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TRANSMITTAL

TO The City Council	DATE 06-05-18	COUNCIL FILE NO. 18-0600-S43
FROM Information Technology Oversight Committee		COUNCIL DISTRICT

Pursuant to Los Angeles Administrative Code Sections 10.3 and 10.4, the attached Information Technology Agency (ITA) report discussing a Request for Proposals (RFP) is being forwarded for your consideration. These Code Sections require that, if a contract will be subject to the approval of the City Council, the specifications for the work, services, and materials to be furnished to the City under the proposed contract shall be submitted to the Council ten days in advance of the posting of the RFP. As the attached report discussing an RFP for the Human Resource & Payroll (HRP) Project assumes a resultant contract term that is likely to exceed three years, the contract would be subject to Council approval.

At the May 31, 2018 meeting of the Information Technology Oversight Committee, the Committee approved the attached ITA report recommending that the Council note and file this report.



Richard H. Llewellyn, City Administrative Officer
Chair, Information Technology Oversight Committee

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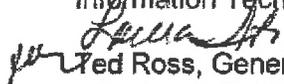
CAO 649-d

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: May 30, 2018

REF: EXE-141-18

TO: Information Technology Oversight Committee

FROM:  Ted Ross, General Manager & CIO
Information Technology Agency

SUBJECT: **REVISED - HUMAN RESOURCE & PAYROLL (HRP) PROJECT UPDATE - RFP RELEASE****RECOMMENDATION**

It is recommended that the Information technology Oversight Committee move that the item be forwarded to Council for review and to be noted and filed.

OVERVIEW

The City's payroll system, known as PaySR, started in 2000 and today pays out over \$160M to 50,000 employees every two weeks. However, since its launch, the City has exponentially increased the capabilities and customization of the PaySR system. As a result, PaySR has become highly complex and fragile, over-reliant on a single individual/vendor for support, limiting due to 30-year-old payroll processes, and unable to provide modern payroll system features (as detailed in the "City of L.A. PaySR Assessment" completed by KPMG in 2016). Additionally, due to its original design as solely a payroll system, PaySR does not have the capabilities to effectively manage the City's human resources, features that are commonplace in today's Payroll/Human Resource systems.

In light of these risks, and further induced by the vendor's retirement in 2018, the City Council (C.F. 17-0075) instructed the Information Technology Agency, City Controller, and Personnel to report on requirements, estimated costs, and a timeline for a phased replacement of the Payroll system. Funding was provided in FY 2016-17 for a system analysis, requirements gathering, and process improvement study started in summer 2017, in partnership with KPMG, incorporating the input of all City departments currently serviced by or reliant on PaySR for operational success. The result of this extensive study has provided the City with the foundation to move to the next step in the PaySR replacement process – the release of a Request for Proposal (RFP) to select the new Human Resource & Payroll (HRP) platform and system integrator for the next generation City HR and Payroll system.

The following report summarizes the HRP RFP functional requirements, including security, structure of how RFP responses will be requested, evaluation process and criteria, the projected cost, schedule and duration of the contract, and potential issues and/or risks.

RFP DESCRIPTION

This RFP has two (2) primary objectives:

1. To select a core human resource and payroll solution that can be implemented to meet the urgent need to replace PaySR (Phase 1 project).
2. Allow a platform that can incorporate future payroll or human resource management functionality in subsequent phases.



At a minimum, to meet the City's requirements, the system must be able to handle a large volume of users across multiple departments, have the flexibility to adapt to complex and ever-changing payroll requirements driven by MoUs, have opportunities to automate, and the ability to interface with other key systems.

FUNCTIONAL REQUIREMENTS

Requirements for both the baseline PaySR replacement, as well as the additional new HR functions, were gathered and analyzed through the initial study described above. This included the collective efforts of eight Human Resource (HR) Focus Groups, a Focus Group plus a Workshop for Payroll, two Employee & Labor Relations Focus Groups, and eight additional meetings of multi-department subject matter experts. The more than 1600 requirements were organized into fourteen functional modules, described in Appendix A, attached. The table below displays these modules distributed according to their priority level for system procurement and implementation with respect to the PaySR replacement.

