



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.

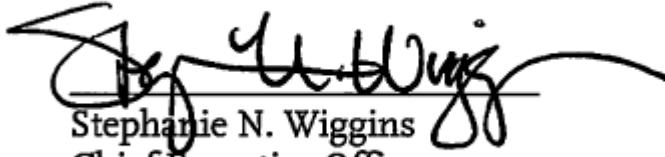
ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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Stephanie N. Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

ORACLE HUMAN CAPITAL MANAGEMENT CLOUD SUITE
IMPLEMENTATION/PS100859000

1.	Contract Number: PS100859000	
2.	Recommended Vendor: Deloitte Consulting LLP	
3.	Type of Procurement (check one) : <input type="checkbox"/> IFB <input type="checkbox"/> RFIQ <input checked="" type="checkbox"/> RFP <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates :	
	A. Issued : February 17, 2023	
	B. Advertised/Publicized: February 23, 2023	
	C. Pre-Proposal Conference: February 28, 2023	
	D. Proposals Due: March 27, 2023	
	E. Pre-Qualification Completed: November 29, 2023	
	F. Ethics Declaration Forms submitted to Ethics: March 28, 2023	
	G. Protest Period End Date: February 20, 2024	
5.	Solicitations Picked up/Downloaded: 41	Proposals Received: 4
6.	Contract Administrator: Annie Duong	Telephone Number: (213) 418-3048
7.	Project Manager: Medik Ghazikhanian	Telephone Number: (213) 922-4910

A. Procurement Background

This Board Action is to approve the award of Contract No. PS100859000 in support of the acquisition and implementation of the Oracle Human Capital Management (HCM) Cloud Suite application and software support services. Board approval of contract award is subject to the resolution of all properly submitted protest(s), if any.

On February 17, 2023, Request for Proposal (RFP) No. PS100859 was issued as a competitive procurement in accordance with Metro's Acquisition Policy and the contract type is firm fixed price. This RFP was issued with a Diversity & Economic Opportunity Department Race Conscious Disadvantaged Business Enterprise (DBE) goal of 15%.

One (1) amendment was issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on March 13, 2023, extended the proposal due date, revised the Evaluation Criteria/Minimum Requirements and Qualifications to include public sector experience with multiple bargaining unions and updated LOI-15 RC DBE Program, to align with the established DBE goal.

A total of 41 firms downloaded the RFP and were included on Metro's planholders list. A virtual pre-proposal conference was held on February 28, 2023, with 21

participants in attendance representing 12 firms. There were 42 questions received, and responses were released prior to the proposal due date.

A total of four proposals were received by the due date of March 27, 2023, and are listed below in alphabetical order:

1. Applications Software Technology LLC (AST)
2. Deloitte Consulting LLP
3. Infosys Public Services, Inc.
4. KPMG LLP

B. Evaluation of Proposals

A Proposal Evaluation Team (PET) consisting of Metro staff from Information Technology, Accounting, and Talent Management was convened and conducted a comprehensive technical evaluation of the proposals received.

The proposals were evaluated based on the following evaluation criteria:

Evaluation of Minimum Requirements and Qualifications: These are pass/fail criteria. To be responsive to the RFP minimum requirements, proposers must meet the following:

1. Provide lead implementation and integration services for a minimum of five major Oracle HCM Cloud Suite implementation projects, one of which must be for over 3,000 employees and possess multi-year public sector knowledge;
2. Have led the successful implementation of an Oracle HCM Cloud Suite system for a public sector organization with multiple bargaining unions; and
3. Successfully completed a cross-organizational implementation project for a minimum duration of 12 months, with 2,000 users/recipients, and involved at least three (3) interdependent disciplines/departments/functional areas.

One of the four proposals received was deemed non-responsive to the RFP requirements. Infosys Public Services, Inc. failed to meet all the minimum qualification requirements and was therefore excluded from further consideration.

On May 9, 2023, the PET continued to evaluate the remaining three proposals based on the following weighted evaluation criteria:

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|---|-----------|
| • Contractor's Business and Service Profile | 20 Points |
| • Public Sector Knowledge and Experience | 30 Points |
| • Project Methodology, Approach, and Schedule | 30 Points |
| • Cost Proposal | 20 Points |

The evaluation criteria are appropriate and consistent with criteria developed for similar types of procurements. Several factors were considered when developing

these weights, giving the greatest importance to both the public sector knowledge and experience; and project methodology, approach, and schedule. The PET evaluated the proposals according to the pre-established evaluation criteria.

On May 25, 2023, the PET reconvened and determined that all three firms were within the competitive range and were invited to participate in interviews from June 2, 2023 to July 10, 2023. Each firm had the opportunity to present their team's qualifications and respond to the PET's questions.

Following interviews, the PET finalized technical scores based on written proposals and interviews. On July 24, 2023, the PET completed its evaluation and determined Deloitte Consulting LLP to be the highest ranked proposer. Staff conducted negotiations with the firm on pricing and terms and conditions through December 2023.

