



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
Information Services



**Date:** August 4, 2013  
**Board Meeting Date:** September 10, 2013  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** Bob Adler, Controller  
Reyna Farrales, Deputy County Manager  
Donna Vaillancourt, HR Director  
Jon Walton, ISD Director

**Subject:** Agreements relating to Workday HR/Payroll System Implementation

**RECOMMENDATION:**

Adopt a Resolution authorizing:

- A. Authorizing an Agreement with Workday to provide subscription services for a new HR/Payroll system for the term of September 10, 2013 through September 9, 2018, in an amount not to exceed \$3,834,450 and waiving strict adherence to the County's Equal Benefits Ordinance for employees working in outside jurisdictions; and
- B. Authorizing an Agreement with Workday to provide implementation services for a new HR/Payroll system for the term of September 10, 2013 through May 31, 2015, in an amount not to exceed \$4,425,000 (including 475,000 in contingency funds) and waiving strict adherence to the County's Equal Benefits Ordinance for employees working in outside jurisdictions; and
- C. Authorize the Chief Information Officer or his designee to execute change orders related to the above contingency funds up to the amount of \$475,000; and
- D. Authorizing an Agreement with Workday to provide training services for a new HR/ Payroll system for the term of September 10, 2013 through September 9, 2016, in an amount not to exceed \$177,680; and

- E. Authorizing an Agreement with Eaton & Associates to provide project management services for the Workday implementation project for the term of September 10, 2013 through September 9, 2015, in an amount not to exceed \$998,400; and
- F. Authorizing an Agreement with Steelbridge Solutions, Inc. to provide change management services for a new HR/Payroll system for the term of September 10, 2013 through September 9, 2015, in an amount not to exceed \$567,840; and
- G. Waiving the Request for Proposals process (RFP) and authorizing Agreements with Peggy Jones, Adrian Chi, and Chris Doniger to provide technical services in the implementation of the Workday system for the term of September 10, 2013 through October 10, 2015, in an amount not to exceed \$310,000 each (total of \$930,000).

**BACKGROUND:**

The County is currently using antiquated software to support critical administrative processes such as HR and payroll. Over the last twenty-five years, the systems' functionality was augmented with custom built solutions and manual processes. The County currently manages 17 HR/payroll-related systems and custom applications with six separate vendors. Although some integration exists between a few of the systems, most do not communicate with each other. This lack of integration causes many problems, such as duplication of work, increased chance of errors, inconsistent data definitions, untimely data updates, increased training costs, and additional complexity. For many of the existing HR/Payroll systems, there are gaps in meeting business requirements. The annual vendor and internal ongoing costs are also significant.

In 2009, the County conducted a Human Resources Information Management System (HRIS) needs assessment which identified opportunities for increased integration with other County IT systems as well as additional functionality through the use of modern technology. The assessment recommended that the County replace its current Personnel Information and Payroll System (PIPS), which is at the end of its useful life.

A new payroll system was included as an IT initiative in the County's IT Strategic Plan that was presented to the Board on September 26, 2012. A new payroll system meets the goals of the Strategic Plan as it will increase access to and availability of County services, provide County staff with enabling technologies, and realize efficiencies and cost savings.

With PIPS at the end of useful life, it is critical that the County invest in a new HR/Payroll system at this point in time.

## **DISCUSSION:**

In 2012, the County launched a formal RFP process for a new HR/Payroll system. Key criteria in selecting a vendor included: vendor responses to requirements, company vision and qualifications, solution architecture, and cost.

The County's Payroll Steering Committee (represented by the Controller, Deputy County Manager, HR Director, and ISD Director) reviewed proposals and selected three finalists: CherryRoad/PeopleSoft, High Line, and Workday. Each of these vendors was given an opportunity to demonstrate their systems. Representatives from operating departments were invited to vendor demonstrations to provide feedback. The County also checked client references for each vendor.

Workday ranked highest overall in each selection criteria. Workday is therefore being recommended as the County's new HR/Payroll system.

