

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: January 29, 2020

REF: EXE-002-20

TO: Personnel and Animal Welfare Committee
c/o Richard Williams, Office of the City Clerk
Room 395 City Hall
Los Angeles, CA 90012

FROM: Human Resource and Payroll Steering Committee Members

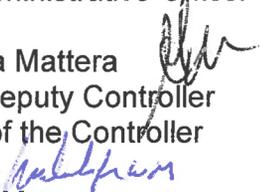
Ted Ross
General Manager, CIO
Information Technology Agency



Richard H. Llewellyn, Jr.
City Administrative Officer



Georgia Mattera
Chief Deputy Controller
Office of the Controller



Wendy Macy
General Manager
Personnel Department



SUBJECT: CURRENT STATUS OF THE HUMAN RESOURCE AND PAYROLL PROJECT - COUNCIL MOTION 18-0600-S43

On October 29, 2019, a Motion was introduced instructing the Human Resource and Payroll (HRP) Steering Committee to report on the current status of the HRP Project and inform the Council of any additional resources or recommended action needed to ensure the success of the project (C.F. 18-0600-S43).

The HRP Steering Committee is comprised of leadership of the Information Technology Agency (ITA), Office of the City Administrative Officer (CAO), Office of the Controller, and Personnel Department. The HRP Steering Committee has been leading the effort to replace the City's existing, 20-year-old custom-built payroll system with a modern payroll solution with enhanced functionality. A Request for Proposals was released in July 2018 seeking proposers for the City's new HRP system. On September 5, 2019, the ITA, on behalf of the HRP Steering Committee, submitted a report to the Information Technology Oversight Committee (ITOC) with an update on the status of the HRP project (Attachment 1). This report includes a brief project background and updates on the RFP process, project implementation, and project timeline.

On September 20, 2019, the HRP Steering Committee transmitted a memo to the heads of all City departments, excluding the Department of Water and Power, providing an update on the HRP Project (Attachment 2). This memo announced that the RFP evaluation panel, and subsequently the HRP Steering Committee, selected the vendor Workday to implement the City's new HRP system. Workday's Human Capital Management solution is cloud-hosted

and highly configurable, enabling it to meet the diverse needs of the City for human resource management and payroll processing. It is anticipated the Workday product will provide the City with a sustainable solution with reduced maintenance costs, enhanced security, and significantly increased functionality.

The City is currently involved in ongoing contract negotiations with Workday for the HRP system implementation. The HRP Steering Committee anticipates negotiations to be completed within the first quarter of 2020. Once negotiations are completed, the HRP Steering Committee will return to Council to obtain approval of the execution of the contract.

While specific details regarding the project implementation process and timeline are unavailable until a final contract scope of work has been negotiated, it is clear that a successful system implementation will require significant assistance from all City departments. As soon as a vendor contract is executed, the HRP Steering Committee will reach out to all City departments to ask for their attendance at a Town Hall meeting to learn more about Workday's system as well as the overall project implementation process and timeline. Shortly thereafter, the HRP Steering Committee will ask departments to send representatives to attend various workshops, in order to allow HRP project staff and Workday to learn the specific details of each individual department's current human resource and payroll processes. These workshops will facilitate the configuration of the HRP application to ensure it meets the needs of the City. The HRP solution will impact every City employee, and participation from across the City family is critical to ensure project success.

We appreciate the Council's interest in and commitment to this project. The HRP Steering Committee members look forward to providing additional information, including any additional recommended actions needed for the successful implementation of the project, when a final contract is available for the Council's consideration.

