separately including the additional development tenant, unlimited access to Learn on Demand, "Ask an Expert" sessions, optimization packages and other access to Workday technical expertise.

Summary of Contract Proposal Key Terms

In addition to the new features and services discussed above, following are key terms applicable to the new contract term:

	Proposed Renewal Contract Terms
Date Executed	April 30, 2024 ²
Contract Term ¹	122 Months
Contract End Date	June 30, 2034
Base FSE ² Workers	15,000
Annual Escalation (inflation & innovation)	2%
Additional FSE Cost	\$300/FSE
New Subscriptions & Services	Included in base: Workday Extend Prism Analytics Journeys Workday Learning Cloud Connect LMS Workday Success Plan Accelerator Plus
Subscription Fee:	
FY25	\$4,579,306
FY26	\$4,672,761
FY27	\$4,768,123
FY28	\$4,865,432
FY29	\$4,962,741
FY30	\$5,061,995
FY31	\$5,163,235
FY32	\$5,266,500
FY33	\$5,371,830
FY34	\$5,479,267
Total³	\$50,191,190

¹ Proposed contract term is 10 years + 2 months to maintain the fiscal year-end alignment of the contract while executing new agreement effective April 30, 2024.

² Full Service Equivalent (FSE) is a measurement of the number of NSHE user accounts in the Workday application.

³ In addition to fiscal year payments noted above, agreement total will include 2 months for May-June 2024 based on effective date of April 30, 2024 and in order to maintain alignment of contract term with fiscal year-end June 30. Scheduled subscription fees based on base FSE of 15,000 (35.6% increase above current contract base FSE and 5% above current actual FSE). In the event FSE increase above new contracted base, additional FSE billed annually at additional FSE rate which is 1.3% below current contracted additional FSE rate.

Includes price protection for the addition of Adaptive Planning (budget & planning) module through April 30, 2025.

Financial Impact

Contract costs allocated to institutions based on actual FSE at the annual contract FSE measurement date to align with Workday invoicing protocol.