Minimum Functional Requirements (essential for PaySR replacement)	Should Haves (supplemental to PaySR replacement)	Nice to Haves (not required for PaySR replacement)
Employee Information & History	Onboarding and Flex Workforce (subset of Should Haves)	Talent Acquisition
Payroll	Separations & Absences (subset of Should Haves)	Talent Review
Position Control	Time & Attendance (subset of Should Haves)	Workforce Planning
Security & Access Requirements	Benefits Administration (subset of Should Haves)	
Separations & Absences	Compensation (subset of Should Haves)	
Technical System Requirements	Employee & Labor Relations (subset of Should Haves)	
Time & Attendance		
Onboarding and Flex Workforce		
Benefits Administration		
Compensation		
Employee & Labor Relations		

Eight of the modules are deemed essential for the baseline PaySR replacement and are classified as Minimum Functional Requirements ("Must Haves"). To support enhancements and future functional implementation phases incorporating new payroll or human resource management functionality, subsets of requirements in six of the Must Have modules (Separations & Absences, Time & Attendance, Onboarding and Flex Workforce, Benefits Administration, Compensation, Employee & Labor Relations) have also been assigned to the "Should Have" priority category, with the remaining three modules have been given a priority of "Nice to Have."

Module requirements will be subdivided within the RFP into response tables for Minimum Functional Requirements, including technical and business requirements (categorized into "Should Haves" and "Nice to Haves" groupings). Proposers will be asked to self-validate through their response, indicating their ability to fulfill specific functional requirements.

Additionally, proposers will be asked to provide short video demonstrations of the Minimum Functional Requirements specified by the City. This video depiction of how the proposer's product addresses the RFP-minimum stated requirements will provide City evaluators an opportunity to not only validate the proposer's response, but also give the evaluators the opportunity to judge the user interface, complexity of the product's workflow and approach to accomplish tasks, and the general "fit" of the product to City operations.

IMPLEMENTATION METHODOLOGY

The RFP is designed to distinguish proposals that deliver required system functionality, provide best practices for large organizations, and allow long-term sustainability at a reasonable annual cost. Customization (system changes outside of the normal vendor configuration) should be limited due to additional cost, negative impacts on system quality, maintenance, and difficulty in future upgrades.

Proposers will self-identify and provide video corroboration of their HRP solution's capability to meet the City's Minimum Functional Requirements and to integrate into the City's technical environment as fitting one of four categories:

Category	Description
Standard	Vendor's currently available product will meet the City's requirements "out of the box", no configuration or customization required.
Available with Configuration	Vendor's currently available product will meet requirements with configuration settings only, no custom coding or add-on products necessary.
Available with Customization	The vendor will augment or rewrite the currently available product to meet City requirements.
Unable to Meet	The solution cannot meet City requirements or integrate with its technical environment at all.

SECURITY

Any system that contains sensitive employee personal data and private employment records must provide a high level of security assurance. Vendor proposals will also be closely scrutinized for adherence to industry best practices for data security and information handling. The City's Chief Information Security Officer will stipulate the system security requirements in the RFP and participate in the review of vendor bids for conformance.

The CAO's Risk Management Division will provide liability and insurance requirements, and will be requested to provide data breach language and provisions, to ensure that contractually, the City's interests are appropriately and reasonably protected.

EVALUATION PROCESS AND CRITERIA

The RFP Evaluation Committee will be comprised of four (4) members of the HR/Payroll Steering Committee, along with representatives from two (2) major departments. The following lists the departments proposed:

1. Office of the Controller
2. Personnel Department
3. Information Technology Agency
4. CAO, Employee Relations Division
5. Department of Transportation
6. Department of Sanitation

The total number of member entities and departments represented in the evaluation panel will be kept at six due to the need for a minimum number of panel members. The Department of Transportation and Department of Sanitation were specifically selected for the panel due to the many employment types, overtime scenarios, and complex HR scenarios that these departments must consistently and continuously handle. We are currently working with DOT and Sanitation to arrange for their participation.

