



CITY COUNCIL AGENDA

MOJAVE ROOM . 11465 WEST CIVIC CENTER DRIVE . AVONDALE, AZ 85323

WORK SESSION
December 8, 2014
6:00 PM

CALL TO ORDER BY MAYOR

1 ROLL CALL BY THE CITY CLERK

2. **HUMAN RESOURCES INFORMATION AND PAYROLL SYSTEM REPLACEMENT**

Staff will present a plan to replace the current human resources information and payroll system. For information, discussion and direction.

3 **ADJOURNMENT**

Respectfully submitted,

Carmen Martinez
City Clerk

Council Members of the City of Avondale will attend either in person or by telephone conference call.

Los miembros del Concejo de la Ciudad de Avondale participaran ya sea en persona o por medio de llamada telefonica.

Individuals with special accessibility needs, including sight or hearing impaired, large print, or interpreter, should contact the City Clerk at 623-333-1200 or TDD 623-333-0010 at least two business days prior to the Council Meeting.

Personas con necesidades especiales de accesibilidad, incluyendo personas con impedimentos de vista u oido, o con necesidad de impresion grande o interprete, deben comunicarse con la Secretaria de la Ciudad at 623-333-1200 o TDD 623-333-0010 cuando menos dos dias habiles antes de la junta del Concejo.

Notice is hereby given that pursuant to A.R.S. 1-602.A.9, subject to certain specified statutory exceptions, parents have a right to consent before the State or any of its political subdivisions make a video or audio recording of a minor child. Meetings of the City Council may be audio and/or video recorded and, as a result, proceedings in which children are present may be subject to such recording. Parents, in order to exercise their rights may either file written consent with the City Clerk to such recording, or take personal action to ensure that their child or children are not present when a recording may be made. If a child is present at the time a recording is made, the City will assume that the rights afforded parents pursuant to A.R.S. 1-602.A.9 have been waived.

De acuerdo con la ley A.R.S. 1-602.A.9, y sujeto a ciertas excepciones legales, se da aviso que los padres tienen derecho a dar su consentimiento antes de que el Estado o cualquier otra entidad politica haga grabaciones de video o audio de un menor de edad. Las juntas del Concejo de la Ciudad pueden ser grabadas y por consecuencia, existe la posibilidad de que si hay menores de edad presentes estos aparezcan en estos videos o grabaciones de audio. Los padres puedan ejercitar su derecho si presentan su consentimiento por escrito a la Secretaria de la Ciudad, o pueden asegurarse que los niños no estén presentes durante la grabacion de la junta. Si hay algun menor de edad presente durante la grabacion, la Ciudad dara por entendido que los padres han renunciado sus derechos de acuerdo a la ley contenida A.R.S. 1-602.A.9.



CITY COUNCIL AGENDA

SUBJECT:

Human Resources Information and Payroll
System Replacement

MEETING DATE:

12/8/2014

TO: Mayor and Council

FROM: Pilar Aguilar, Assistant Director - Finance & Budget

THROUGH: David Fitzhugh, City Manager

PURPOSE:

The purpose of this item is to provide City Council with all pertinent information relating to staff's proposal to replace the current human resources information and payroll system (HR/Payroll).

BACKGROUND:

The City of Avondale Human Resources (HR) staff has been processing payroll since April of 2009 utilizing Lawson Human Resources and Kronos Workforce Solutions. Human Resources staff maintains the official employee record within Lawson Human Resources.

The Lawson HR/Kronos project produced a number of successful outcomes:

- Automation of the time collection and approval processes improved accuracy and review;
- Timekeeping accuracy improvements resulted in cost savings; and
- Employees were provided with convenient online access to their electronic paychecks and pay history data.

Despite the successes, HR staff has been unable to overcome flawed configurations in the original implementation. The number of payroll issues requiring manual intervention has increased resulting in the need for additional mini-payrolls and numerous journal entries to correct paychecks and payroll data being uploaded to the City financial system. HR relies heavily on third-party functional consultants to resolve problems. The situation as a whole carries significant risk to payroll processing and correction is essential.

