



Board Report

File #: 2024-0015, **File Type:** Contract

Agenda Number: 6.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
FEBRUARY 14, 2024**

SUBJECT: ORACLE HUMAN CAPITAL MANAGEMENT CLOUD SUITE IMPLEMENTATION

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

AUTHORIZE the Chief Executive Officer (CEO) to:

- A. AWARD a 36-month firm fixed price Contract No. PS100859000 to Deloitte Consulting, LLP for the acquisition and implementation of the Oracle Human Capital Management Cloud Suite application and software support services, in the amount of \$13,919,723, subject to the resolution of any properly submitted protest(s), if any;
- B. APPROVE Contract Modification Authority specific to Contract No. PS100859000 in the amount of \$2,783,945, or 20% of the total contract value, to cover the cost of any unforeseen services or license fees that may be necessary to complete this project; and
- C. EXECUTE individual contract modifications within the Board-approved contract modification authority.

ISSUE

Metro’s payroll system supports over 11,000 staff and provides services every hour of the day, 365 days a year. As such, it is one of the Agency’s mission-critical systems. The current software program is over 25 years old, a standalone customized application built on antiquated technology, supported by a single vendor. Due to its proprietary design, it has very little vendor support. The current system is reaching obsolescence, which presents a significant risk to Metro.

BACKGROUND

For over 25 years, Metro has processed its payroll functions utilizing a custom-developed proprietary

software application. The program provides complete payroll functionality; however, it requires many unique tools to pull and receive data from other Metro Oracle financials and employee work-tracking programs. Historically, Metro has upgraded and enhanced the payroll system to meet minimal technical, business, legal, federal, and state requirements. Metro owns the software. The vendor is responsible for all continued maintenance, training, and program changes. Although this model is effective, the system is proprietary, creating a dependency and increasing the risk of service interruption.

To support the 11,000 staff of the Agency, Metro needs a best-in-class payroll system with the following capabilities:

- Supported by a common industry-wide technology standard with an established, mature manufacturer, readily available technology, and functional resource support.
- Ability to integrate seamlessly with Metro's financial and work tracking systems to minimize custom design interfaces.
- Architectural roadmap that can power the payroll program for the next 20 years.

Metro recently completed an evaluation of replacement options for the current custom developed payroll application. To take the necessary steps to prepare for this RFP, extensive work was completed in 2018-2019, to document over 900 payroll functional system requirements. In 2021-2022 the focus was on evaluating whether Oracle Payroll should be implemented on On-Prem or in the Cloud. After numerous demonstrations and further evaluations of the two platforms ITS, stakeholders, and subject matter experts decided the Cloud solution is the best option for Metro. The stakeholders agreed that with the offered out of the box solutions, minimal customizations would be required. In addition, in December 2023, Metro successfully completed an Oracle E-Business Suite upgrade, upgraded the Oracle databases to version 19C, and upgraded the Middleware layer of the Oracle suite of applications, which was a prerequisite to the Oracle HCM implementation.

DISCUSSION

Metro intends to completely replace the current aging payroll system, the on-premises Oracle Human Resources and Advanced Benefits modules, with an Oracle HCM Cloud Suite implementation. The HCM modules will replace the existing systems and manual processes of Human Resources, Payroll, Benefits, and other business functions.

The Oracle Payroll system is a strong fit due to Metro's current investment in the Oracle platform across many of its core systems, databases, and back-office functions.

The Oracle HCM Cloud Suite offers greater opportunities to leverage more innovative technology across a broader range of core system services. The availability of multiple human resource and workforce management functions within a single platform offers Metro the means to standardize across multiple business areas impacting Metro's diverse, 11,000+ contract and non-contract employees. Further, the Oracle solution provides greater flexibility in scaling the platform as the agency continues working toward its growth objectives.

The implementation of the Human Capital Management (HCM) will replace the existing systems and

will improve and secure the program's operations for many years to come. It will also ensure employee confidence and satisfaction that the operations of payroll will be conducted accurately, timely, and securely. The Human Capital Management (HCM) system is to run the Human Resources (HR), Advanced Benefits (AB), Time Entry, and Payroll for Metro's active employees. The employee facing components of the system will be ADA compliant. The system is intended to be used predominately by the Chief People Office (HR and AB), Finance (Payroll office), and the departmental liaison within the said departments.

The advantages of the upgraded system are the ease of product use and facilitation of employee-related changes, such as Personal Action Forms, workflows between the modules, etc. All the HR, AP, and Payroll functionalities are in one suite of applications, eliminating the need for integration between disparate systems and reducing errors due to manual benefits calculations and intervention. The HR module of the suite will allow employees quicker and more seamless access to their personal information, keeping the content more up to date.

Staff is asking for 20% Contract Modification Authority (CMA) due to the size, complexity, time sensitivity, and potential unknowns for the project. As the project progresses with the in-depth discovery there will be additional process changes and functionalities that need to be addressed for the success of the project. The contingency industry standard for fixed-price software integration contracts is 20%. InfoTech Research Group, provider of unbiased and relevant research to IT Leaders, recommends a minimum 20% - 25% contingency for software implementation projects. The 20% CMA will allow staff to progress with the project unknowns without the time lost due to administrative approvals.

DETERMINATION OF SAFETY IMPACT

The contract award to upgrade the payroll system will have a direct and positive impact on the Agency's safety, service quality, and systems reliability posture. Improving one of Metro's mission-critical systems, which supports a very core business function, will ensure employee confidence and satisfaction that the operations of payroll will be conducted accurately, timely, and securely.

FINANCIAL IMPACT

The contract cost is \$13,919,723. Funding for this service has been approved under project number 207162 under cost center number 5110 Accounting Dept. Life of Project for the Payroll System Upgrade is \$22,856,000. Since this is a multi-year project, the project manager and the Deputy Chief Information Technology Officer will be responsible for budgeting the cost in future years.

Impact to Budget

The funding sources for this project are 80% Federal Grant Section 5307 with 20% TDA 4 as a local match. Both funding sources are operating-eligible funds.

EQUITY PLATFORM

The services are not anticipated to adversely impact customers, since this is an internally used

application. This was an open solicitation and included a 15% DBE goal. The proposals were solicited from both SBE as well as non-SBE vendors. The chosen Systems Integrator (SI) has identified two SBE vendors with a combined overall proposed budget allocation of 16.96%. Both SBEs are local businesses in the LA basin. This satisfies the set goal for minority business(s) participation.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Payroll Systems Upgrade project supports Metro Vision 2028 Strategic Goal 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

The Board may choose not to proceed with the contract award. This option is not recommended based on both the need and desire to ensure the proper functions and services involved with Metro's payroll program for its 11,000+ staff for years to come.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS100859000 with Deloitte Consulting, LLP to acquire and implement the Oracle Human Capital Management Cloud Suite application.

ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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