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DEPARTMENT OF
FINANCE

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 100
915 I STREET
SACRAMENTO, CA
95814-2685

BETTY MASUOKA
DIRECTOR

December 1, 1992

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City Council
Sacramento, California

APPROVED
BY THE CITY COUNCIL

DIVISIONS:
ACCOUNTING
BUDGET
REVENUE
RISK MANAGEMENT

DEC 15 1992

Honorable Members in Session:

OFFICE OF THE
CITY CLERK

AG 92-246 (AMS)
AG 92-247 (Downey)

SUBJECT: Authorization to Execute Contracts with American Management Systems, Inc (\$505,265), and Downey and Associates (\$118,800) to Acquire and Implement a New Human Resources Information System (HRIS)

LOCATION: Citywide

SUMMARY

The City Council has previously approved \$1.288 million for the acquisition and implementation of a new payroll/human resources system by January 1, 1995. This report deals with the two major contracts required to implement this program.

The proposed contracts are less than originally estimated so staff is informing Council that a budget reduction may be possible thereby freeing funds for another General Fund capital project.

This report also informs Council of staff's intent to use the new payroll/human resource system as a catalyst to "re-engineer" several labor intensive processes in order to stream line the delivery of payroll/personnel services.

The contracts with AMS and Downey and Associates are on file in the City Clerk's Office.

CONTINUED
OM 12-15-92 (att)
12-15-92 (Evening)

STAFF RECOMMENDATION

It is recommended that the City Council approve:

1. Execution of a license agreement and contract with American Management Systems, Inc (AMS) totaling \$505,265 for the acquisition and implementation of their Governmental Human Resource System (GHRIS);
2. Execution of a contract with Downey and Associates (\$118,800) to project manage the implementation of the GHRIS package;

BACKGROUND

The existing payroll/labor/personnel system was developed about 20 years ago and has undergone extensive modification since that time. As more fully elaborated in prior reports, a new system is now required to increase flexibility and provide more options in the area of human resource management (e.g. direct deposit, 9/80 workweeks, etc.), to keep up with the increasing complexities mandated through the Internal Revenue Service and Franchise Tax Board, to provide better management information, and to re-engineer the labor intensive aspects of the workload associated with payroll and personnel functions.

The administrative processes required to track personnel records of employees, periodically update their benefit options, record their paid and unpaid time, maintain the salary schedule and to issue accurate paychecks and tax reporting information and payments has become a labor and paper intensive process affecting all City departments. In addition to the acquisition and implementation of a technically current payroll/personnel system it is staff's intent to re-look at the way these processes are handled.

Staff proposes to make use of consultant expertise to "re-engineer" processes to make them as efficient as possible rather than merely "automating" current payroll and personnel practices. It is hoped that if successful, a "re-engineering" methodology can be used on other areas of service delivery to assist in the Citywide effort to streamline costs.

The process of acquiring a new HRIS system began at least five years ago, with significant effort beginning in 1990. Following is a summarized chronology of this project:

Aug 1989	Staff work began on documenting the current system in preparation to replace it.
Feb 1990	Staff began identifying department user needs with regards to a new payroll, labor system, etc.
June 1991	Council approved Human Resource Information System project (HRIS) in the 1991-96 Capital Improvement Budget. \$869,000 approved for FY92 and \$419,000 approved for FY93 for a total project cost of \$1,288,000. Source of funding: \$50,000 General

Fund; \$1,238,000 General Fund debt proceed interest.

- Dec 1991 Council approved addition of Sr Programmer Analyst in Data Management to staff the project.
- Council accepted for information a status report on the project and release of the Request for Proposals (RFP).
- Feb 1992 The City received 6 responses to its RFP after having sent out 40 information packages to prospective vendors.
- June 1992 Council approved second year (FY93) project funding.
- July 1992 Staff consulted with Andersen Consulting's National Practice Director for Human Resource Systems, to review the City's approach to replacing its current system. The consultant was supportive of the City's approach.
- Aug 1992 Staff project team finalized evaluation of proposals with recommendation to negotiate with AMS.
- This recommendation was based on the level of system functionality offered by the AMS package, the additional benefits they were able to offer related to the City's financial systems (LGFS -- which is also an AMS product), and the cost.
- Sept 1992 Staff solicited Request for Qualifications (RFQ) for a consultant to assist in contract negotiations with AMS and to project manage the implementation of the HRIS package.
- Oct 1992 City Manager Service Agreement signed with Downey and Associates to assist in negotiations with AMS and begin implementation workplanning process. (Contract not to exceed \$15,000)
- Dec 1992 Request Council approval of contracts with AMS, and Downey and Associates to acquire and implement a new human resource system.

The contract negotiated with AMS is less than originally estimated by about \$115,000. These savings will be included in the overall review of capital improvement projects to identify surplus funds. Because all but \$50,000 of this project is funded with debt proceed interest, it cannot be used for operating costs.

FINANCIAL

Total project funding is \$1.288 million of which \$50 thousand is General Funded and \$1.238 million is from debt proceed interest. The two recommended contracts are included within the approved budget. The original proposal from AMS totaled \$545,923 including \$331,875 for software and \$214,048 for customization and implementation work. The other proposals ranged in total cost from \$836,000 to \$1,024,128. After negotiating with AMS their current proposed price is \$451,873 for software, customization and implementation plus \$53,392 for sales tax and estimated travel expenses for a total of \$505,265.