Evaluation Process:

The City will evaluate Proposals using a three-tier process. Proposals must pass each level in order to proceed to the next level of evaluation, starting with Tier 1:

Tier I (Administrative & Experience Requirements):

1. Business Inclusion Program (BiP) Requirement - Pass/Fail
2. General Proposal Requirements - Pass/Fail

In order to advance to Tier 2, Proposals must meet the Tier I standard City administrative, ordinance, and threshold implementation experience requirements.

Tier II (Solution Capability, Cost, and Risk):

- Stage 1. Minimum Functional Requirements
- a. Requirements Response Table
 - b. Core Requirements Video Submissions

- Stage 2. Business & Technical Requirements
- a. Requirements Response Table

Proposals advancing to the Tier II stage will be evaluated and assigned a score, with the Evaluation Committee determining the proposals that advance to Tier III stage.

Tier III (Solution Suitability for City of LA):

1. Onsite Demonstrations of User Scenarios - Select/Not Select

Proposers who advance to Tier III will be provided the opportunity to demonstrate their solution, the strength of their implementation team, their solution's ability to meet the City's requirements, and its suitability for implementation as the new City platform and PaySR replacement. In addition, proposers will be given three (3) to four (4) specific functional area scenarios, specific to City operations, and will be given a minimum of two (2) weeks to configure their product for demonstration, on site. The City will select a final Proposer out of all the remaining candidates through evaluation of their solution demo.

Evaluation Criteria

The total overall score comprised of ratings of the Minimum Functional Requirements and the Technical and Business Requirements will be based on the following criteria:

- Adequacy of Business Solutions/Service Requirements
- Ability to Meet Technical Requirements
- Ability to Transition City from Current PaySR System to Proposed Solution With Minimal Business Impact
- Proposed Security & Access Protocols
- Reference Review
- Total Cost of Ownership for Solution

