City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 20, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 116 : PAYROLL/HUMAN RESOURCES SYSTEM

This memo is addresses the request for a new Payroll/Human Resources System as part of the IT Plan within the Proposed FY 2010-2014 Capital Improvement Program (CIP). The City's current payroll system is a custom designed, server-based system derived from a legacy mainframe system that does not adequately incorporate many human resources capabilities. Currently the City requires periodic funding installments for continued maintenance support, tax upgrades and perpetual licenses for the City's legacy payroll system because Integral, the City's payroll vendor since 1983, is stopping support for the City's 26-year-old version of their payroll system in 2010. The City would benefit from a fully integrated, client-server or web-based system that could better support our human resources.

The current legacy system is well beyond the vendor's scheduled retirement date and does not incorporate critical human resources capabilities such as applicant tracking, position control or benefits administration. In addition, once the vendor's support expires, the City will not be able to provide continued maintenance or the necessary tax upgrades to the system. In essence, this will mean the City will not be able to rely on vendor support if a major system failure occurred, or provide critical tax updates to the system that are necessary to maintain an up-to-date payroll system. This lack of support could leave the City vulnerable to not being able to carry out basic human resources and payroll administrative functions in the event of a system disruption or catastrophic failure. Finally, if the system did experience a service disruption the after the vendor coverage expired, the City would be forced to use a tremendous amount of staff time, resources and City funds to either bring the system back online or to make an unscheduled and unplanned purchase of a new system.

The City is planning on continually funding the legacy system for two years through FY 2011, during which the City will establish a reasonable transition period where we can operate our current payroll system with maintenance support and tax updates from Integral. The City will pay $150,000 to cover the City's financial obligation through the end of FY 2009. Additional payments totaling $201,000 are due in conjunction with the start of fiscal years FY 2010 ($155,000) and FY 2011 ($46,000) to ensure the City's ability to operate through FY 2011. During the transition, the City should have time to issue an RFP for and select an enterprise system while the Human Resources Department continues to rely upon the legacy system until a new system is acquired and becomes operational.

The proposed CIP includes $3 million in funding ($2 million FY 2010 and $1 million FY 2011) for a replacement payroll and human resources system. The City has undertaken a thorough review of its payroll and human resources business processes and developed clear, concise system requirements that can be used to acquire a new system application. The benefits of a fully integrated, client-server or web-based system that could better support our human resources would be enhanced productivity through more effective, secure and reliable distribution of payroll and personnel data to staff, through the automation of process that are currently manual. In addition, the implementation of position control as part of a new system will ensure that budgeted positions are appropriately requisitioned and filled.

The City has been in contact with Arlington County concerning a shared use of its recently developed system, but no significant cost savings appear possible from this approach. We feel that any adjustment to the proposed schedule for implementation of a new system in FY 2011 would result in the City having to maintain its current system without support from Integral. If vendor support was allowed to expire, risks of system failure are significant and the potential impact to City operations would be quite harmful.