The current project budget, including the proposed contracts is as follows:

HRIS BUDGET	<u>Budget</u>	<u>Expend.</u>	<u>Balance</u>
Software			
AMS Software	295,065		295,065
Sales Tax	21,392		21,392
Focus - DB2	55,000		55,000
Utilities	60,000		60,000
Graphical User Interface	20,000		20,000
Professional Services			
AMS	188,808		188,808
Downey and Associates	133,800	15,000	118,800
Re-Engineering Facilitator	50,000		50,000
Andersen Consulting	6,000	6,000	0
Equipment			
Disc Drives/Controllers	25,000	15,000	10,000
Micro Computers, Cables, Etc	100,000	11,500	88,500
Other			
Staff	62,183	15,000	47,183
Training	15,000	7,200	7,800
Misc	25,000	3,900	21,100
Contingency	50,000		50,000
Maintenance (1 year)	65,000		65,000

TOTAL	1,172,248	73,600	1,078,648

AVAILABLE FUNDING	1,288,000		
PROJECT BUDGET	1,132,248		
POTENTIALLY AVAILABLE FOR OTHER CIP	115,752		

POLICY CONSIDERATIONS

Acquisition of a packaged payroll/personnel system implements Council's prior approval of a capital project to replace the current system. The three main alternatives which were

available to Council to deal with the current problems faced with the City's existing payroll system included:

1. Do Nothing. This alternative may save money in the very short run but not in the long run. The current system utilizes out of date logic which represents years of "patched" programming code and is cumbersome to modify. In addition, it is dependent on out of date equipment such as a card sorter. In fact, the card sorter (which is used to sort the timecards) is so old that it is difficult to find spare parts for it when it breaks down or another site or company to use as backup in case of failure. With each passing year, changes to the existing system requires more effort and becomes more error prone.
2. Re-Write Existing System. To re-write the current system would require a significant increase in data management staff and would take longer than the acquisition and implementation of a packaged system. This alternative was looked at by Andersen Consulting and was rejected due to the inherent risks, costs and time involved in such an effort.
3. Acquire Packaged System. Technical staff, system user staff and consultants have all agreed that this is the most cost effective approach. As proposed, this approach is consistent with the Data Management Master Plan which was adopted by Council plus it provides a stepping stone to future plans to maximize the use of microcomputers in accessing and manipulating mainframe data.

The effort to "re-engineer" some of the payroll and personnel related processes is consistent with Council's direction to look for increased efficiencies.

The use of consultant services to manage this project is consistent with having eliminated the Financial Systems Division of the Finance Department two years ago. One of the functions assigned to that division was to develop in-house system project management capability.

MBE/WBE

Software Acquisition: AMS is not an MBE/WBE firm. No MBE/WBE firm submitted a proposal.

Implementation Consultant: Downey and Associates is not an MBE/WBE firm. Over 40 individuals and firms submitted RFQ's. One of the three finalists was a WBE qualified firm. This firm was not selected due to its cost being significantly higher than Downey and Associates.

Respectfully Submitted



Betty Masuoka
Director of Finance

RECOMMENDATION APPROVED:



WALTER J. SLIPE
City Manager

December 15, 1992

CONTACT PERSON:

Betty Masuoka, Director of Finance
(916) 264-5736

RESOLUTION NO. 92-924

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
BY THE CITY COUNCIL
DEC 15 1992
CITY CLERK

**RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE
CONTRACTS WITH AMERICAN MANAGEMENT SYSTEMS, INC. (\$505,265)
AND DOWNEY AND ASSOCIATES (\$118,800)**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The City Manager be authorized to execute a license agreement and contract with American Management System, Inc. (AMS) totaling \$505,265 for the acquisition and implementation of their Governmental Human Resource System (GHR);
2. The City Manager be authorized to execute a contract with Downey and Associates in the amount of \$118,800 to manage the GHR project and implement the GHR package;

MAYOR

ATTEST:

Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



OFFICE OF THE
CITY CLERK

VALERIE A. BURROWES, CMC/AAE
CITY CLERK

OPERATIONAL SERVICES

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 304
915 I STREET
SACRAMENTO, CA
95814-2671

PH 916-264-5426
FAX 916-264-7672

December 18, 1992

American Management Systems Inc
201 South Figueroa Suite 300
Los Angeles CA 90012

Dear Randy Roth:

On December 15, 1992, the Sacramento City Council adopted Resolution No. 92-924 authorizing the execution of Agreement No. 92-246 regarding a license agreement for the acquisition and implementation of their governmental human resource system (GHR).

Enclosed, for your records, is one fully certified copy of said agreement and authorizing resolution.

Sincerely,

Valerie A. Burrowes
City Clerk

mls/l.33

Enclosures

cc: Finance
Risk Management



OFFICE OF THE
CITY CLERK

VALERIE A. BURROWES, CMC/AAE
CITY CLERK

OPERATIONAL SERVICES

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CALIFORNIA

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ROOM 304
915 I STREET
SACRAMENTO, CA
95814-2671

PH 916-264-5426
FAX 916-264-7672

December 18, 1992

Downey and Associates
8190 West Hidden Lakes Drive
Granite Bay CA 95746

Dear Ted Downey:

On December 15, 1992, the Sacramento City Council adopted Resolution No. 92-924 authorizing the execution of Agreement No. 92-247 regarding a contract to manage the GHRs project and implement the GHRs package.

Enclosed, for your records, is one fully certified copy of said agreement and authorizing resolution.

Sincerely,

Valerie A. Burrowes
City Clerk

mls/l.33

Enclosures

cc: Finance
Risk Management