

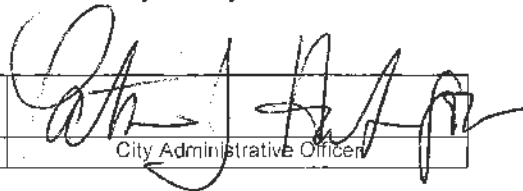
Report From
OFFICE OF THE CITY ADMINISTRATIVE OFFICER
Analysis of Proposed Contract
(\$25,000 or Greater and Longer than Three Months)

To: The Mayor The City Council	Date: 06-01-15	C.D. No. All	CAO File No.: 0280-01103-0050
Contracting Department/Bureau: Information Technology Agency (ITA)		Contact: Sylvia Bergstrom, 213-978-1695	
Reference: Submission from ITA presented to the PaySR Steering Committee on November 19, 2014 as instructed by Council			
Purpose of Contract: Payroll System enhancement and maintenance			
Type of Contract: () New contract (X) Amendment		Contract Term Dates: August 1, 2003 – July 31, 2017 (Two year extension)	
Contract/Amendment Amount: \$ 1,150,000 annually			
Proposed amount \$ 2,300,000 + Prior award(s) \$ 11,122,500 = Total not to exceed \$ 13,422,500			
Source of funds: ITA Department No. 32; General Fund No. 100; Contractual Services Account No. 003040			
Name of Contractor: Hess & Associates, Inc.			
Address: 17853 Santiago Blvd. #107-506, Villa Park, CA 92861			
	Yes	No	N/A*
1. Council has approved the purpose	x		
2. Appropriated funds are available	x		
3. Charter Section 1022 findings completed	x		
4. Proposals have been requested		x	
5. Risk Management review completed	x		
6. Standard Provisions for City Contracts included	x		
7. Workforce that resides in the City: 0%			
8. Contractor has complied with:	Yes	No	N/A*
a. Equal Employmt. Oppty./Affirm. Action	x		
b. Good Faith Effort Outreach**			x
c. Equal Benefits Ordinance	x		
d. Contractor Responsibility Ordinance	x		
e. Slavery Disclosure Ordinance	x		
f. Bidder Certification CEC Form 50			x
*N/A = not applicable ** Contracts over \$100,000			

COMMENTS

The Payroll System Replacement (PaySR) project was initiated in July 2000 to replace the City's legacy payroll system, which was obsolete, inflexible, and difficult to maintain. Since then, the scope of the PaySR project has expanded in response to new City and legal requirements as well as requirements that were not anticipated at the beginning of the project. While the need for additional project deliverables has extended the project timeline, PaySR has provided the City with systematic controls that result in more accurate paychecks and greater efficiency in Controller and departmental payroll processes. According to the American Payroll Association, an acceptable payroll error rate based on a 2009 Payroll Performance Study is two percent. In 2012, the PaySR payroll error rate was 0.009 percent for the 1.13 million City paychecks created. PaySR has also proven to be a very flexible system that has accommodated in a timely manner the multitude of changes required by cost-saving labor negotiations in recent years.

The continued support of the PaySR development contractor, Hess and Associates, Inc. (Contractor), will be required during the 2015-16 and 2016-17 Fiscal Years to complete the baseline PaySR functionality as well as to provide production support and training of City staff in the operation of PaySR via configuration. It is anticipated that following this contract, the cost of yearly maintenance services provided by the Contractor will be significantly lower because the PaySR system will be run and maintained by City staff.

 RES Analyst 17150030	Assistant CAO	 City Administrative Officer
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The PaySR Steering Committee was established by the City Council, and its voting membership includes representatives of the Mayor's Office and the Chief Legislative Analyst, as well as the City Administrative Officer who chairs the Committee. The PaySR Steering Committee also includes advisory representatives from the Controller, ITA, and the Personnel Department. The Council authorized the Steering Committee to approve contracts necessary for the implementation of a replacement City payroll system before those items are submitted to Council for approval (C.F. 99-1641). ITA submitted a request to the PaySR Steering Committee to amend the City's contract with the Contractor to continue PaySR project work. The Steering Committee recommends that Council approve the Third Restated Professional Services Agreement No. C-105458 (Amendment No. 17) between the City and the Contractor.