### **Workday Agreements for Subscription, Implementation and Training Services**

Workday is a SaaS (Software as a Service) system that will enhance the County's human resources, payroll, compensation, absence management, and performance management functions. Workday offers cloud computing capability that would replace the County's legacy payroll and HR systems, improving reporting capabilities, streamlining and standardizing current business processes, and providing intelligent workflow with audit trails. Workday will also mitigate the risks of system failure, security breaches, and regulatory violations. Because Workday is a cloud solution, it is also easier, quicker, and less costly to implement and operate than traditional enterprise systems.

Traditional enterprise systems are expensive to license and implement, and the in-house or managed solution does not have the scalability believed to be necessary to properly position the County for the future. Further, such implementations require significant update effort when new versions of the software are released and, depending on the level of customization, can equal and sometimes exceed the cost of the original implementation.

Workday is a Bay Area company based in Pleasanton, CA. Its public sector clients include the State of Nebraska, City of Orlando, Florida, and Pierce County, Washington. They just recently entered into an agreement with Berkeley Labs. Other clients include Yahoo, Flextronics and other small to mid-size companies, and higher education institutions including University of Southern CA (USC), Academy of Arts University (San Francisco), Brown University, Yale, Georgetown and Cornell.

Workday is a fast growing publicly traded company with employees in numerous places throughout the globe. It is because of this that Workday has requested a slight modification to the County's standard terms regarding Equal Benefits. Workday will agree to abide by the terms of the County's Ordinance regarding Equal Benefits except for employees working from another jurisdiction in which local law would prohibit it. Workday has provided a more detailed explanation of its concerns which is included in

this packet. Given the slight modification to the terms of the County's Ordinance made so the Contractor will not be forced to become embroiled in legal battles in other jurisdictions, it is recommended that this Board waive strict compliance with the County's Equal Benefits Ordinance. Workday has assured compliance with the County's Contractor Employee Jury Service Ordinance and insurance requirements.

The term of the subscription agreement with Workday is five years ending September 9, 2018, with an option to extend an additional three years at the discretion of the County to lock in the best possible price. A recommendation to use this option after five years will be brought to your Board as a separate action for consideration. The implementation services agreement includes contingency funds of \$475,000. It is recommended that the Chief Information Officer or his designee be given the authority to execute change orders up to this amount to address any unforeseen modifications needed to meet project requirements and timelines.

#### Agreements for Project Management, Change Management and Technical Support

The County expects that the implementation of Workday will take approximately 2 years to complete. Along with the Workday recommendation, the County is recommending agreements with Eaton & Associates for project management services, Steelbridge Solutions for change management services, and Peggy Jones, Adrian Chi, and Chris Doniger for technical support services of the old system and data archiving.

Formal RFPs were also conducted for Project Manager and Change Manager. Both Eaton & Associates and Steelbridge Solutions were selected based on their Workday knowledge, HR and payroll expertise, and public sector experience.

Eaton & Associates, Steelbridge Solutions, Peggy Jones, Adrian Chi and Christine Doniger have assured compliance with the County's Contractor Employee Jury Service Ordinance, as well as all other contract provisions that are required by County ordinance and administrative memoranda, including but not limited to insurance, hold harmless, non-discrimination and equal benefits.

These Agreements and Resolution have been reviewed and approved by County Counsel as to form.

Information Services also requests that your Board authorize the Chief Information Officer or his designee to execute subsequent amendments which do not exceed an aggregate of \$25,000.

These Agreements contribute to the Shared Vision 2025 Collaborative Community goal by:

- Reducing impact on natural resources by replacing paper based transactions with an online, business-process driven HR and Payroll system.
- Improving collaboration within County agencies through improved reporting capabilities, streamlined and standardized business processes and more transparent workflow for HR and Payroll transactions.

