

COMMUNICATION FROM CHAIR, PERSONNEL, AUDITS, AND ANIMAL WELFARE (PAAW) COMMITTEE and BUDGET AND FINANCE COMMITTEE REPORT relative to proposed Amendment No. 1 to Contract No. C-135368 with Workday, Inc. (Workday) to implement a phased-in approach to the Human Resources Payroll (HRP) System go-live and to increase the total contract not to exceed amount from \$62,109,339.70 to \$76,773,479.

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

1. AUTHORIZE the General Manager, Information Technology Agency (ITA), or his designee, to execute Amendment No. 1 to Contract No. C-135368 with Workday to implement a phased-in approach to the HRP System go-live and to increase the total contract not to exceed amount from \$62,109,339.70 to \$76,773,479.00, subject to the approval of the City Attorney.
2. TRANSFER \$14,262,217 from the Reserve Fund No. 101/62, through the General Fund No. 100, Unappropriated Balance Department No. 58; and APPROPRIATE therefrom to the General Fund to fund the increased costs associated with the delay of the HRP Project, as listed below:

Fund:	Department	Account	Amount
100/32	ITA	3040 Contractual Services	\$13,319,717
100/10	City Administrative Officer (CAO)	3040 Contractual Services	<u>942,500</u>
Total:			\$14,262,217

Fiscal Impact Statement: The CAO reports that the impact to the General Fund is \$14,262,217 and is recommended to be transferred from the Reserve Fund to pay for the increases in project costs associated with the change in the project implementation timeline. The impact to the General Fund is limited to the availability of funds appropriated for this purpose. Future appropriations required under the proposed Amendment will be addressed as part of the annual budget process.

Financial Policies Statement: The CAO reports that the appropriation of funds from the Reserve Fund for the HRP Project is in compliance with the City's Financial Policies, as the appropriation for increased implementation costs is associated with unanticipated expenses for a project that was approved in the 2021-22 Adopted Budget.

Community Impact Statement: None submitted.

Summary:

On March 16, 2022, the PAAW Committee considered a March 10, 2022 CAO report

relative to proposed Amendment No. 1 to Contract No. C-135368 with Workday, Inc. (Workday) to implement a phased-in approach to the Human Resources Payroll (HRP) System go-live and to increase the total contract not to exceed amount from \$62,109,339.70 to \$76,773,479.. According to the CAO, the ITA, in conjunction with the Personnel Department, the Controller, and CAO, has been working to replace the City's existing 20-year-old PaySR payroll system with a new HRP solution.

In 2018, the City issued a Request for Proposals soliciting bids from vendors offering an off-the-shelf system that could meet City requirements with few customizations (Council File No. 18-0600-S43). The Workday was selected and began project implementation in April 2020 with system implementation projected to end December 2021. However, on September 3, 2021, the Information Technology Oversight Committee, comprised of the Mayor, Chief Legislative Analyst, and the CAO, approved a report submitted by ITA on the status of the HRP Project, recommending the need to shift to a phased deployment that would delay the project by one year (Council File No. 20-0313).

The original project schedule assumed a 21-month implementation timeline with a go-live date of January 2022. As the ITA has reported, the testing phases have experienced delays primarily due to the impacts of the COVID-19 Pandemic on the project, including the inability of testers to be co-located with the project teams to review findings and resolve issues, and the substantial loss of Department HR and payroll subject matter experts and project staff as a result of the City's Separation Incentive Program.

After weighing many factors, such as readiness, user impacts, effort, risk, and cost, the HRP Steering Committee, comprised of Personnel, Controller, ITA, and CAO, recommended a phased implementation approach in 2022 as the best opportunity for success. On November 24, 2021, Council adopted the PAAW, Information, Technology, and General Services Committee, and Budget and Finance Committee reports that concurred with this approach. In accordance with Council direction, the HRP Project Steering Committee has been reporting to Council monthly on the status of the project (Council File No. 20-0313-S2).

The phased approach results in the City implementing modules at two different points in 2022: April and December. ITA is requesting to execute Amendment No. 1 (Amendment) to Contract C-135368 (Contract) with Workday to implement a phased project implementation approach which would result in an increase to the total contract compensation limit from \$62,109,339.70 to \$76,773,479 to accommodate the project cost increase. This increase includes a contingency of approximately 15 percent of the total professional services fees through the life of the Contract. The term of the Contract remains the same at 10 years through June 30, 2029. While the project implementation period is approximately three years, the overall Contract term of 10 years allows for payment of annual licensing fees. Prior to the implementation timeline delay, the HRP project was fully funded and expenditures have been within budgeted amounts, including some use of contingency funds. \$23.3 million has been budgeted for contractual Services expenditures for the project to date. The estimated General Fund impact of the proposed phased implementation, however, is an additional \$14.3 million. This impact includes

increased costs for Workday (\$11.8 million), the PaySR contractors to continue maintenance of PaySR throughout 2022 (\$688,000), testing tools (\$834,933), and consultant services for Quality Assurance (\$942,500). It should be noted that the total cost increase to the Workday Contract due to the change to the project implementation is \$13.2 million. Of this amount, \$1.4 million remains unexpended within the current year appropriation of \$14.2 million. Therefore, the balance of \$11.8 million is the impact associated with the Workday Contract.

After consideration, the PAAW Committee Chair moved to recommend approval of the recommendations contained in the CAO report. Subsequently, on March 21, 2022, the Budget and Finance Committee also considered this matter and having provided an opportunity for public comment, moved to concur with the PAAW Committee Chair. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Councilmember Paul Koretz, Chair
Personnel, Audits, and Animal Welfare Committee

COUNCILMEMBER	VOTE
KORETZ:	YES
HARRIS-DAWSON:	ABSENT
BONIN:	ABSENT

Budget and Finance Committee

COUNCILMEMBER	VOTE
KREKORIAN:	YES
BLUMENFIELD:	YES
DE LEON:	YES
RODRIGUEZ:	YES
PRICE:	YES

ARL
3/21/22

-NOT OFFICIAL UNTIL COUNCIL ACTS-