Qualifications Summary of Firms within the Competitive Range:

Deloitte Consulting LLP

Deloitte Consulting LLP (Deloitte), a subsidiary of Deloitte LLP, is a member firm of Deloitte Touche Tohmatsu Limited (DTTL). It provides consulting, risk management, financial advisory, audit, and tax services. Deloitte has implemented numerous public-sector HCM projects for over three decades, including some of the largest and most complex implementations in the US and overseas. It has deployed similar solutions for several purpose-driven global organizations such as Catholic Relief Services, Save the Children, along with public sector organizations like Metrolinx, University of Pittsburg, and DeKalb County. Deloitte has around 3,000 certified Oracle Cloud HCM consultants globally, assisting more than 300 clients through their HR transformation journeys on Oracle Cloud. These clients vary across industries and sectors like healthcare, banking and finance, utilities, construction, and hospitality.

Deloitte's proposal demonstrated strong functional, technical, and project management competence and the necessary capabilities to implement the Oracle HCM cloud solution for Metro. It has implemented Oracle HCM cloud solutions in many organizations similar to Metro and has qualified staff with years of experience in Oracle Cloud HCM implementations.

Applications Software Technology LLC (AST)

Applications Software Technology (AST), headquartered in Lilse, IL, has been in business for over 26 years. It is a full-service enterprise systems integrator, serving and guiding digital transformation for clients in the government and commercial sectors. From on-premises applications to modern cloud technology, AST's services encompass all aspects of Enterprise Resource Planning, Business Intelligence, Enterprise Performance Management, Customer Experience, and Middleware.

KPMG LLP

KPMG LLP, headquartered in New York, NY, is the US member firm of the KPMG global organization of independent professional services firms providing audit, tax and advisory services. Its origin can be traced back to 1987 and since 1994, has been a limited liability partnership registered in Delaware. The KPMG global organization operates in 143 countries and territories and has more than 30 years of experience in large-scale, global Oracle technology enabled HR Transformation programs providing audit, tax, and advisory services. For more than 40 years, KPMG has helped some of the largest companies including Metro, City of Los Angeles, Los Angeles Department of Water and Power, Los Angeles Port Authority, Bay Area Toll Authority, California Department of Transportation, Metrolinx, and Austin CapMetro.

The following is a summary of the PET scores:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	Deloitte Consulting LLP				
3	Contractor's Business and Service Profile	90.00	20.00%	18.00	
4	Public Sector Knowledge and Experience	85.33	30.00%	25.60	
5	Project Methodology, Approach and Schedule	84.67	30.00%	25.40	
6	Cost Proposal	67.65	20.00%	13.53	
7	Total		100.00%	82.53	1
8	Applications Software Technology LLC (AST)				
9	Contractor's Business and Service Profile	72.00	20.00%	14.40	
10	Public Sector Knowledge and Experience	71.33	30.00%	21.40	
11	Project Methodology, Approach and Schedule	62.33	30.00%	18.70	
12	Cost Proposal	100.00	20.00%	20.00	
13	Total		100.00%	74.50	2
14	KPMG LLP				
15	Contractor's Business and Service Profile	78.00	20.00%	15.60	
16	Public Sector Knowledge and Experience	74.67	30.00%	22.40	
17	Project Methodology, Approach and Schedule	78.67	30.00%	23.60	
18	Cost Proposal	47.05	20.00%	9.41	

19	Total		100.00%	71.01	3
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C. Cost Analysis

The recommended price has been determined to be fair and reasonable based upon an independent cost estimate (ICE), cost analysis, technical analysis, fact finding and negotiations. The negotiated amount is approximately 9% lower than the ICE.

Staff successfully negotiated cost savings of \$850,000.

	Proposer Name	Proposal Amount	Metro ICE	Negotiated Amount
1.	Deloitte Consulting LLP	\$14,769,723	\$15,251,200	\$13,919,723
2.	Applications Software Technology LLC (AST)	\$9,989,226		
3.	KPMG LLP	\$21,233,087		

D. Background on Recommended Contractor

Deloitte Consulting LLP, a subsidiary of Deloitte LLP, is headquartered in New York, NY and has an office in Los Angeles. Its public sector clients in California include the County of Los Angeles, California Statewide Automated Welfare System, California Healthcare Eligibility, Enrollment and Retention System, California Department of Public Health, California Department of Motor Vehicles, California Department of Water Resources, California Department of Fish and Wildlife, California State Teachers' Retirement System, California Department of Transportation, Los Angeles Department of Water and Power, Los Angeles World Airports, and the City of Los Angeles.

The Deloitte team includes two DBE-certified subcontractors: Kaygen Inc. providing functional, technical, and training support and E.K. Technologies DBA E.K. Associates providing administrative, training, and change management support. Deloitte Consulting LLP has previously worked with its subcontractors on several Oracle, public agency, and transportation projects across the country.

The Deloitte organization has provided financial advisory support services to Metro and performance has been satisfactory.

DEOD SUMMARY

**ORACLE HUMAN CAPITAL MANAGEMENT CLOUD SUITE
IMPLEMENTATION/PS100859000**

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) established a 15% Disadvantaged Business Enterprise (DBE) goal for this solicitation. Deloitte Consulting, LLP exceeded the goal by making a 16.69% DBE commitment.

Small Business Goal	15% DBE	Small Business Commitment	16.69% DBE
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	DBE Subcontractors	Ethnicity	% Committed
1.	Kaygen , Inc.	Subcontinent Asian American	12.73%
2.	EK Associates, Inc.	Subcontinent Asian American	3.96%
Total Commitment			16.69%

B. Local Small Business Enterprise (LSBE) Preference

The LSBE preference is not applicable to federally funded procurements. Federal law (49 CFR § 661.21) prohibits the use of local procurement preferences on FTA-funded projects.

C. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

D. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

E. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.