PAYSR PROJECT

The proposed amendment reflects a change in philosophy in the City's approach to managing the programming, development, and maintenance of the payroll system. Previously, it had been presumed that City staff would eventually take over from the Contractor the task of maintaining and enhancing PaySR. Experience has shown, however, that this assumption is unrealistic for a variety of reasons including the inability to retain trained and experienced programming and technical City staff on the PaySR project. The development of some functionality was interrupted by several factors including the periodic need to implement Memorandum of Understanding (MOU)-required payroll changes. While the custom programming approach of PaySR has worked very well in accommodating the very complex payroll structures of the City, modifying the software has required a software developer's level of expertise.

ITA has worked with the Contractor to develop a proposed solution, which, as reflected in the amendment, will require the Contractor to focus on making the custom PaySR system run more like a commercial-off-the-shelf (COTS) system. Instead of requiring coding changes, PaySR will be configurable via tables and settings. In addition to the COTS hardening effort, the Contractor will complete the baseline functionality of PaySR. During the first year, payroll-related functionality will be completed and during the second year, personnel-related functionality will be completed. The PaySR tasks planned for Fiscal Years 2015-16 and 2016-17 are described in Attachment 1 (attached). The items in the category of "Hardening" relate to this major effort to make PaySR more COTS-like. It is anticipated that following this contract, the cost of yearly maintenance services provided by Hess and Associates will be noticeably lower because the PaySR system will now be able to be run and maintained by City staff.

PROPOSED AMENDMENT

In the 13th amendment (August 2010 to July 2011), the Contractor reduced rates by 10 percent as requested by the City. As proposed, the 15th amendment continues the same monthly rate for the firm's principal, but adds a range of rates for each of the developer classifications. The firm's principal will be paid a total of \$360,000 over the two-year term of the amendment. The other Contractor staff will be paid on a time-and-materials basis using billing rates that are specified in the contract in an amount not to exceed \$1.94 million. The total compensation is not to exceed \$2.3 million over the two-year term of the proposed amendment through July 31, 2017 to provide production support and baseline PaySR functionality.

CONTRACT COMPLIANCE

Pursuant to Charter Section 1022, this Office has determined it is more feasible to contract for this service than to use City employees. ITA surveyed several departments, each of which indicated that there are insufficient City staff to perform the work proposed to be contracted.

Since this contract was executed on a sole source basis in 2003, a good faith effort outreach was not required. The requirement for the City Ethics Commission Bidder Certification Form 50 is not applicable because it did not exist at the time the contract was executed. In accordance with Los Angeles Administrative Code Section 10.5(b)2, City Council approval of the proposed amendment is required because the term exceeds three years and annual compensation exceeds \$141,949.

RECOMMENDATION

That the Council approve, and authorize the Interim General Manager of the Information Technology Agency to execute, the Third Restated Professional Services Agreement No. C-105458 (Amendment No. 17) between the City of Los Angeles and Hess & Associates, Inc. to increase funding by \$2.3 million for a total contract amount not to exceed \$13,422,500 and to extend the term by two years to July 31, 2017 for continued support of the Payroll System Replacement (PaySR) Project, subject to the review and approval of the City Attorney.

FISCAL IMPACT STATEMENT

The proposed amendment to Contract No. C-105458 with Hess and Associates, Inc. for payroll system enhancement and production support would add \$2.3 million for a new total contract compensation not to exceed \$13,422,500. This contract complies with the City's Financial Policies because it limits the City's financial obligation to the amount appropriated by the Mayor and Council for this purpose. Funds have been budgeted for this contract through June 30, 2016.

Attachment

MAS:RES:11150030