A summary of functional issues with the City's Lawson implementation includes the following:

- Remnant configuration problems from implementation
- Multi-step linear payroll process with multiple fail points
- Misconfiguration of base, specialty and assignment pay rates
- Misconfiguration of policy-based leave accruals
- Leave balances lag and cannot calculate leave earned and taken forward in time
- Improper pay scale configuration limits the ability to use multiple scale types
- Inability to correct payroll errors within Lawson to flow through to the Eden general ledger causing discrepancies between the two systems of record
- Misconfiguration of organizational hierarchy

- Misconfiguration of pay distribution for split-funded positions
- Misconfiguration of EEO reporting function
- Cumulative misconfigurations create an inability to utilize Lawson's effective dating rules
- A third-party tax application is required with additional update processes

The City Manager tasked staff with finding a solution to the City's payroll processing challenges, with the least financial impact. Staff has researched options for procuring HR/Payroll systems and/or services. These options included a formal procurement for systems or services, evaluation of existing cooperative use contracts, and "re-implementation" of the existing systems. The following table displays the chronology of events:

Action	Date
HR provided Draft request for proposal (RFP) for Payroll/HR system to procurement	2/5/2014
IT & Procurement advised converting to request for information (RFI)	2/11/2014
RFI Review & Edit	2/17/2014-3/17/2014
Request for procurement to review cooperative contracts	4/1/2014
Staff located RFP issued by TCPN	4/15/2014
Contact with ADP	4/22/2014
Questionnaire circulated to HR, IT and Finance	5/14/2014
Questionnaire finalized and forwarded to ADP	7/7/2014
Initial teleconference with ADP sales staff	7/10/2014
Demonstration of ADP products	9/11/2014
Follow up questions to demonstration submitted to ADP	9/22/2014
Pricing options and responses received from ADP	10/16/2014
Revised pricing received from ADP	10/27/2014
Revised sales order and clarifications requested from ADP	11/4/2014
Responses received and draft sales order received from ADP	11/10/2014
Finalized sales order & agreement received and forwarded to City Attorney	11/14/2014
City Attorney requests alternative to sales order & agreement	11/17/2014
Teleconference ADP Attorney & City Attorney	11/24/2014

From its research during this time-frame, staff determined that procuring services from Automated Data Processing (ADP), through cooperative purchasing agreement under The Cooperative Purchasing Network's (TCPN) contract was the most viable and the least expensive solution. TCPN is an organization that competitively solicits proposals for a variety of goods and services and awards contracts that can be used cooperatively by public agencies and non-profits who benefit from the nationally "leveraged" pricing and purchasing power.

On December 1, 2014, City Council authorized the City Manager to sign a Sales Order and Agreement with ADP to start the process of developing a complete scope of services for HR/Payroll and to secure a promotional discount totaling approximately \$108,000 which will help defray the cost of conversion to the new system.

DISCUSSION:

ADP provides various personnel management and payroll services both nationally and worldwide. Staff from multiple departments helped evaluate the demonstration of ADP's products. HR, IT, Public Works, Parks, Recreation and Libraries (PRL), Police, Fire and Finance & Budget reviewed the technology and functionality being offered by ADP and submitted a large number of questions and comments in building the City's implementation planning information for ADP. Following the demonstration, a list of additional questions was compiled from staff feedback to which ADP provided reasonable responses.

The pricing for the demonstrated products ranges from over \$440,000 for a full service HR/Payroll/ Time & Leave/ Recruitment/ Performance Management/Benefits service, to \$169,940 for the selected technology only solution which provides basic HR/Payroll/Time & Leave services. By utilizing the TCPN contract, the City will also be eligible for a 15% discount from the listed prices. The selected solution and pricing is outlined below:

Service/ Software		Estimated Annual Cost
Enhanced Payroll I including:		\$75,790
Tax filing service	Employee/Manager self-service	
Payment service	Paid time off accruals	
Reports library	ADP portal	
Wage garnishment processing	Access to mobile apps	
New hire reporting	Employee discount program	
General ledger solution	Group term life calculation	
One delivery location	Online reports and pay statements	
Enhanced HR I including:		0
Global HR system of record	Employee development tracking	
Compliance reporting	Policy acknowledgment	
Standard Reports	(assuming 10 are needed)	7,280
Enhanced Hosted Time & Attendance I including:		66,720
Multiple time collection methods	Rule based calculations	
Paid time off management	Enhanced accruals	
Request & approval workflows and template	Scheduling	
Enterprise Leave		10,008
Time Clock Annual Maintenance	Count of 20	6,500
W-2 Year-End Processing		3,642
	Total	169,940
	TCPN 15% Discount	(25,491)
	Estimated Annual Total	144,449

Implementation costs will also be incurred to migrate our data and customize the solution to the City's specifications. These costs are one-time in nature and will only be incurred during the first year. ADP has made assurances that the City will not be required to make payment on any of the costs until the City has run a successful payroll. A portion of the one-time costs is for the purchase of new time clocks. ADP acknowledges that the City has already made an investment in the time clocks it currently uses for the Kronos time keeping system but they require the use of their own time clocks to ensure integration. ADP has agreed to help mitigate the cost of "re-purchasing" time clocks by offering the City the value of one year of free service spread over the first three years. These credits are applied in the 7th and 10th months of each year from the start date. The estimated cost for ADP services for the first five years is shown in the following table.

