



**FINANCE & BUDGET COMMITTEE
MARCH 18, 2004**

SUBJECT: OUTSOURCED PAYROLL SERVICES

**ACTION: AWARD CONTRACT TO ADP NATIONAL ACCOUNT SERVICES,
 PROBUSINESS DIVISION**

RECOMMENDATION

Authorize the Chief Executive Officer to award a ten-year, firm fixed-unit-rate contract, Contract No. PS04511012, to ADP National Account Services, ProBusiness Division, to provide printing and delivery of bi-weekly payroll checks, deposit advices, W-2's and third party checks for an amount not to exceed \$7,500,000, inclusive of three two-year options, effective January 1, 2005.

RATIONALE

The contract will provide consistent delivery of regular payroll checks and deposit advices for MTA employees, mail out of W-2's and 1099 MISC forms annually and secure transfer of tax filings and other third party payments and appropriate payroll reports to the MTA. Outsourced payroll services are essential for the payment, on a bi-weekly basis, of the 10,000 MTA employees, making direct deposits to employee accounts and direct payment of amounts due to federal and state agencies as well as quarterly tax filing as required by law. The service will include secure delivery to some 40 locations throughout the MTA divisions and offices. The MTA intends to provide a calculated file from which the vendor will print and distribute checks, pay stubs, third party pays, tax deposits and filings, tax amendments, reports and, ultimately, W-2's and 1099-MISC statements. Vendor will also process direct deposits to the appropriate financial institutions.

This contract will begin at the expiration of the current contract on January 1, 2005. The Board of Directors approved the existing contract in 1999. A benefit of contracting with ADP, ProBusiness is that there is no need for a six month conversion process which the MTA anticipated in requesting proposals.

The original request for proposal included a six-month conversion process which will no longer be necessary due to the recommendation of the award to the incumbent. However, the procurement process is complete, and there is no reason to delay the finalization of the contract.

BACKGROUND

MTA has successfully used ProBusiness to print and deliver employee paychecks and W-2s, process direct deposits and third party pays, prepare payroll tax filings and make associated deposits for over four years. ProBusiness was acquired by ADP in June of 2003.

FINANCIAL IMPACT

Funding of \$295,000 for this contract which will take effect January 1, 2005 will be included in the FY05 budget in Cost Center 5110, under projects 100030, 100040, 100050, 100060, 100070, 100080. Since this item is a multi-year contract, the Controller and Chief Financial Officer will be accountable for budgeting the amount in future years. In FY04, \$550,000 is budgeted for this activity.

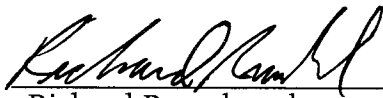
ALTERNATIVES CONSIDERED

One alternative considered is to provide the service in-house. This would require the hiring of trained personnel and the purchase of specialized equipment, secure delivery vehicles and supplies. Further, extensive checks and balances and security would be required for the proper payment of employees, tax filings, direct deposits and third party payments. Staff's analysis indicates that this is not a cost-effective option for the MTA.

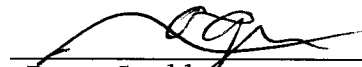
ATTACHMENTS

- A Procurement Summary
- A-1 Procurement History
- A-2 List of Subcontractors

Prepared by: Dave Wakeling
Accounting Manager



Richard Brumbaugh
Chief Financial Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

OUTSOURCED PAYROLL SERVICES

1.	Contract Number: PS04511012		
2.	Recommended Vendor: ADP National Account Services, ProBusiness Division		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$7,500,000 (includes 2% programming contingency)	Recommended Price: \$7,500,000 (includes 2% programming contingency)	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Unit Rate		
5.	Procurement Dates:		
	A. Issued: November 21, 2003		
	B. Advertised: November 26, 2003		
	C. Pre-proposal Conference: December 10, 2003		
	D. Proposals Due: January 14, 2004		
	E. Pre-Qualification Completed: February 10, 2004		
	F. Conflict of Interest Form Submitted to Ethics: February 9, 2004		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 0%	Date Small Business Evaluation Completed: November 13, 2003	
	B. Small Business Commitment: 0% Details are in Attachment A-2		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 10	Bids/Proposals Picked up: 5	Bids/Proposals Received: 2
8.	Evaluation Information:		
	A. <u>Bidders/Proposers Names:</u> Ceridian ADP/ProBusiness Division	<u>Bid/Proposal Amount:</u> \$8,000,000 \$7,500,000	<u>Best and Final Offer Amount:</u> NA \$7,500,000
	B. Evaluation Methodology: Weighted Guidelines Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: 3/23/04		
	B. Protest Receipt Date: TBD		
	C. Disposition of Protest Date: TBD		
10.	Contract Administrator: Linda C. Wasley	Telephone Number: 213-922-4186	
11.	Project Manager: Dave Wakeling	Telephone Number: 213-922-6842	

**BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY**

OUTSOURCED PAYROLL SERVICES

A. Background on Contractor

ProBusiness has been in business for 19 years. In June, 2003, ProBusiness was acquired but maintained as a separate division of, ADP National Account Services, a nationally recognized payroll services firm. The ProBusiness Division of ADP National Account Services seeks to be the premier provider of outsourced employee administration services for large employers. ProBusiness has provided satisfactory outsourced payroll services for the MTA for the last four years. ADP/ProBusiness also services corporations with large employee counts such as Williams Sonoma, headquartered in San Francisco.

B. Procurement Background

This is a negotiated procurement for outsourced payroll services using the explicit factors evaluation methodology.

The Request for Proposal required vendors to propose per check/per W-2 rates for services that will be needed for this contract. The rates proposed were extended via a cost model based on a maximum increase of 5% (actual increase will be based on the CPI for the prior twelve month period to a maximum of 5%) to reflect a reasonable anticipation of the quantities of services that may be required on an annual basis based on MTA's requirements.

The MTA Diversity and Economic Opportunity Group did not recommend a DBE goal for this procurement.

C. Evaluation of Proposals

Two proposals were received in response to the Request for Proposals issued in accordance with MTA policies and procedures. The proposals were evaluated by a Source Selection Committee and recommendation was made to award to ADP, ProBusiness Division based on technical merit and lowest negotiated unit rate pricing.

D. Cost/Price Analysis Explanation of Variances

The recommended price was determined to be fair and reasonable based upon fact finding and competition. Prices for the exercise of the options increase at the rate of the lesser of 5% or the Consumer Price Index for the prior twelve months. Pricing includes the annual percheck/per W-2 price, increases of the lessor of the CPI or 5% and a 2% programming fee for anticipated technology improvements over the course of the contract.

Bid/Proposal Amount	MTA Estimate	Recommended/Negotiated Amount
\$7,500,000	\$8,000,000	\$7,500,000

**BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS**

OUTSOURCED PAYROLL SERVICES

PRIME CONTRACTOR – ADP National Account Services, ProBusiness Division

Small Business Commitment

Other Subcontractors

None

None

Total Commitment 0%