PROJECTED DURATION, SCHEDULE, AND COST

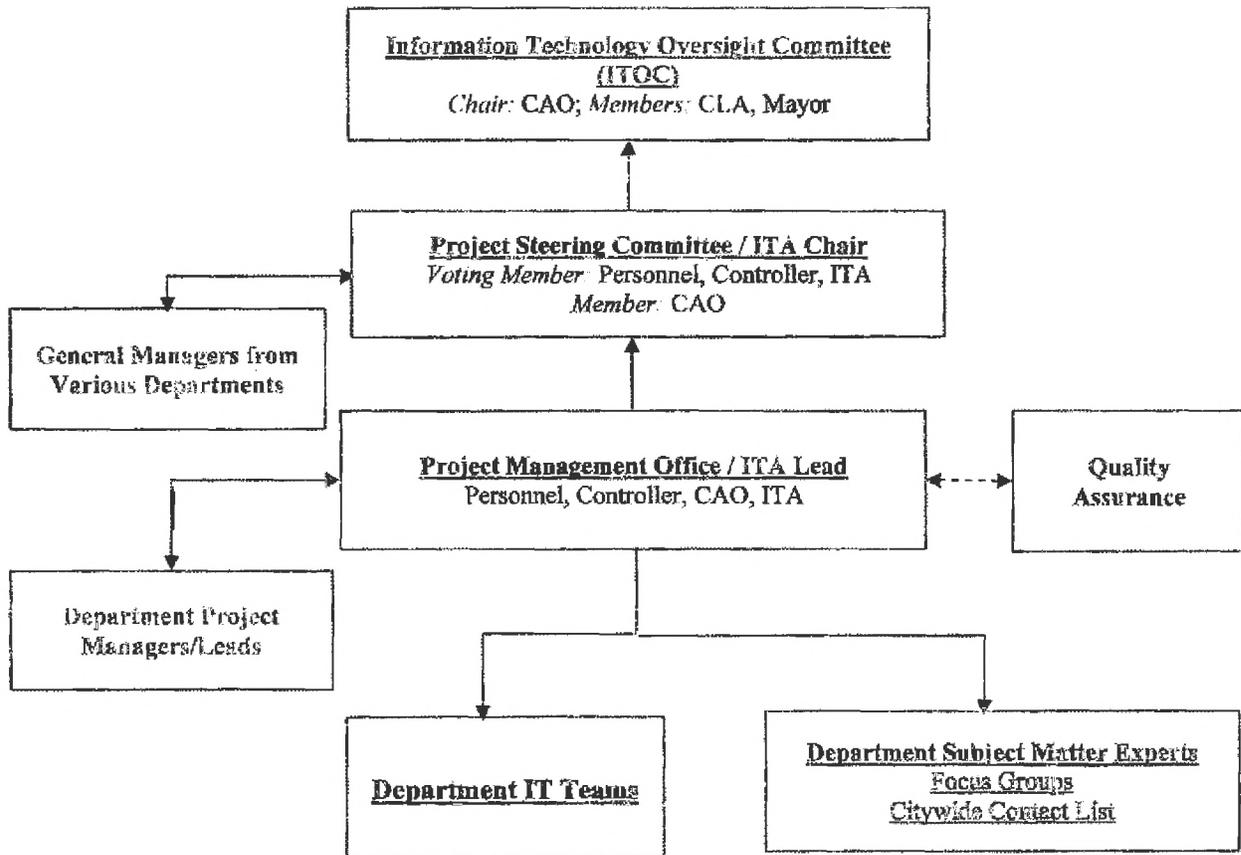
The initial Phase of the HRP System will be limited to the HR functions required to successfully create an accurate payroll generation - functionality currently provided by the PaySR system. Maintaining this scope is essential for the City to be able to meet the projected 18 to 24-month system development schedule, and mitigate future risk to payroll operations.

The total one-time implementation cost of the PaySR Replacement Phase of the HRP system is estimated by KPMG to be between \$10 million to \$15 million. However, due to the timing of the RFP release, selection, and contract negotiation, the System Development Phase is anticipated to cover the final five to six months of FY 2018-19, so the \$3M for this project provided in the FY 2018-19 budget is anticipated to be minimally sufficient to initiate work, with aggressive negotiation from the City.

Project Phase	Date/Start Date	Estimated Duration
Planning & Requirements Gathering	July 2017 - May, 2018	10 months
Issue RFP and Proposers Prepare Responses	June - August, 2018	3 months
Proposal (RFP Response) Due	End of August, 2018	
Evaluate Proposals	September - Nov., 2018	3 months
Negotiate and Execute Contract with Selected Proposer	December, 2018 - February, 2019	3 months
Payroll System Development	March, 2019 - January 2020 or January 2021	9 to 22 months (depending on proposal)

PROJECT GOVERNANCE

Governance is essential to the success of a large project. In partnership with Controller's Office, Personnel, CAO, and Mayor's Office, ITA proposes maintaining the current governance structure until the conclusion of the transition of PaySR to the new HRP system (when PaySR is no longer producing regular payroll for City departments; see below).



POTENTIAL ISSUES AND/OR RISKS

Potential issues and risks for the implementation of Phase 1 Scope (PaySR System Replacement) are:

- *Underfunding or understaffing the project* - To complete a successful 18 to 24-month project, the City will need to properly fund and staff the project. Funding and staffing requirements can be properly detailed based on the vendor solution chosen.
- *Timely decision-making* - A successful project requires a balance between timely decision-making and quality of work. If project decisions or departmental participation are not properly managed, the implementation of the HRP System may exceed the projected timeline and require additional funding. In addition, a lengthy delay will undermine the quality of the initial requirements and reduce the quality of the project.
- *Ineffective testing* - System testing is a key function to ensure the new system will meet City requirements. A lack of dedication and diligence to fully test processes within the new system could have major impacts on the schedule, cost, and quality of the

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implementation. This was a consistent theme in "lessons learned" from other organizations.