Attachments

cc: William Weeks, Personnel
Fatima De Mesa, Personnel
Ben Ceja, CAO
Vijay Singhal, Office of the Controller
Maria Ramos, CAO
Melissa Velasco, CAO
Matias Farfan, CLA
ITA Executive Team

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: September 5, 2019 REF: EXE-216-19

To: Information Technology Oversight Committee

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

Subject: **HUMAN RESOURCE & PAYROLL (HRP) PROJECT UPDATE**

SUMMARY

On July 11, 2018, the City of Los Angeles released the Human Resources and Payroll (HRP) System Request for Proposals (RFP) with responses due on September 13, 2018. Since the last update to Information Technology Oversight Committee (ITOC) in February 2019, the HRP Steering Committee (City Controller, Personnel Department, Information Technology Agency (ITA), and City Administrative Officer (CAO)) has completed its review of the proposals submitted in response to that RFP. This report provides an update of the HRP project including the evaluation and selection process, the projected cost based on the proposals submitted, and an updated project timeline for this committee's consideration.

BACKGROUND

The City's payroll system, known as PaySR, started in 2000 and today pays out over \$160M to 50,000 employees every two weeks. 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 pending retirement in 2018, the City Council (C.F. 17-0075) instructed the Information Technology Agency, City Controller, and Personnel Department 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 provided the City with the foundation to move to the next step in the PaySR replacement process – the release of a Request for Proposals (RFP) to select the new Human Resource & Payroll (HRP) platform and system integrator for the next generation City HR and Payroll system.

REQUEST FOR PROPOSALS

The RFP was released on July 11, 2018 with two primary objectives:

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

The City received a total of five proposals by the September 13, 2018 deadline.

EVALUATION AND SELECTION PROCESS

The evaluation process to select a vendor was 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. Importantly, successful proposals should strictly limit customization (system changes outside of the normal vendor configuration) due to the associated additional cost, negative impacts on system quality and maintenance, and difficulty maintaining the system across future upgrades.

EVALUATION COMMITTEE

The HRP Steering Committee established an HRP Evaluation Committee. It is comprised of representatives from the Steering Committee (Office of the Controller, Personnel Department, Information Technology Agency, and CAO) and three additional departments: Department of Transportation, Recreation and Parks Department, and the Los Angeles Police Department. The three additional departments were selected based on their wide variety of special or more complex HR/Payroll requirements.

The HRP Evaluation Committee worked with the HRP Project Management Office (PMO), ITA Business Analysis Division, and with assistance from KPMG. A representative from each participating department was assigned the role of Department Evaluation Team Lead to oversee the evaluation process for that department.

EVALUATION PROCESS

As defined in the RFP, proposers needed to first successfully demonstrate their compliance with the City's administrative requirements before being deemed eligible for evaluation. If a proposer met this prerequisite then the proposal entered a three-tiered process in which it was evaluated with respect to the following criteria:

1. Adequacy of Business Solutions/Service Requirements
2. Ability to Meet Technical Requirements
3. Ability to Transition City from Current PaySR System to Proposed Solution With Minimal Business Impact
4. Proposed Security & Access Protocols
5. Total Cost of Ownership for Solution

Proposers were also subject to reference reviews as part of the first and last tiers. In addition, the result from each tier was validated by KPMG.

Prerequisite Administrative Compliance

ITA's Finance and Administrative Services Bureau (Bureau) conducted the administrative compliance review. The Bureau concluded that all submitted proposals complied provisionally with the City's administrative requirements and were therefore eligible for evaluation. The provision was that the proposer eventually selected by the City will be given an opportunity to meet the Business Inclusion Program (BIP) requirement. The Bureau released all proposals for Tier I evaluation in November 2018.

Tier I (Vendor Minimum Implementation Experience)

The RFP required that proposers must meet the Tier I threshold of minimum implementation experience requirements or be disqualified from further consideration and evaluation.

The ITA representatives of the HRP RFP Team conducted this evaluation. This process consisted of reference interviews with organizations provided by the proposers specifically for Tier I as requested in the RFP. Via teleconference, the Team asked a fixed set of questions intended to identify the scope and recent history of a proposer's HRP experience. The reference interview findings were submitted to the HRP Steering Committee for determination of which proposers were qualified to proceed to Tier II evaluation.

