
Subject: Human Resources Information Systems (HRIS) Support

Report to: Corporate Services Committee

Report date: Wednesday, October 14, 2020

Recommendations

1. That an extension to the current *Human Resources Information Systems (HRIS) Application Support, Maintenance & Development agreement*, currently set to expire on March 31, 2021, **BE APPROVED**, for a period not to exceed 18 months, in order to ensure adequate time to facilitate a procurement process (Request for Proposal), award the ensuing contract, ensure a seamless transition and mitigate the risk of any interruption to critical HR and payroll services should the outcome of the RFP necessitate a change from the current provider. The total cost of the extension will be \$1,270,100, should it be for the entire 18 month period.

Key Facts

- The purpose of this report is to seek an extension of the current contractual agreement for outsourced HR technology support which expires on March 31, 2021, in the event that the outcome of the Request for Proposal (RFP) requires a transition away from the current provider. The extension will ensure a seamless transition and mitigate the risk of any interruption to critical HR and Payroll services.
- As no further options exist to extend the current contract beyond March 31, 2021, an extension for a period of up to 18 months is a single source award in accordance with Schedule B of Procurement By-law 02-2016 and as such, Council approval is required given that the value of the extension could exceed \$1,000,000. The single source purchase for the up to 18 month extension with the current provider is being done in accordance Section 19 (a)(vi) of the Procurement By-law 02-2016.
- Since the implementation of the existing applications in 2004, Niagara Region has outsourced technical administration, troubleshooting, software application configuration and development, and technical maintenance upgrades of its PeopleSoft Human Capital Management (HCM), Kronos Time and Attendance and the Employee/Manager Self Service portal applications which supports all human

resources data, time and attendance, payroll technical processing and related reporting support. The initial outsourcing agreement was offset by a reduction of 6.2 Niagara Region FTE.

- The current human resource applications are utilized by Niagara Region, Niagara Regional Police Services (NRPS), Niagara Regional Housing (NRH) and the City of St. Catharines.
- The RFP would consider a contract term of up to five (5) years with a scope of work which would maintain status quo in terms of the external services as listed in *Appendix A: Current Outsourced Support Services* of this report.
- Niagara Region has notified the current provider of its intention to issue the RFP, and that subject to Council approval, Niagara Region would intend to extend the current agreement to allow sufficient time to complete the RFP process and award the ensuing contract. Staff intends to issue the RFP in Q4 2020 and confirms that a timeline of 8-10 weeks is required to facilitate the formal procurement process, which would culminate in the execution of an agreement with the highest ranked Proponent. Based on the possibility that the outcome of this process could result in award to a new Proponent, Staff deem it unreasonable to expect that a successful and seamless transition would occur prior to March 31, 2021.
- The RFP will require Proponents to outline and propose their detailed methodology for implementation/transition to onboard services. While the current provider could elect to bid, in the event that the outcome of the process is a recommendation to award to a new provider, a transition from the current provider will require the shared commitment of Staff and the current provider to ensure a seamless transference of extensive knowledge of Niagara Region's systems.
- Should it be required, the terms and conditions of a transition agreement are to be negotiated and mutually agreed to by the parties. The current agreement requires that the current Support Provider cooperate and assist with a smooth transition of responsibilities and continue to provide Services for a limited time in order to ensure uninterrupted service. Moreover, the current agreement provides that, if requested by the Region, the service provider shall continue to provide the services for a limited period of time after the contract expiry date, at reasonable rates, so as to effect an orderly transition to a new service provider.

Financial Considerations

The current twelve month contract fees for the external support are approximately \$820,000, with an external support team ranging from 6 to 10 FTE dedicated to Niagara Region support at any given time, dependant on various projects and ongoing technical development requirements. The external support team includes technical developers, business and systems analysts, and operational support staff. Additionally, technical development fees are budgeted annually and charged on a time and materials basis, with consideration to various operational business needs for the year which may include technical/functional application upgrades, or newly required system configuration or development. The development costs incurred each year range from \$200,000 to \$400,000 depending on the business need for new operational functionality and required technical upgrades/maintenance. The total cost of the extension is \$1,270,100. This amount can be accommodated within the proposed budget, and includes recoverable fees for the City of St. Catharines.

