



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Mark Danaj  
Larry D. Lisenbee

**SUBJECT:** SEE BELOW

**DATE:** April 12, 2006

Approved

*Ray Wine*

Date

*4/16/06*

**SUBJECT: APPROVAL OF A CONSULTING AGREEMENT WITH  
CEDARCRESTONE FOR THE UPGRADE OF THE HUMAN RESOURCE /  
PAYROLL SYSTEM**

## RECOMMENDATION

Adoption of a resolution authorizing the Director of Finance to:

1. Approve a consulting services agreement with CedarCrestone for the upgrade of the Human Resources / Payroll System from May 03, 2006 to March 31, 2007, in an amount not to exceed \$1,319,000.
2. Adopt the following Appropriation Ordinance amendments in the General Fund:
  - a. Increase the Payroll/Human Resources Appropriation by \$135,000
  - b. Decrease the Contingency Reserve by \$135,000
3. Adopt the following Appropriation Ordinance amendments in the Unemployment Insurance Fund:
  - a. Establish a Benefits Functionality in Payroll/HR System appropriation to the Employee Services Department in the amount of \$30,855.
  - b. Decrease the Unrestricted Ending Fund Balance by \$30,855.

## OUTCOME

Approval of this agreement with CedarCrestone will provide necessary consulting services to assist the City in 1) performing the upgrade of the City's HR/Payroll system to Oracle PeopleSoft version 8.9; 2) implementing special requirements related to changes in the City's vacation accrual process; 3) implementing process improvements in benefits administration.

## **BACKGROUND**

The City currently uses Oracle PeopleSoft (Oracle) version 8.01 for the administration of human resources, benefits, and payroll activities including eWay, the City's online self-service for employees. This version is three releases behind the most current Oracle version, 8.9, and is scheduled to lose regulatory payroll updates after March 2007. The updates are essential for the City to compute accurate paychecks and to be in compliance with Federal and State payroll regulations.

Based on this information, the Human Resource / Payroll Project (HRPR) Steering Committee comprised of Senior Staff members from the departments of Employee Services, Finance, Information Technology, Office of Employee Relations and the City Manager's Office, has recommended that the City upgrade the existing PeopleSoft System to the most-current version. As part of the annual budget process for 2005-2006, the Finance department requested funding for the upgrade of Oracle PeopleSoft system in the amount of \$1,475,442. The budget item was approved as part of the regular budget approval process.

A Request for Proposal (RFP) was issued in December 2005 seeking an upgrade consultant. Responses to the RFP were received in January 2006. After an extensive evaluation process, (including an assessment of technical capacity), consultant interviews and reference checks, it was determined that CedarCrestone would provide the City with the best consulting services at a cost-effective price.

## **ANALYSIS**

In an effort to reduce costs, the City has chosen to upgrade its HR/Payroll system only when the current version is scheduled to lose support and/or critical regulatory updates. As such the City is currently three versions behind the most current Oracle PeopleSoft release. This version will lose "patches and fixes" support in March 2006 and is scheduled to lose regulatory payroll updates after March 2007.

Oracle and other competing vendors generally release new versions of their software every twelve to eighteen months. Oracle's current support policy discontinues tax and regulatory updates 6 years after a new release. Therefore, depending on the timing of the upgrade, the City can anticipate upgrading its PeopleSoft system about every 4-5 years.

The City completed its first upgrade of PeopleSoft from version 7.02 to 8.0 in April 2002. Since that time, Oracle PeopleSoft has released version 8.3 in Q4-2001, 8.8 in Q4-2002, and the most recent 8.9 in Q4-2004.

### **Selection of Consultant**

On December 8, 2005, the City issued a Request for Proposal (RFP) seeking an upgrade consultant with demonstrated experience in performing upgrades of the PeopleSoft Human Resource Management System (HRMS) applications. Five responses to the RFQ were received

by the deadline on January 11, 2006. Proposed consulting services costs from the eight respondents ranged from \$1,099,000 to \$3,230,000.