Services	2016	2017	2018	2019	2020
ADP Enhanced Payroll	75,790	75,790	75,790	75,790	75,790
Human Resources Technology Included	-	-	-	-	-
Enhanced Hosted Time & Attendance	66,720	66,720	66,720	66,720	66,720
Enhanced Time Leave	10,008	10,008	10,008	10,008	10,008
Time clock Maintenance	6,500	6,500	6,500	6,500	6,500
W-2 Service	3,642	3,642	3,642	3,642	3,642
Custom Reports	7,280	7,280	7,280	7,280	7,280
Total Annual Costs	169,940	169,940	169,940	169,940	169,940
<i>Implementation</i>					
ADP Enhanced Payroll	21,500				
Enhanced Time Leave	10,000				
Workforce Now Solutions (HR)	6,500				
Time Clock Purchase (20)	107,800				
Custom Reports	1,000	5,000	5,000	5,000	5,000
Total One-Time Costs	146,800	5,000	5,000	5,000	5,000
TCPN Discount	(41,661.00)	(25,490.97)	(25,490.97)	(25,490.97)	(25,490.97)
1 Year Service Credit	(36,112.21)	(36,112.21)	(36,112.21)		
Grand Total	238,966.79	113,336.82	113,336.82	149,449.03	149,449.03

Actual costs will vary for payroll based on actual number of checks issued each month and options selected. Time clock costs may also vary depending on the results of an assessment of all the available time collection methods for each City facility. Since this is a “hosted” system, the City will no longer need to fund software and hardware upgrades for an internal system.

The lessons learned from the implementation of Lawson Human Resources, have given staff valuable insight to ensure proper controls are put into place for any future system implementations. The project implementation plan to convert our HR/Payroll system to ADP will include the following measures:

- No Third-Party Implementer: Staff will work directly with ADP
- Diverse Implementation Team: The City Manager has directed the formal creation of a multi-departmental/cross-functional core implementation team to ensure a multi-perspective approach to designing this critical system. The team will include members from HR, IT, Police, Fire, Public Works, PRL, NFS and Finance & Budget.
- Clear & Specific Team Assignments: Tasks will be clearly identified as well as critical milestones. The City Manager has determined that the Finance and Budget Assistant Director will lead this project.
- Improved Quality Control: Meetings will be conducted throughout the implementation and sign off from key members will be required prior to system acceptance.
- Parallel Testing: Unlike with the Lawson implementation, ADP and City staff agree that simultaneous payrolls must be run to validate rules and policy based set up to minimize the chance of undetected misconfigurations until significant problems have already developed.

The duration of the conversion and set up process is estimated to be approximately 20 weeks. Quality control processes will also be developed for post-implementation processes to ensure qualitative review and approval of time data; consistent audit procedures are in place for tax reports, ensure benefit payments, employee pay rates and leave balances are all correct. Staff believes this project is essential to correct systemically flawed payroll processing issues. Upon successful implementation, the ADP timekeeping and payroll processing services will be managed by the Finance & Budget Department.

BUDGET IMPACT:

The following budgetary information is for City Council evaluation purposes only:

First year costs for ADP implementation and services with discounts and promotional credits totals approximately \$241,000. However, since the amounts are subject to the results of actual implementation and number of “pays” processed, staff is suggesting that an additional 20% be included in the first year should the number of clocks or custom reports increase or should there be any timing issues with credits. The one-time funding of \$43,000 from the IT budget and \$15,000 from the HR budget for the Lawson HR upgrade will be diverted to this project. Staff is requesting contingency funding in the amount of \$82,000 to complete funding for the estimated \$140,000 one-time implementation costs. All funds will carry over to fiscal year 2015-16 if the first successful payroll is projected to occur after July 1, 2015. The estimated ongoing annual cost is approximately \$145,000 but may vary if the City increases position counts, number of pays or requests additional reports. Funding for the ongoing services will be reallocated proportionately from the following available budget line items:

Lawson Maintenance	101-5700-00-6325	98,450
Absence Management	101-5700-00-6310	6,000
Kronos Maintenance	101-5700-00-6325	25,500
System Consultant	101-5700-00-6325	12,550
Payroll Supplies	101-5700-00-7011	8,790
	Total	151,290

Any savings incurred during implementation will be reverted to the general fund for reallocation.

RECOMMENDATION:

This report is presented to City Council for review and feedback only.

