



MEMORANDUM

Date: June 25, 2013

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

Re: **Cost Analysis – Automated Data Processing Contract for a Human Resources, Payroll, Benefits and Time Management System**

My memorandum to the Board of Supervisors for discussion and action at the July 2, 2013 meeting discusses the need to replace our current mainframe COBOL application for payroll and human resources functions. That memorandum contains a recommendation that the County enter into an agreement with Automated Data Processing (ADP) to provide these services.

The purpose of this memorandum is to provide the cost analysis information associated with the recommended transition to the ADP service environment.

As shown on Table 1, the implementation costs are estimated to be \$3.73 million. This consists of contractual payments to ADP of \$2,530,412 for implementation, a \$500,000 contractual contingency in project costs for unanticipated implementation issues, and a \$700,000 County contingency (not part of the ADP contract) for additional ITD costs for work to create non-standardized reports designed specifically for Pima County, if needed. I have stressed to all staff and managers that nonstandard reports should be kept to a bare minimum.

TABLE 1: ADP Project Costs

Implementation Costs ¹	
Costs Paid to ADP	
Applicant Tracking	\$ 33,000
HR/Payroll	1,841,612
Time & Leave Management	291,300
Benefits	164,500
ADP Travel	200,000
Contingency	500,000
Total Paid to ADP	3,030,412
Additional Internal Costs	
Reporting ²	700,000
Total Internal Costs	700,000

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Total Implementation Costs

\$ 3,730,412

- 1 Implementation costs do not include internal labor
- 2 This is a contingency amount and may not be needed. ADP provides a robust reporting environment.

The County has redundant and manually intensive processes in the areas of Human Resources, Payroll and time keeping. After implementation, the cost to operate the fully integrated HR/Payroll/time-management system is slightly higher than the current cost to operate the existing payroll system. The County does not currently have an electronic HR system. As shown in Table 2, when the new system is fully operational, the net increase in the estimated operating cost is estimated to be approximately \$493,000, or \$2.63 per employee per pay period, before efficiency savings are considered. By moving to an integrated HR/Payroll/time-management system, we estimate that the County will achieve approximately \$440,000 in annual efficiency savings, causing the net operating increase to be approximately \$53,000, or only \$0.28 per employee per pay period.

TABLE 2: Analysis of increased costs to Operations

Operational Costs with ADP		Year 1	Year 2
Applicant Tracking		109,620	112,909
HR/Payroll		603,376	621,477
Benefits		417,024	429,535
Time & Leave Management		412,800	425,184
Time Clocks		141,600	145,848
	Operating costs	1,684,420	1,734,953
Anticipated Savings			
ADOA Mainframe Cost Reduction		198,750 ¹	210,675
Infor Agreement Reduction (FMS)		347,506	347,506
Professional Services (Grupo) Reduction		28,620 ¹	171,720
ADP Benefits Reduction		307,000	307,000
NeoGov Applicant Tracking		6,800	6,800
Internal Labor Savings (HR)		-	50,000
Postage, printing for Payroll		141,216	141,216
Postage, printing of W-2s		7,250	7,250
	Operating savings	1,037,142	1,242,167
Net Costs before Efficiency Savings		647,278	492,786
Efficiency Savings²		439,987	439,987
	Total Savings	1,477,129	1,682,154
Increased cost per year		\$ 207,291	\$ 52,799

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Increased cost per employee per pay period \$ 1.11 \$ 0.28

- 1 Costs for the ADOA contract and the GRUPO consultants will overlap for part of the first year of operations.
- 2 Efficiency savings include reduction of duplicate data entry for Personnel Action Forms, Certificates of Eligible Requests, timesheets through the use of liaisons and elimination of most amended timesheets.

A portion of the efficiency savings will be in the Human Resources and Finance Departments, by freeing up employees to focus on more strategic tasks. The majority of the savings will be in other departments by eliminating the duplicate data entry currently occurring in those departments. With the new system, the County will be adopting the "best practice" of requiring employees to enter their own time rather than having other employees keying in their time from handwritten time sheets.

With ADP, the County will also be able to implement some changes to the County's personnel policies that the County has been unable to implement because of the varied time keeping systems currently being used. The changes affect shift differentials and overtime pay calculations to more closely follow the Federal Labor Standards Act (FLSA) standards. The changes are estimated to produce approximately \$750,000 in annual savings to the County, which equates to approximately \$4.00 per employee per pay period of additional savings.

CHH/dph

c: Allyn Bulzomi, Director, Human Resources
 Tom Burke, Director, Finance and Risk Management
 Lionel Bittner, Director, Information Technology