The Team completed the Tier I evaluation in early January 2019. Three proposers qualified to proceed to Tier II evaluation.

Tier II (Solution Narrative, Capability, and Cost)

As outlined in the RFP, the Tier II evaluation process computed a score that was used to determine if a proposer proceeded to evaluation Tier III. The score for each proposal was based on how well the proposer carried out the following tasks:

1. Provide a narrative description of their proposed HRP solution,
2. Specify their solution's capabilities for meeting each of the approximately 1,700 technical and functional requirements identified for the City's HRP system,
3. Submit videos to validate their solution's implementation of a subset of the technical and functional requirements and
4. Estimate cost and pricing for implementing their HRP solution

The HRP Evaluation Committee teams evaluated and scored the performance of the first three tasks.

ITA's Finance and Administrative Services Bureau conducted a cost analysis of the results of the last task. After removing discounts, proposers' estimated costs and pricing showed a range of \$20 million to \$26 million. The Bureau assigned each proposer the full score for this task because all proposals equally fulfilled the requests comprising the cost and pricing estimates. This cost analysis was submitted to the Evaluation and HRP Steering Committee for its consideration and review.

Each proposer's final Tier II score was composed of the individual scores for each of the four above tasks. The teams completed the Tier II evaluation in mid-February 2019. These results were validated by KPMG and submitted to the HRP Steering Committee for its determination of which proposers qualified to proceed to Tier III. All three proposers evaluated in Tier II qualified to present their solution in the Tier III stage of the evaluation.

Tier III (Solution Suitability for City of LA)

Proposers advancing to Tier III were provided the opportunity for their implementation team to present a live, on-site demonstration of their solution, its ability to meet the City's requirements, and its suitability for implementation as the new City platform and PaySR replacement. They were

given a narrative consisting of scenarios specific to City operations in the areas of human resources, time entry, payroll, IT, and security. Proposers were each given three weeks to configure their product for this on-site demonstration. The RFP states the results of Tier III determine which vendor will be selected.

The on-site demonstrations were completed the last week of March 2019. Reference checks by the ITA representatives of the HRP RFP Team and the HRP Evaluation teams' evaluations of Tier III were completed by mid-April 2019. The results of this tier's evaluation were ranked, the results were validated by KPMG, and submitted in a report to the HRP Steering Committee in late April 2019.

As a result and part of its process, the HRP Steering Committee has authorized ITA to begin contract negotiations, beginning with the City's Standard Provisions.

IMPLEMENTATION

Projected Cost

The total one-time implementation cost of the PaySR Replacement Phase of the HRP system was estimated by KPMG to be between \$10 million to \$15 million. KPMG estimates ongoing annual maintenance costs to be \$1 million to \$2 million and estimates that any potential additional phases or new modules may cost between \$5 million to \$10 million. The range of the vendor submissions ranges from \$20 million to \$26 million. It should be noted that these are pre-negotiation prices.

The System Development Phase is now anticipated to start in the beginning of FY 2019-20. \$3 million for this project was provided in the FY 2018-19 Budget and the \$6 million provided in the FY 2019-20 Budget is anticipated to be sufficient to initiate work, assuming aggressive negotiation from the City. As part of the FY 2020-21 Budget process, a range of \$18 million to \$21 million and renewal of the resolution authority positions as it relates to this project will be a part of the proposed budget request. It is foreseeable that throughout the course of the HRP project, increased staffing capacity will be needed for project sponsor departments, as well as other stakeholder departments, to support the planning, implementation, and transition to the HRP system.