**PERFORMANCE MEASURE(S):**

Measure	FY 2012-13 Actual	FY 2013-14 Projected	FY 2014-15 Projected
Implementation Milestones Met On Time/ Within Budget	N/A	95%	95%

**Agile Organization Pilot**

The Workday project is one of the County's pilots for the Agile Organization initiative. A number of work delivery options will be used during the two-year implementation period, including the addition of one Regular position in the Information Services Department for project management and core ongoing support, assignment of existing staff and contractors, limited term, and Extra Help for implementation, technical support, training and staff backfill. It is expected that a combination of County staff and contracts will be used to provide core ongoing support.

**FISCAL IMPACT:**

The term for the Workday subscription is September 10<sup>th</sup>, 2013 to September 9<sup>th</sup>, 2018 for \$766,890 per year, for a total fiscal obligation not to exceed \$3,834,450. The term for Workday professional services is September 10<sup>th</sup>, 2013 to May 31, 2015 with a total fiscal obligation not to exceed \$4,425,000. The term for Workday training services is September 10<sup>th</sup>, 2013 to September 9<sup>th</sup>, 2016, with a total fiscal obligation not to exceed \$177,680. The term of the Agreement with Eaton & Associates is September 10<sup>th</sup>, 2013 to September 9<sup>th</sup>, 2015 with a total fiscal obligation not to exceed \$998,400. The term of the Agreement with SteelBridge Solutions, Inc. is September 10<sup>th</sup>, 2013 to September 9<sup>th</sup>, 2015 with a total fiscal obligation not to exceed \$567,840. The term of the Agreement with Peggy Jones is September 10<sup>th</sup>, 2013 to October 10<sup>th</sup>, 2015 with a total fiscal obligation not to exceed \$310,000. The term of the Agreement with Christine Doniger is September 10<sup>th</sup>, 2013 to October 10<sup>th</sup>, 2015 with a total fiscal obligation not to exceed \$310,000. The term of the Agreement with Adrian Chi is September 10<sup>th</sup>, 2013 to October 10<sup>th</sup>, 2015 with a total fiscal obligation not to exceed \$310,000. These contract costs of \$10,933,370 have been included in ISD's Recommended Budget for FY 2013-14 and FY 2014-15.

The total cost estimate for the Workday implementation is \$13,955,510. This includes all agreements recommended under this Board item, the addition of one Regular position for ISD, costs of existing staff to be assigned full-time to the project, backfill costs, contingency costs, and historic data conversion. These amounts will be included in the Recommended Budgets for ISD, Human Resources, and Controller's Office. Funding will come from Payroll Reserves and Non-Departmental Reserves. Ongoing support costs will be determined during Workday implementation and included in future budget requests.

# Request for Proposals (HR/Payroll System)

<b>1</b>	Where was the RFP advertised?	County website
<b>2</b>	In addition to any advertisement, list others to whom the RFP announcement was sent:	N/A
<b>3</b>	State the total number of RFP's sent to prospective proposers:	N/A
<b>4</b>	How many proposals did you receive?	10
<b>5</b>	List in alphabetical order the names of the finalists and the location:	CherryRoad / Peoplesoft, Redwood City, CA High Line, Toronto, Ontario Workday, Pleasanton, CA

# Request for Proposals (Project Manager)

<b>1</b>	Where was the RFP advertised?	County website
<b>2</b>	In addition to any advertisement, list others to whom the RFP announcement was sent:	N/A
<b>3</b>	State the total number of RFP's sent to prospective proposers:	N/A
<b>4</b>	How many proposals did you receive?	7
<b>5</b>	List in alphabetical order the names of the finalists and the location:	Eaton & Associates, San Francisco, CA Kevin Anderson, Dixon, CA Steelbridge Solutions LLC, Atlanta, GA

# Request for Proposals (Project Manager)

<b>1</b>	Where was the RFP advertised?	County website
<b>2</b>	In addition to any advertisement, list others to whom the RFP announcement was sent:	N/A
<b>3</b>	State the total number of RFP's sent to prospective proposers:	N/A
<b>4</b>	How many proposals did you receive?	6
<b>5</b>	List in alphabetical order the names of the finalists and the location:	CedarCrestone, Alpharetta, GA Collaborative Solutions, Reston, VA Steelbridge Solutions LLC, Atlanta, GA