

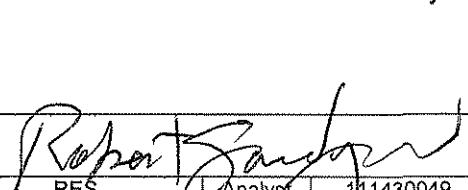
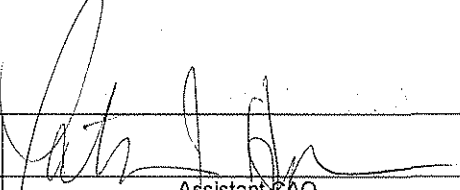
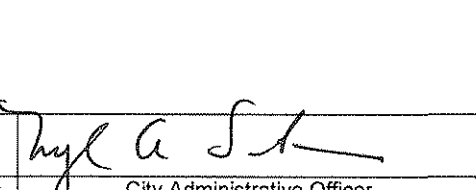
Report From
OFFICE OF THE CITY ADMINISTRATIVE OFFICER
Analysis of Proposed Contract
(\$25,000 or Greater and Longer than Three Months)

To: The Mayor The City Council	Date: 04-15-14	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 dated March 27, 2014 and presented to the PaySR Steering Committee 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, 2015 (no change)					
Contract/Amendment Amount: \$245,000							
Proposed amount \$ 245,000 + Prior award(s) \$ 10,877,500 = Total not to exceed \$ 11,122,500							
Source of funds: ITA Contractual Services Account No. 3040							
Name of Contractor: Hess & Associates, Inc.							
Address: 17853 Santiago Blvd. #107-506, Villa Park, CA 92861							
	Yes	No	N/A*	8. Contractor has complied with:	Yes	No	N/A*
1. Council has approved the purpose	x			a. Equal Employmt. Oppty./Affirm. Action	x		
2. Appropriated funds are available	x			b. Good Faith Effort Outreach**			x
3. Charter Section 1022 findings completed	x			c. Equal Benefits Ordinance	x		
4. Proposals have been requested		x		d. Contractor Responsibility Ordinance	x		
5. Risk Management review completed	x			e. Slavery Disclosure Ordinance	x		
6. Standard Provisions for City Contracts included	x			f. Bidder Certification CEC Form 50			x
7. Workforce that resides in the City: 0%				*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. The continued support of the PaySR development contractor, Hess and Associates, Inc., will be required during the 2013-14 and 2014-15 Fiscal Years to work on the high priority projects that are needed as well as to provide production support and knowledge transfer to City staff.

ITA submitted a request to the PaySR Steering Committee to amend the City's contract with Hess and Associates, Inc. (Contractor) to pay for additional PaySR project work. 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). The Steering Committee recommended at its meeting on April 3, 2014 that Council approve Amendment No. 16 to Contract No. C-105458 between the City and the Contractor.

 RES Analyst 1/1430049	 Assistant CAO	 City Administrative Officer
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PAYSR PROJECT

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.

PROPOSED AMENDMENT

The PaySR projects for Fiscal Years 2013-14 and 2014-15 are described in Attachment 1 and remain unchanged from Amendment No. 15. Continuing production support is the highest priority and as time allows, work on various technical or functional projects will be performed. In addition, work may be requested by other City departments for critical projects such as the need to comply with new legal requirements.

The Personnel Department has identified additional critical projects related to the implementation of a new workers' compensation system and the federal Patient Protection and Affordable Care Act (Affordable Care Act or ACA) that need to be completed during the term of this contract. Accordingly, Amendment No. 16 will cover the provision of services to complete these additional projects as outlined below:

1. Workers' Compensation (iVOS System-Related PaySR Enhancements): Create interfaces to and from the new workers' compensation system, iVOS, and provide additional enhancements to ensure the successful launch of the new system in the second quarter of 2014. This work is expected to be completed in fiscal year 2013-14 at a cost of \$65,000.
2. Workers' Compensation (PaySR Enhancements): Program ability in PaySR for employees on workers' compensation state rate to use sick time up to the equivalent of their salary; implement validation tool to prevent duplicate payments to employees on workers' compensation state rate; display work restrictions (industrial and non-industrial) for affected employees in PaySR. This work is expected to begin immediately and be completed in fiscal year 2014-15 at a cost of \$90,000.

Funding: The Personnel Department has identified savings of \$155,000 in the Human Resources Benefits Budget, Contractual Services Account from funds allocated for the replacement of the workers' compensation system to fund projects 1 and 2 described above.

3. Affordable Care Act (PaySR Enhancements): Create reports and files on compensated hours of service to enable the Personnel Department to determine when City employees will become eligible for health care benefits under the Affordable Care Act. This work is expected to begin immediately and be completed in fiscal year 2014-15 at a cost of \$90,000.

Funding: The Personnel Department has identified savings of \$90,000 in the Human Resources Benefits Budget, Contractual Services Account from funds budgeted for Affordable Care Act-related expenditures to fund this project.

Funds that are not spent at the end of the fiscal year will revert to its funding source unless Council approves a reappropriation of the funds for a specific purpose as requested by the Department in the financial status report. As work for the workers' compensation and ACA-related PaySR enhancements are expected to be completed in fiscal year 2014-15, funding of \$180,000 will need to be reappropriated next fiscal year for this purpose. This action will be addressed in the 2014-15 fiscal year-end financial status report to ensure appropriate funding is available to complete these critical projects.

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 staff to perform the work proposed to be contracted, and additional staff cannot be employed and trained in a timely manner to meet ITA's needs.

Since this contract was executed on a sole source basis in 2003, a good faith effort outreach to minority, women-owned and other businesses 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. City Council approval is required because the term exceeds three years and the compensation exceeds \$137,319 and because Council has approved previous amendments.

RECOMMENDATIONS

That the Council:

1. Approve, and authorize the General Manager of the Information Technology Agency to execute, Amendment No. 16 to Contract No. 105458 between the City of Los Angeles and Hess & Associates, Inc. to increase funding by an amount of \$245,000 for a total contract amount not to exceed \$11,122,500, subject to the review and approval of City Attorney.
2. Transfer \$155,000 from the Human Resources Benefits Budget, Department No. 61, Fund No. 100, Contractual Services Account No. 3040 to the Information Technology Agency, Department No. 32, Fund No. 100, Contractual Services Account for workers' compensation-related PaySR enhancements.
3. Transfer \$90,000 from the Human Resources Benefits Budget, Department No. 61, Fund No. 100, Contractual Services Account No. 3040 to the Information Technology Agency, Department No. 32, Fund No. 100, Contractual Services Account for Affordable Care Act-related PaySR enhancements.

FISCAL IMPACT STATEMENT

The proposed amendment would add \$245,000 to the contract with Hess and Associates, Inc. for a contract total not to exceed \$11,122,500. The recommendation provided in this report is in compliance 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. Since funds for this contract amendment are budgeted in the Human Resources Benefits 2013-14 Budget, Contractual Services Account, there is no additional impact on the General Fund resulting from the execution of Amendment No. 16 to Contract No. C-105458.

MAS:RES:111430049

Attachments