TIMELINE

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 following is the updated timeline including phases that has been completed:

Project Phase	Completed	Duration
Planning & Requirements Gathering	May 2018	10 months
Prepare and Release RFP	July 2018 (released July 11, 2018)	2 months

Project Phase	Completed	Duration
Proposers Prepare Responses	September 2018	3 months
Proposal (RFP Response) Due	September 13, 2018	
Evaluate Proposals	September 2018 –April 2019	8 months
Negotiate and Execute Contract with Selected Proposer	May - End of October 2019	5 months
HRP System Development - PaySR Replacement	November, 2019 - May 2021 or November 2021	18 to 24 months (depending on proposal)

If you have any further questions, please contact me or Joyce Edson, Executive Officer, at 213-978-3311.

cc: Miguel Sangalang, Office of the Mayor
Emmett McOsker, Office of the Mayor
Georgia Mattera, Office of the Controller
Vijay Singhal, Office of the Controller
Wendy Macy, Personnel
Bill Weeks, Personnel
Fatima De Mesa, Personnel
Richard Llewellyn, City Administrative Officer
Ben Ceja, CAO
Melissa Velasco, CAO
Karen Kalfayan, Chief Legislative Analyst
ITA Executive Team

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

TRANSMITTED ELECTRONICALLY

DATE: September 20, 2019 REF: EXE-232-19

TO: Heads of All City Departments
(Excluding the Department of Water and Power)

FROM: Human Resource & Payroll (HRP) Steering Committee Members

Ted Ross
General Manager, CIO
Information Technology Agency 

Richard H. Llewellyn, Jr. 
City Administrative Officer

Georgia Mattera 
Chief Deputy Controller
Office of the Controller

Wendy Macy 
General Manager
Personnel Department

SUBJECT: **HUMAN RESOURCE AND PAYROLL PROJECT (HRP) UPDATE**

The HRP Steering Committee wishes to sincerely thank you for active participation and support of the new Human Resource and Payroll project.

As you are aware, in 2017, the City embarked on the process of replacing its 20 year old custom-designed payroll system (PaySR). In collaboration with KPMG, the HRP Steering Committee through its Project Management Office (PMO), began the process of gathering information regarding department needs for the development of the new payroll and human resources system. This information was obtained through a series of requirement gathering workshops attended by numerous City department staff which resulted in a comprehensive requirements document that was included in the Request for Proposals (RFP).

On July 11, 2018, the City released an RFP seeking a state-of-the-art human resources and payroll system that would be easily configurable and sustainable to meet the City's ever-changing needs. As a result, the City received five proposals. After a series of in-depth and rigorous evaluation reviews, the HRP Steering Committee selected the vendor - **Workday** as the City's new payroll vendor. Workday is a multi-tenant Software-as-a-Service (SaaS) solution that is developed, supported, and deployed as a single version of software across all of Workday's customers. The benefits this type of payroll solution provides the City include reduced maintenance costs, enhanced security, greater extensibility, and continuous innovation and enhancements at a lower cost for many years to come.

Heads of All City Departments
(Excluding the Department of Water and Power)
September 18, 2019
Page 2

The City has formally begun the contract negotiation process with Workday. Once the contract with Workday has been approved by Council and Mayor, the project will commence with City PMO Team members and Workday staff housed together on-site. We encourage you to visit the HRP Project website at <https://sites.google.com/lacity.org/hrp> to learn more about the ongoing status of the Project, view the latest updates and reports. In addition, we will be hosting another Town Hall Meeting in the mid to late Fall time frame where Workday will be in attendance to provide a demonstration of their product, and respond to any questions or concerns that you may have.

In the interim, the PMO team will be reaching out to you for your assistance in detailing and validating your current human resource and payroll processes. The expertise of City staff is crucial to help us better understand the current challenges and specific operational needs of your department, so that we may accurately document your needs and processes. As a reminder, this is not simply an ITA, CAO, Controller's Office, or Personnel Department project... this is a citywide project that affects each of our departments. Your participation and input have been critical to our success thus far, and we thank you for your future commitment.

If you have any questions, please email us at ita.lahrp_team@lacity.org.

cc: PMO Team