

PERSONNEL, AUDITS, AND ANIMAL WELFARE (PAAW) COMMITTEE REPORT
relative to relative to the Human Resources and Payroll (HRP) Project.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. AUTHORIZE the General Manager, Information Technology Agency (ITA), to negotiate an amendment to Contract No. C-135368 with Workday, Inc. for a change order to implement a phased deployment approach of the HRP system. The phased approach should begin no sooner than April 2022, and the HRP steering committee should report to PAAW Committee in January with a phasing plan that is supported by all four lead HRP departments.
2. TRANSFER appropriations in the amount of \$1,000,000 from the Unappropriated Balance Fund No. 100/58, Account No. 580329, Human Resources and Payroll System Replacement, to the Information Technology Agency (ITA) Fund No. 100/32, Account No. 3040, Contractual Services, to fund anticipated expenditures.
3. INSTRUCT the HRP Steering Committee to begin providing monthly reports to the PAAW Committee, beginning January 2022, using the template described in the September 30, 2021 HRP Steering Committee, attached to the Council File, with possible changes to the report format should they be requested by the PAAW Committee Chair with said monthly reports to include an assessment of the implementation of Controller Recommendation Nos. 1 through 4 under adjustments to project communication (Page 5 of the October 1, 2021 Controller report, attached to the Council File).
4. INSTRUCT the City Administrative Officer (CAO) to lead the effort to promptly establish a contract with a highly respected Quality Assurance (QA) consulting firm, issue a Request for Proposal, Request for Qualifications, or other appropriate bid solicitation using the Controller's Bench contractors (and requesting the Controller to administer the contract), identify funding for a consulting firm, and report to the Council with the recommended contract for approval; and, in developing the contract, the CAO should ensure that each of the four departments (CAO, ITA, Personnel, Controller) have the opportunity to develop input and review/approve of the tasks required of the QA, including the leadership team communication issues raised in the Controller's report, which should be addressed at the earliest possible point.
5. INSTRUCT the CAO to discuss with the Executive Employee Relations Committee the practical value of new Memorandum of Understandings having compensation change dates no earlier than January 2023.

Fiscal Impact Statement: The ITA reports that the estimated General Fund impact of the proposed phased implementation is \$10.8 million. This impact includes increased costs

totaling \$12.3 million (\$11.2 million for Workday, Inc., \$688,000 for the PaySR contractors including Hess & Associates, and \$450,000 for additional consulting support requested by the Controller's Office) offset by overall savings and available contingency funding in the HRP project budget of \$1.5 million. It is requested that \$1 million in available Unappropriated Balance contingency funding be transferred to the ITA to fund a portion of 2021-22 estimated costs for the project delay. For the \$10.8 million in additional project costs, it is currently unknown at this time how much of these funds will be required in 2021-22 and which costs will be incurred in 2022-23 as the City is still in the process of negotiating a contract amendment with Workday, Inc to implement the phased go-live approach. ITA will submit an interim 2021-22 funding request and a 2022-23 budget request for these funds once the cost breakdown per Fiscal Year has been finalized.

Fiscal Policies Statement: The ITA reports that the approval of the recommendations of this report is in compliance with the City's Financial Policies as the underlying contracts (with Workday, Inc. and Hess & Associates) and procurement of software licenses is subject to the appropriation of funds in the City Budget.

Community Impact Statement: None submitted.

(Information Technology and General Services and Budget and Finance Committees also considered this matter.)

Summary:

On October 6, 2021, your Committee considered October 1, 2021 Controller and ITA reports relative to the HRP Project. According to the ITA, the HRP Project is the comprehensive replacement of the City's existing PaySR payroll system with a modern human resources and payroll system implemented by the vendor Workday, Inc. The original project timeline assumed a 21-month implementation timeline and a go-live date of January 2022. Currently, the HRP project is in the Testing Stage. The ITA has successfully completed over 70 percent of original deliverables and are in the fourth of five.

However, the testing phases have not completed as quickly as planned, primarily due to the impacts of the COVID-19 Pandemic on the project, as detailed in the subsequent sections of the October 1, 2021 ITA report. To ensure the overall success of the project, the HRP Steering Committee, comprised of the Personnel Department, Office of the City Controller, ITA, and CAO recommend that the City instead implement a phased approach for system go-live. This phased approach would have the primary personnel functions that are included in the Human Capital Management (HCM) module go-live in January 2022, at the originally anticipated system go-live date. Additional modules, including Compensation, Time Keeping, and Absence Management would go-live in April 2022. Finally, the Payroll and Benefits modules are proposed to go-live in December 2022. This phased approach would increase the project cost by \$10.8 million.

The primary cause for the proposed delayed, phased implementation of the HRP Project is the COVID-19 Pandemic. The Project faced challenges with work conditions with the onset of the COVID-19 pandemic and the Stay-At-Home order. The HRP Project formally started in March 2020 (the same month the COVID-19 pandemic disrupted our nation and City). The project team and our department partners quickly adjusted to online collaboration and were generally effective in the early stages of the project. However, system testing is most efficient and effective when testers are co-located with the project teams to review findings and resolve.

While the HRP Project completed over 7,000 test steps, this is far short of the necessary testing goals, specifically in the payroll module. As a reference, Workday Inc. has never completed a project with 100% telework. Secondly, as the pandemic raged on, the Separation Incentive Program (SIP) was implemented, resulting in substantial loss of department HR and payroll subject matter experts and project staff. The subsequent hiring freeze prevented the ability of departments to replace these key personnel. In addition, staff from the Personnel Department, Controller, and CAO were required to shift part-time focus to assisting the administration of SIP, vaccination policies, and other COVID-related matters.

The HRP Project began to feel the cumulative effects of these challenges during unit testing at the end of the Configuration Stage, and the impact became irreparably pronounced during End-to-End testing (July and August 2021) in the Testing Stage. COVID prevented co-location and required remote work. This led to reduced collaboration, slowed pace of multiple project activities, and impacted the ability to test at the pace needed to maintain the project timeline. Executive Sponsors, Project Management for both the City and Workday, and project team members made numerous adjustments and course corrections as described below. Nevertheless, the project is not able to meet the original go-live date for all modules and functionalities. The goal of the HRP project has always been to replace PaySR with a sustainable, modern system and ensure an accurate payroll. Based on the factors listed above, the City's best path for success is to deploy functionality in a phased approach, with HCM going live as planned on January 1, 2022, Compensation, Absence, and Time Tracking going live in April 2022, and Benefits and Payroll going live late December 2022. With this phased approach, the HRP Project team and departments can mitigate the effects of COVID-19 and SIP to focus on specific Workday functionality with each release to ensure the highest degree of accuracy, fit to City operations, and the best possible City user adoption before deploying and shifting focus to the next area. The phased-in approach will allow employees to receive more dedicated attention and targeted support from the project team when the functionality that impacts them is deployed, ensuring success of this critical project. After consideration and having provided an opportunity for public comment, the Committee moved to make a series of recommendations, as detailed in the above Recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Personnel, Audits, and Animal Welfare Committee

COUNCILMEMBER VOTE

KORETZ: YES

HARRIS-DAWSON: YES

BONIN: YES

ARL

10/6/21

-NOT OFFICIAL UNTIL COUNCIL ACTS-