- *Lack of departmental participation* - Departmental participation in the development, testing, data conversion, and training for the new system will be key to the implementation of a system that meets department needs. Change management and engagement techniques will be employed to continue to engage departments in high levels of participation.

If you have any further questions, please contact me or Joyce Edson, Assistant General Manager, at 213-978-3311.

cc: Miguel Sangalang, Office of the Mayor
Emmett McOsker, Office of the Mayor
Georgia Mattera, Office of the Controller
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Bill Weeks, Personnel
Fatima De Mesa, Personnel
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Ben Ceja, CAO
Melissa Fleming, CAO
Trina Unzicker, CAO
Karen Kalfayan, Chief Legislative Analyst
Cheryl Banares, CLA
ITA Executive Team

APPENDIX A

DESCRIPTION OF FUNCTIONAL MODULES

- Onboarding and Flex Workforce - This module focuses on all functionalities supporting the onboarding of new employees and the administration and management of the City's flexible workforce. This includes the use of direct data entry by new or existing employees, and workflows routing all the action in the onboarding or administration process.
- Workforce Planning - This module contains all functionalities related to organization management and developing human resources related strategies and policies. This includes using employee data to analyze trends, provide forecasts, highlight issues, and test various scenarios in order to understand how changes can impact employees, or to design the organization for optimal performance.
- Positional Control - This module includes all functionalities related to position control and management, or the validation and tracking of positions. This includes system enabled confirmation of budgeted openings, and the coding and/or approval workflow to establish permission to fill a position.
- Talent Acquisition - This module includes all functionalities related to the applicant recruitment, candidate evaluation, offer management. This includes creating requisitions for a job opening, identification and assessment of candidates, coding candidate disposition, managing the offer process and any post offer screening requirements.
- Talent Management - This module includes all functionalities related to organization performance management, employee performance management, and talent review. This includes functionalities to support performance assessment and developmental planning, such as career planning by employees as well as supervisory evaluation performance either during the probationary period or on an ongoing basis.
- Employee & Labor Relations - This module includes all functionalities related to managing employee relations and labor relations. This includes functionality that supports the development of an employee relations strategy, and the maintenance or use of data required for negotiation and execution of changes resulting from negotiated agreements or settlements. It also includes any tracking and documentation at the individual or group level of grievances, disciplinary activities or investigations that need to be noted in the system of record.
- Benefits Administration - This module includes all functionalities related to base compensation, health and welfare benefits. This includes functionalities that supports managing employee benefits enrollments, processing changes to benefits based on life event changes, passing information to benefit carriers and monitoring benefit costs.
- Compensation - This module details and administers standard City employee compensation. This includes functionality that supports planning for and initiating changes to compensation either by making adjustments to an individual employee or to groups of employees with a common identifier.
- Employee Information & History - This module includes all functionality that supports making changes to or maintaining and storing employee data. This includes changes to personal, position, organization and compensation information. The system functionality supports making changes by direct data entry. Functionality also supports changes based on logic such that changes to an employee record automatically changes other circumstances based on rules such as MOU or Admin Code requirements.
- Payroll - This module manages payroll administration & distribution including the calculation of earnings and deductions, payroll taxes and the recording and tracking of bank accounts and reconciliation.
- Time & Attendance - This is the timekeeping module. It includes all functionalities supporting the collection of time and attendance data.
- Technical Systems Requirements - This module includes all functionalities or requirements supporting reporting, system infrastructure and performance, scheduling and performing system maintenance, system interfaces, and end user support.
- Security and Access Requirements - This module contains all functionalities supporting system security. This includes the secure management and auditing of data, maintenance of data integrity, and enforcement of system security by defining authorizations as a function of role-based privileges/permissions.