PERSONNEL, AUDITS, AND HIRING COMMITTEE REPORT relative to proposed amendments to contracts in connection with the Human Resources Payroll (HRP) Project.

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

1. AUTHORIZE the Information Technology Agency (ITA) to:

   a. Negotiate and execute an amendment to the HRP Workday contract (Contract No. C-135368), to revise the Statement of Work to include additional support for parallel testing, training, cutover preparation, and related activities through the new proposed implementation date of June 2024 and increase the contract compensation by $7,100,000, subject to the approval of the City Attorney as to form, in order to incorporate the changes needed to complete Phase 2 implementation.

2. AUTHORIZE the ITA and Controller to negotiate and execute amendments to the KPMG task orders engaged through the Controller's master agreement (Contract No. C-138949) to extend the terms through June 30, 2024 and provide additional compensation as follows, subject to the approval of the City Attorney as to form:

   a. Increase the Task Order held by ITA in the amount of $1,176,000 to extend KPMG's engagement as project managers of the HRP Project, including oversight of the overall project schedule, providing regular status updates, and prioritizing and resolving open risks, actions and decisions for the project.

   b. Increase the Task Order held by the Controller in the amount of $771,420 for an additional 15 weeks of Parallel testing support with City departments to ensure that the data comparison between Workday and PaySR is accurate.

3. TRANSFER $10,961,924 from the Reserve Fund No. 101/62 to General Fund No. 100/58, Account No. 580329 Human Resources and Payroll System Contingency.

4. APPROPRIATE $9,961,924 from the Unappropriated Balance No. 58, Account No. 580329 Human Resources and Payroll System Contingency to HRP Project sponsor Departments within the General Fund No. 100 for contractual services including implementation support, project management, parallel testing support, report writing, quality assurance and software costs required to complete Phase 2 implementation as follows:

a. Information Technology Agency, Department No. 32, Account No. 3040 Contractual Services - $8,662,504

b. City Administrative Officer (CAO), Department No. 10, Account No. 3040 Contractual Services - $528,000

c. Controller, Department No. 26, Account No. 3040 Contractual Services – $771,420

5. AUTHORIZE the CAO to make technical corrections as necessary to transactions included in this report to implement Mayor and Council intentions.

Fiscal Impact Statement: None submitted by the ITA. Neither the CAO nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

TIME LIMIT ITEM – JANUARY 2, 2023

(LAST DAY FOR COUNCIL ACTION – DECEMBER 15, 2015)

(Also referred to the Budget, Finance, and Innovation Committee)

Summary:

On December 5, 2022, the Personnel, Audits, and Hiring (PAH) Committee considered a November 3, 2023 ITA report relative to proposed amendments to contracts in connection with the HRP Project. According to the ITA, as highlighted in the CAO's First Financial Status Report for 2023-24 (Council File No. 23-0600-S110), the HRP Project Sponsor Team has requested the delay of the HRP Phase 2 Payroll system until June 2024. The ITA, in collaboration with the Controller, Personnel Department, and CAO, has prepared this status report on the HRP Project to provide details on why this delay is necessary.

Included in this status report is an update on project milestones and accomplishments, a review of the criteria that must be met in order for a successful implementation or "go-live" to occur, and a revised project timeline. In addition, the extension of the project period will require additional funding to reach go-live. As such, this report includes an essential request for $11 million to fund the project extension and in particular the costs associated with the various consultants providing services such as System Integration (Workday), Change Management (Accenture), and Project Management (KPMG). Implementing a modern comprehensive human resources and payroll program to replace a legacy payroll system supporting over 42 departments and 50,000 employees was never going to be easy, especially with the complexities inherent to government. The City has had to adapt to many challenges over the last three years of implementation, including COVID.

Each department faced a shift to remote or hybrid working conditions, new mandates and priorities. Additionally, departments across the City faced the loss of experienced professionals with needed subject matter expertise and continued to navigate high rates of vacancies during the course of implementation and the added extensions. Yet, despite these challenges, the City has made steady progress in implementing the new HRP system, including the implementation of the Phase 1 Human Resources system. The project was working to meet its December 2023 implementation date for Phase 2, but the high level of staff vacancies citywide, the complexities of payroll within each City department, and the inability to reach necessary quality targets has meant that each of the testing phases deadlines throughout this year has slipped. The HRP project is often competing with other department priorities. Most recently, as the project continues its Parallel Testing phase, it has not been able to reach the required 95+% target in time to meet the December 2023 deadline. Despite making great progress over the past few months, parallel testing must continue until the City reaches our quality control goals before launching the new system.

If Department testers and leadership continue to commit staff time to the project, the June 2024 timeline is very attainable. In addition to parallel testing, necessary integrations and reports remain in various stages of testing. The extension provides essential time for additional department testing and preparation for the new system. We have heard questions and concerns from several departments about their own readiness to process payroll in Workday beginning in December. This extension allows those departments multiple rounds of training, practice labs to build familiarity, and additional opportunities to incorporate the new HRP payroll system into their existing departmental payroll processes. After consideration and having provided an opportunity for public comment, the PAH Committee moved to recommend approval of the recommendations contained in the ITA report, as amended. This matter is now submitted to Council for its consideration.

Respectfully Submitted,
Personnel, Audits, and Hiring Committee

COUNCILMEMBER   VOTE
McOSKER: YES
PADILLA: YES
SOTO-MARTINEZ: ABSENT

ARL
12/5/23

.