FORM GEN. 160 (REV. 6-80)

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: October 22, 2020 REF: AB-178-20

To: Information Technology Oversight Committee

From: Ted Ross, General Manager & CIO Ted Ross
Information Technology Agency

Subject: **HUMAN RESOURCE & PAYROLL PROJECT UPDATE**

RECOMMENDATION
Receive and file report.

SUMMARY
The Information Technology Agency (ITA) executed a contract with Workday on April 9, 2020, and work to design and implement a new Human Resources and Payroll (HRP) system commenced on April 13, 2020. With the Safer at Home order taking effect in March, all work on the project has taken place remotely, and to date, working remotely has had no impact on the timeline. There are five stages of the project, Plan, Architect, Configure and Prototype, Test, and Deploy. The HRP project team, composed of staff from ITA, Office of the City Administrative Officer (CAO), Office of the Controller, and the Personnel Department, has completed the Plan Stage and are nearing the completion of the Architect Stage. Overall, the project is progressing well and is on time and on budget. Some risks have been identified, but the team is monitoring and mitigating them to the greatest extent possible.

PROJECT UPDATE

Progress and Timeline

This is the first project update since system development began. As of the date of this Committee meeting, October 27, 2020, the project is in week 17 of 20 of the Architect Stage.

The Plan Stage ran from April 13, 2020 to July 3, 2020, and together the City and Workday teams developed the procedures and mechanisms required to plan, control, and govern the project. The Plan Stage also defined the team members, roles, and responsibilities, as well as the project communication approach. In the Architect Stage, the City and Workday teams have been working toward a common understanding of enterprise-wide configuration requirements and business processes.

As of November 23, 2020, the project will be in the Configure and Prototype Stage, where all the requirements defined in the prior Architect Stage will be configured and confirmed through unit testing. After that are the final two stages for Testing (approximately 34 weeks) and Deployment (6 weeks). The project is on track for the intended go live date of January 2022.

Accomplishments
The HRP team has accomplished much in the areas of organizing and planning, system development work, and engagement of departments. With respect to organizing and planning, the HRP Steering Committee selected Gartner, a research and advisory firm, to serve as the Project Management Advisor. Gartner's term is from April 1, 2020 to March 31, 2021 and includes licenses for the HRP Project Manager and each of the leads from the four sponsor departments. Gartner licenses entitle users to access a vast research portal, schedule calls with analysts with needed expertise, and regular meetings with a Gartner Leadership Partner who has experience in IT project management and system implementation. In keeping with Workday's proven development method, the City team organized itself into 14 workstreams, each with a focus on a specific functional or technical area, as well as workstreams dedicated to organizational change management and communications. Each workstream has good representation from the four sponsor departments.

At the outset, the Organizational Change Management (OCM) team updated the HRP Project Charter by seeking input from every department and holding a number of workshops with the project team, key HR and Payroll staff from a representative group of departments, and the Steering Committee. A related list of approved deliverables include the Project Plan, Team Training Plan, OCM Strategy & Plan, Communication Strategy, Integration Strategy, Conversion Strategy, Testing Strategy, a sample Workday tenant with fictitious data, and KPMG's updated analysis of City Memorandum of Understandings (MOUs) for compensation and other configuration requirements.

System development work began in the Plan Stage, with all team members completing required Workday training. Training curriculum is based on team role. To date, the team has completed over 200 training courses, using 488.5 of the 652 pre-purchased training credits. The budgeted credits seem sufficient, and a small balance of 73.5 credits remain after assigning all required courses. In the second month of the project, the Data Conversion workstream began extracting data from PaySR and populating data workbooks that, along with decisions from the functional teams, became the basis for the City's first Workday tenant, the Foundation Tenant. The Data Conversion team recently completed many more data workbooks that Workday will use to build the City's second tenant, the Configure & Prototype Tenant. Over the course of the project, the team will build 5 tenants, and each one will have more complete data and configuration than the last, until we reach 100% with the final Gold Tenant just before deployment.

The Architect Stage is about making core design decisions. Over the course of the last four months, the team held 33 Discovery sessions and 119 Design sessions. For the Design sessions, the team pulled in key Subject Matter Experts (SMEs) from various departments to participate and assist with citywide configuration and business processes. Throughout the sessions, the OCM team logged every design decision that will result in a change for the City and has compiled a Change Impact Assessment document that will be crucial in later stages as we prepare the rest of the City for the transition to Workday.