ATTACHMENTS:

Description

[ADP Implementation Guide and Timeline](#)



IN THE BUSINESS OF YOUR SUCCESSSM

Exhibit A



Comprehensive Implementation Excellence

IMPLEMENTATION METHODOLOGY

INTRODUCTION & START UP

- Kick-Off Meeting
- Training Plan Presentation
- Scope of Services Review
 - Organizational Goals
 - Current Process Workflows
 - Compliance Opportunities



ANALYSIS

- Business Requirements
 - Business Needs Interviews (HR, Benefits, Payroll, Time & Attendance)
 - Desired Process Workflows
- Documentation & Reporting
 - Associate Policies and Procedures
 - Pay Practices
 - Benefits Provider/Carrier Information



CONFIGURATION & DATA CONVERSION

- System and Process
 - Product Configuration
 - Process Workflow Configuration
 - Administrator, Manager, and Employee Self Service Workflows and Approvals
- Data Extraction, Conversion, & Data Load



VALIDATION

- Employee Data, Balances & Security
- Process Workflow Validation
- Core Client Training Complete



PRODUCTION

- ADP Workforce Now Solution Live
- Employee & Manager Self Service Training
- Self Service Launch



SERVICE CENTER LIVE

- Introduction to Dedicated Service Team
- ADP 'Beyond Basics' Training
- Post-Live Setup
 - Benefits Carrier Connections
 - Performance Management/Recruitment
 - Time Off/Leave Management

ADP's APPROACH TO COMPREHENSIVE SERVICES IMPLEMENTATION

ADP's comprehensive implementation methodology, a step-by-step approach based on best practices gleaned from thousands of implementations, is designed to deliver a single-source solution for all your Human Resources, Benefits, and/or Payroll Administrative functions.

ADP's people and processes are designed to deliver a **timely and quality solution**. Implementation timelines vary depending on scope and client resource availability but typically the solution is in production within **12 weeks**.

People

- ADP offers organizations new to business process outsourcing a unique approach backed by our **"RM/PM Advantage."** Your implementation will be driven to completion by **an executive relationship manager (RM) and a project manager (PM)** who will ensure all project team members are working efficiently and collaboratively. Beyond implementation your relationship manager will partner with you to ensure your ongoing service, consultative guidance, regulatory compliance and organizational needs are proactively managed.
- Highly-trained specialists with **practical experience** will align with your project stakeholders to **understand your business**, to discuss best practices, and to design, configure, and validate your solution based on **your unique requirements**.

Process

- ADP's implementation methodology recognizes that organizations have unique interests, cultures, and goals. Your project team will **work to understand and to improve** your existing workflows.
- All project stakeholders receive a **comprehensive scope of services** document and a project plan, **customized** based on your priorities and resource availability. This will ensure that the project team manages progress, communications, and changes in a **transparent and coordinated** manner.

The ADP Advantage

We are committed to easing your administrative burden so you can focus on **growing your business, attracting and keeping your talent, and positively impacting your bottom line**. Your implementation is the first step in your journey towards achieving your organizational goals and objectives.

ADP Implementation



Target Dates: January January-March March-June June-July June-July TBD



Implementation Analysis	Configuration & Data Conversion	Validation & Learning	Go Live/First Processing Input	First Processing Output	Recap/Introduction to Service
<ul style="list-style-type: none"> ▪ Introduction ▪ Process Overview ▪ Client Interview ▪ Schedule remaining calls ▪ Identify Open Items ▪ Gain approval to contact Broker/ Benefit Providers 	<ul style="list-style-type: none"> ▪ ADP call to export data from current payroll software ▪ Supply enrollment data to ADP ▪ System setup ▪ Data conversion 	<ul style="list-style-type: none"> ▪ ADP call to review converted data ▪ Data available on ADP Solution ▪ Data Validation ▪ Employee Maintenance ▪ Company Level Setup ▪ Benefits Validation ▪ Benefit Enrollments and Self Service workflow training ▪ Open Enrollment begins 	<ul style="list-style-type: none"> ▪ First Live input ▪ Review employee maintenance ▪ Enter pay data ▪ Verify Input ▪ View Preview reports ▪ Accept and finalize payroll ▪ Confirm output appointment 	<ul style="list-style-type: none"> ▪ Review Payroll Reports ▪ Run Custom Reports ▪ GL Report Creation & Validation ▪ Time Off Accrual Validation ▪ Schedule Recap and Introduction Call 	<ul style="list-style-type: none"> ▪ Review Open Items ▪ Client Training Plan overview and recommendations ▪ Review Support Center ▪ Introduce Service Support Team ▪ Introduce FLT ▪ Provide Carrier Connection status