COMMISSION AGENDA
ACTION ITEM

Item No.   4g

Date of Meeting   May 12, 2015

DATE: May 4, 2015

TO: Ted Fick, Chief Executive Officer

FROM: Marjorie Hillson, Interim Director, Human Resources and Development

SUBJECT: Employee Performance Management System (CIP #C800763)

Amount of This Request:	$400,000	**Source of Funds:**	76.5% Airport Development Fund; 18.3% General Fund; 5.2% General Fund Real Estate
Est. Total Project Cost:	$400,000		
Est. State and Local Taxes:	$9,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to (1) authorize Port staff to proceed with the Employee Performance Management System project and (2) authorize the procurement of required hardware, software, maintenance support, and vendor services for a total project cost not to exceed $400,000.

SYNOPSIS

The Port of Seattle's Performance Review, Evaluation, and Planning (PREP) process is an important component of the Total Rewards package for Port employees. As part of a review of the Total Rewards package for effectiveness, alignment with organizational goals, operational excellence, and broad-based talent development, significant changes to the PREP process will be implemented requiring a more powerful and integrated performance management tool.

This project will procure, configure and implement the ePerformance module of our current Peoplesoft Human Capital Management (HCM) system to provide a comprehensive employee performance management system. Information & Communications Technology (ICT), Human Resources and Development (HRD), and Accounting & Financial Reporting (AFR) resources will be utilized to complete the project. Total project costs are estimated to be $400,000. This project was included in the 2015 – 2019 capital budget and plan of finance. Recurring software license and maintenance costs are budgeted within the ICT Department operating budget. Vendor Services will be procured using a current Indefinite Delivery Indefinite Quantity (IDIQ) contract for PeopleSoft services.

BACKGROUND

The Port of Seattle's PREP process currently utilizes paper documentation for goal setting and performance tracking. This method does not provide capabilities for employees to align their performance goals with those of the broader organization or link to their department priorities. Managers have no easy way to rate staff performance against behavioral competencies associated with specific jobs, track development and career conversations, and include one-over-one manager reviews of performance. HRD must manually calculate pay and record results in our HCM system, has no way to assess aggregate trends in employee performance, and cannot identify areas of risk in employee development.

Substantial changes to the PREP program to support broad-based talent development and better align individual efforts to accomplish organizational goals will begin January 2016. The changes include a common review date for all non-represented employees, revised rating scale, an expanded review process, and an updated PREP form to fully incorporate the Second Century Competency Framework.

PROJECT JUSTIFICATION AND DETAILS

The implementation of an employee performance management system will support the enhanced requirements of the PREP process.

Project Objectives

- Align performance and development plans with organizational goals and the Second Century Competency Framework.
- Achieve greater consistency with performance plans and evaluations by providing increased visibility to managers at a level beyond direct reports.
- Integrate performance plans and evaluations with our HCM system to align with job functions, automate pay upgrades, and incorporate existing succession and career plans.
- More efficiently capture mid-year or periodic performance progress using automated reminders, and electronic approvals.
- Provide aggregate information to HRD to further assess employee development risks and opportunities.

Scope of Work

- Procure, configure and implement PeopleSoft ePerformance version 9.2

Schedule

Commission Approval	May 2015
Procurement Complete	June 2015
Upgrade Complete	May 2016

FINANCIAL IMPLICATIONS

Budget/Authorization Summary	Capital	Expense	Total Project
Original Budget	$400,000	$0	$400,000
Previous Authorizations	$0	$0	$0
Current request for authorization	$400,000	$0	$400,000
Total Authorizations, including this request	$400,000	$0	$400,000
Remaining budget to be authorized	$0	$0	$0
Total Estimated Project Cost	$400,000	$0	$400,000

Project Cost Breakdown	This Request	Total Project
Software License	$100,000	$100,000
Vendor Services	$100,000	$100,000
Port of Seattle Labor	$191,000	$191,000
State & Local Taxes (estimated)	$9,000	$9,000
Total	$400,000	$400,000

Vendor provided training costs, estimated at $24,000, will be budgeted in the Human Resources and Development operating budget. There will be additional staff costs for training required to use the system and for training on new requirements for performance management that are not included in this request.

Budget Status and Source of Funds

This project was originally budgeted in ICT Services Technology Small Capital CIP with a preliminary budget assumption just under $300,000. Upon Commission Authorization, the full $400,000 budget will be transferred from CIP C800012, Services Technology Small Cap, to CIP C800763, Employee Performance Management System. The sourcing project was included in the 2015-2019 capital budget and plan of finance. The source of funds is 76.5% Airport Development Fund, 18.3% General Fund, and 5.2% General Fund Real Estate.

Financial Analysis and Summary

CIP Category	New Technology System
Project Type	Technology
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	$400,000
Business Unit (BU)	Corporate
Effect on business performance	N/A
IRR/NPV	N/A
CPE Impact	N/A

Lifecycle Cost and Savings

Software license and maintenance fees of $23,000 per year will be included in the ICT operating budget. Maintenance fees for this module will be incorporated into our existing Oracle annual maintenance agreement, so we are not adding a new contract. Port recurring labor costs are not expected to change significantly with this project.

STRATEGIES AND OBJECTIVES

This project supports the Century Agenda strategy to advance this region as a leading tourism destination and business getaway, by providing a system to help attract, develop, reward and retain a diverse workforce to achieve the port's business targets.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Procure a performance management system separate from our Peoplesoft HCM system. Alternative research included a Request for Information (RFI), industry analyses of performance management solutions, interviews with other organizations regarding their experience with performance management tools, and demonstrations of several products. More than twelve vendor solutions were evaluated in terms of features, benefits, and estimated five-year total costs. This is not the recommended alternative.

Pros:
- There are vendor products available at a lower cost than the recommended solution saving capital funds and on-going operating expenses for license costs.

Cons:
- The lower-cost products did not meet HRD requirements for a robust performance management solution and these products as well as those more competitive with the selected option would require a complex interface with our internal HCM system to keep employee, job, and pay information in sync. In addition, a product not integrated with our current HCM system will not allow us to leverage additional modules that are already licensed for succession planning and career planning.

Alternative 2) – Enhance the current paper-based PREP process and do not procure a performance management system.

Pros:
- This option will save capital funds and reduce staff costs for change management.

Cons:

- The requested changes to the PREP process will require increased staff costs and broad-based analysis on employee development opportunities will be extremely difficult to accomplish without a central repository and robust reporting capabilities.

Alternative 3) – Procure and implement the PeopleSoft ePerformance module. **This is the recommended alternative.**

Pros:
- The ePerformance module has all of the essential features to meet our business needs and allows us to harness the full power of an integrated talent management suite of products by utilizing the succession and career planning components of our current Oracle/PeopleSoft HCM system.

Cons:
- The implementation of the ePerformance module will require significant change management for all non-represented employees. This staff time is not included in the cost estimates for this project.

ATTACHMENTS TO THIS REQUEST
- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS
- None