In terms of department engagement, the HRP team hosted two virtual Town Halls for HR, payroll, and systems staff throughout the City. Both Town Halls included a live demonstration of the new system's capabilities. They were also very well attended, with the June Town Hall attendees reaching nearly 300, and the October Town Hall attendees totaling 256. In addition to the initial outreach to departments for input on the Project Charter, the OCM team interviewed every department individually as part of the Change Readiness Assessment. This was the first of three such interviews that will track every department's progress and readiness for deployment. At present, the HRP team is conducting intensive, two to two-and-a-half-day department cohort sessions. All City departments have been grouped by similarity of workforce, business practices, and/or processing oversight, and the project team is meeting with department HR, payroll, and systems staff to review configuration decisions in the functional areas of Human Capital Management (HCM), Absence, Time Tracking, and Payroll. This is also an opportunity for department representatives to tailor some design decisions to their department's unique needs.

Budget

To date, the HRP project is adequately funded and expenditures have been within the budgeted amount. ITA received $9 million in the Adopted Budget for year 2019-20 for the HRP project. In that first year of the project, ITA expended $2.9 million for professional service fees, training, support, and licenses. This amount also included a one-year term for Gartner, the Project Management Advisor, and the services of KPMG for updating the MOU provisions requirement document.

For the second year of the project, 2020-21, ITA received $8.1 million in the Adopted Budget, which brought the available funds to $14.2 million after adding the remaining balance from 2019-2020. In the current fiscal year to date, ITA has expended $4.9 million for professional service fees, training, support, and licenses, and, total expenses for the fiscal year are estimated to be between $12.6 and $13.7 million, depending on any contingency that is used. A contingency budget was planned at 10% of the professional service fees each year. Thus far, no contingency has been used. Workday issued one change order for $0, and it did not alter the scope or timeline. Rather, the change order clarified the scope of the City's reduced use of the Benefits functional area that became clearer after design sessions with the Personnel Department's Benefits Division, LACERS, and LAFPP.

For FY 2021-22, ITA will be requesting approximately $15 million to cover professional service fees, training, support, and the full complement of licenses, as well as the $1.5 million withholding that will be due. With the economic downturn and the hint of reduced staffing to come, ITA moved quickly to negotiate an Amendment to the contract that permits the City to reduce the Worker Count by up to 5% per year with a maximum reduction of 10% between July 1, 2021 and June 30, 2024, and again between July 1, 2024 and June 30, 2029. The license costs are based on the Worker Count, so as the number of City employees decreases through the Separation Incentive Program (SIP) and attrition without backfilling, we can subsequently realize a proportionate decrease in license fees, up to the maximum reduction for the applicable period.

Another cost saving measure planned for FY 2021-22, is the non-renewal of the Project Management Advisor. As this was not a core service to the project, it was deemed the least impactful reduction.

Risks

While the project team has logged several risks, the most imminent risks to the project are the Separation Incentive Program (SIP), furloughs, and the hiring freeze. Despite not having control over these risks, the team is taking steps to mitigate them.

The SIP impacts the HRP team's access to SMEs who have valuable intellectual capital needed for the Architect, Configuration, and Testing Stages. There are indeed situations where the SME retiring is the only person with knowledge of and experience with certain processes. With retirements commencing in early November, there is not much time to capture and transfer knowledge to the HRP team and a replacement SME. To mitigate this risk, the team has identified 26 SIP participants who are critical to the HRP Project. Working in order of retirement, the team will attempt to conduct interviews with the SMEs to document their institutional knowledge and pass it along to an identified successor. The department cohort meetings are an additional step to mitigate this risk.

The furloughs pose a risk to the project team's access to one another and SMEs in departments. With one less day in the pay period on top of regular days off, the time available to hold meetings, coordinate work, and perform work is severely reduced. Similarly, department representatives will have less time to meet with project staff, and this will be compounded by those representatives having to absorb the work of other staff lost to SIP and the hiring freeze. To mitigate this risk, the HRP team, to the greatest extent possible, is aligning their schedules, so that furloughs and regular days off fall on Fridays. Any meetings with department SMEs will be held on Tuesdays, Wednesdays, and Thursdays, leaving Mondays available for internal team meetings. Additionally, the team will divide meetings with departments by topic and perform pre-work to be clear about what information is needed. This will lead to department staff only attending the meetings they need to and their time being used efficiently. The fact that furloughs have been postponed to January 2021 also helps tremendously.

The hiring freeze threatens the integrity of the project team resources and the timeline. If an HRP team member leaves their current department to promote or to transfer to a department that is not subject to furloughs or the hiring freeze, the position and the investment in that team member is lost. Already, the team has lost one member due to this situation. On average, a functional analyst on the team needs to complete 12.5 days of training for a cost of $8,500 to get up to speed and perform their role. A technical analyst requires an average of 41.4 days of training at $21,108 to perform their role. Losing any number of additional staff as the project enters its most technical stage will put the project timeline in jeopardy, and risk increases significantly if the go live date is not at the beginning of the calendar year. To mitigate this risk, the sponsor departments will monitor their staff, and bring requests for exemption from the hiring freeze as quickly as possible with specific project impacts.

If you have any further questions, please contact me or Joyce Edson, Executive Officer, at (213) 978-3311.

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