As approved by Council, support agreement operating costs for the past three (3) years with an annual 3.5% increase trend is outlined in Table 1:

*Table 1: 3-year Annual Operating Costs**

	Operating	Capital Development	Total
Year 1: 2018	\$789,615	\$350,000	\$1,139,615
Year 2: 2019	\$796,372	\$350,000	\$1,146,372
Year 3: 2020	\$820,263	\$350,000	\$1,170,263

*demonstrated annually however contract years are April 1 to March 31

Given the above recent costs, the total for *up to* five-year contract costs would likely be in excess of \$5 million. Council approval would be required for award in accordance with Schedule B of the Procurement By-law 02-2016 as amended on February 28, 2019.

Should the outcome of the procurement process result in the selection of a new provider, a comprehensive transition plan would be required to transition each application to prevent any service interruption to payroll services, time and attendance

tracking, recruitment etc... This will result in some normal duplication of efforts during various testing phases, training, knowledge transfer, and security access changes.

Additionally, should a transition between 3rd party providers be required as a result of the RFP process, the RFP would include transition terms. Subsequent negotiations with the current provider for any necessary consulting and transition of knowledge to a new provider would be required. For budgetary purposes, an estimate of approximately \$800,000 in consulting, transition fees and resourcing was approved in the 2020 budget with one time funding from the Taxpayer Relief Reserve. These funds have not been committed, nor encumbered in 2020, as the procurement process has not started; rather they have been budgeted in 2021 with updated cost analysis, which is underway. The RFP evaluation process will consider each proposals proposed methodology for implementation and transition to onboard services inclusive of their financial submissions.

Analysis

Ultimately, the long-term HR technology strategy is to deliver the highest level of HR support services that firmly enable the business, are cost effective and sustainable, and align with corporate technology strategies. Business operational demands for the expanded use of the existing HR technology, including reporting, is on the rise. Increased demand to further leverage and expand the use of all existing platforms, such as advanced scheduling capability for 24/7 legislated areas, mobile and web access, increased employee and manager self-serve functionality, enhanced recruitment candidate functionality, and analytical reporting which all requires significant continued technical development.

Niagara Region has an outsourced technology support model for corporate human resource technology platforms (PeopleSoft HCM, Kronos Time and Attendance, Employee/Manager Self Service) through a 3rd party outsourced support agreement, and development and upgrade projects completed on a time and materials basis for a fixed rate within the terms of the same agreement. The support contract is a long standing agreement in place since 2004, and has been extended since that time mostly in 3-year increments with Council approval as outlined in Table 3:

Table 2: Outsourcing Agreement History

Agreement Start Date	Term
April 1, 2004	3 years
April 1, 2007	5 years
April 1, 2012	3 years
April 1, 2015	3 years
April 1, 2018	3 years

The technology platforms currently in place are still considered amongst the best in class and similar/same to those used in many upper tier municipalities. They are sophisticated applications that are required to be scalable and able to accommodate complex, large multi-union environments with a broad scope of diverse needs and demands. The nature of the work and tools must ensure compliance with payroll, taxation, pension, labour and health and safety regulations. The scope of work covered in the support agreement is technical in nature and highly specialized, including the maintenance of PeopleSoft HCM System, Kronos Time and Attendance Management System, and an Employee/Manager Self Service portal. This includes technical support for payroll tax and patch updates, configuration in response to collective bargaining requirements, pay and time code mapping, HR financial reporting support/tools, and more. At this time the existing support agreement is exclusive of training, upgrade implementation costs and all development, which is offered on a fixed rate, time and materials basis. Niagara Region, NRPS, NRH and City of St. Catharines currently use the HR platforms affecting approximately 5,500 employees. (*See Appendix A: Current Outsourced Support Services*)

At this time, with the current support agreement scheduled to expire on March 31, 2021, it is critical to arrange support services to secure operations that include technology for payroll processing, recruitment (internal/external), attendance management and scheduling, reporting, training and benefits records and more. There is an immediate need to manage the potential risk and secure support services in such a way that is seamless and to prevent any interruption to services for Niagara Region, NRPS, NRH or the City of St. Catharines. Therefore a new arrangement is required that maintains or improves the current support levels and future business requirements, including building

capacity for the potential for business expansion, while effectively managing current and future costs.