An extensive evaluation process of the proposals was conducted by a five-member review committee comprised of staff from Information Technology, Finance, and Employee Services. Two vendors were selected as finalists and invited for an interview. The following evaluation criteria were used during the process:

- Vendor strategic business directions
- Company and consultant experience with 8.0 to 8.8/8.9 upgrades of Oracle PeopleSoft HCM (Human Capital Management) products
- Completeness and ease of use of upgrade methodology, templates, and tools
- Completeness of project plan
- Overall cost and business value to the City
- Local and Small Business Enterprise

After verifying references, the committee unanimously recommended CedarCrestone to provide the City with consulting services for the upgrade to 8.9. In addition to receiving the highest number points based on the evaluation criteria, CedarCrestone's proposal included the following additional benefits to the City:

- Use of a technical lab upgrade combined with proprietary upgrade software will make some technical tasks more efficient and eliminate the need for temporary IT staff during the project;
- Approach and methodology consistent with the City preferred approach and resource commitment;
- A change management resource will assist the City with communication and training needs. This is particularly important as every employee who uses eWay will be impacted by the upgrade process and the new system's look and feel;
- A designated resource will assist the City with the implementation of User Productivity Kit (UPK) online help and procedures, features that are new for the City with this upgrade.

Throughout the selection and negotiation process, CedarCrestone has demonstrated an ability to not only assist the City with the upgrade, but also to ensure the City and staff ultimately benefits from the improvements included in the new version. CedarCrestone's proposed team includes a knowledgeable project manager who has successfully led the deployment of other public sector PeopleSoft upgrades. Additionally, the technical and functional staff carries a wide array of PeopleSoft experience and has demonstrated a commitment to partnering with City staff for a successful upgrade implementation.

The City's proposed agreement with CedarCrestone provides for a seven-month upgrade process leading to implementation by the end of October 2006. Service performed under this agreement includes the following:

- System upgrade, including fit/gap planning sessions, retrofitting of related processes, business process improvements, testing, deployment, and post-deployment support;
- Implementation of customizations related to the changes in the vacation accrual process;
- Implementation of process improvements related to the administration of employee benefits.

The proposed contract is "fixed fee deliverables" as opposed to "time and materials." The contract includes a detailed project plan that clearly identifies tasks and resources (City and Consultant). The payment process outlined in the contract requires that the City accept and approve key deliverables as identified in the project plan.

### **PUBLIC OUTREACH**

N/A

### **COORDINATION**

This memorandum has been coordinated with the Departments of Finance, Employee Services, and Information Technology, the City Attorney's Office, the City Manager's Budget Office and the City Manager's Office.

### **COST IMPLICATIONS**

The cost of the base contract is \$1,199,091 plus a 10% contingency, for a total contract amount of \$1,319,000.

During the 2005-06 budget process, funding for this project was requested for \$1,760,132. This was reduced by approximately \$250,000 and approved at a bare-minimum level based on prior-year estimates. An additional \$135,000 in funding is recommended to fund higher-than-anticipated increases in consulting rates and the unanticipated costs for programming changes related to changes in the City's vacation accrual process. Funding for this additional requirement is recommended to come from the General Fund Contingency Reserve. In addition, a transfer of \$30,855 is being requested to fund additional functionality in the benefits area, related specifically to employee "self-service."

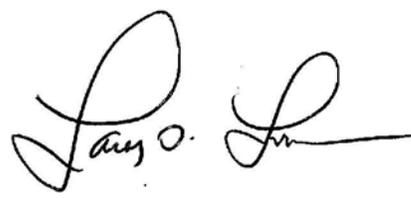
**BUDGET REFERENCE**

<b>Fund #</b>	<b>Appropriation #</b>	<b>Appropriation Name</b>	<b>Total Appropriation</b>	<b>Contract Amount</b>	<b>2005-2006 Adopted Operating Budget (Page)</b>
001	2797	Payroll/Human Resources Project	\$1,625,694	\$1,288,145	IX-14
157	NEW	Benefits Functionality in Payroll/HR System	\$30,855	\$30,855	n/a
001	7901	Contingency Reserve	22,969,462	n/a	IX-27
157	7999	Ending Fund Balance	1,121,262	n/a	XI-12

**CEQA**

Not a project.

  
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Director, Employee Services

  
LARRY D. LISENBEE  
Director, City Manager's Budget Office