A formal procurement process has the potential to determine best value in terms of market offerings relative to the deliverables, and that coupled with financially competitive submissions received via a competitive process demonstrates fiscal responsibility to the constituents of Niagara. To help inform the RFP and anticipate a market response, an initial Expression of Interest (EOI) was issued on February 21, 2020 and closed on March 24, 2020 for HRIS Application Support and Development. This EOI did provide some insight to a limited market of providers and also highlighted the consideration for offshore vendor support in the RFP and its impact to pricing. From a project feasibility perspective, any transition plan/project would require careful consideration regarding limited staff resources as this team of subject matter experts will overlap with the teams and subject matter experts required to consider and evaluate other CAO and KPMG identified business opportunities.

Additional noted considerations includes that operational business demands for the expanded use of the existing HR technology is on the rise. Increased demand to further leverage existing platforms and introduce expanded functionality of the platforms, such as advanced scheduling capability, mobile access, enhanced recruitment candidate functionality, is in high demand by the operating areas and all require technical development. The need to appropriately manage these critical assets used for payroll, the employee database, recruitment, time/attendance, scheduling, attendance management and more, continues to be a significant operational and service level priority.

The COVID-19 pandemic has further highlighted the criticality for HR technology and support resources for corporate financial reporting, attendance and sick time management, payroll and redeployment implementation changes. During this pandemic, the volume of changes to staffing, reporting and encoding updates for cost tracking, and the ability to produce and manage these changes with extreme efficiency has made it even more evident that the control of this work and assets remains business critical. The financial pressures created by the pandemic also highlights the need for cost management and reduction strategies. As the global pandemic situation is not likely to be fully resolved in the immediate future, the exposure and need to ensure a seamless transition during this challenging time is required and perhaps more important than ever.

Finally, Council has identified that the HR technology strategy should consider and strengthen our ability to expand our capacity in order to support local area municipalities through enhanced shared service opportunities. The CAO working group and the KPMG Sustainability Review further highlight shared services as a cost mitigation strategy. The RFP and any future HRIS planning will include serious consideration to the scalability and responsiveness to accommodate future growth and expansion in this regard.

Scanning other municipalities in Ontario of a similar size and scope, many use the same or similar technologies, but are managing the regular support configuration and new development within these applications with internal teams of staff, and supplementing consulting support as required for larger scale efforts.

As Council is aware, in 2016 the Region completed the Enhanced Financial Management Service Project which completed the implementation of the Financial Systems to PeopleSoft with a full in house support model. With the introduction of PeopleSoft Financials in 2016, Niagara Region is currently operating with two separate support models for similar type of technology support and development – an external 3rd party support model for PeopleSoft HCM (and other applications per Appendix A), and an internal support model for PeopleSoft Financials (and other applications such as Hyperion). Initial concerns with an internal support model were primarily in regards to the ability to source key talent and technical skill sets required to appropriately manage the complexity and volume of work. While these concerns remain ongoing and the nature of this talent and skill set is increasingly competitive and scarce in the market, the successful PeopleSoft Financials internal support model has demonstrated that Niagara Region staff have been able to build/develop or source the necessary talent, manage workload, new development requests and upgrades in an efficient and effective manner; albeit with sufficient time and effort to fully develop this function internally. While the up-front cost of transitioning to an insourced model for HRIS as well may be significant there are many advantages to an in house solution that are identified in the Alternatives Reviewed below. Staff have been reviewing and compiling the cost of analysis, both one-time and on going, of this option and will continue to consider this option as part of a longer term HR strategy. .

Alternatives Reviewed

Alternatives considered include:

1. Maintain status quo with current external 3rd party support agreement.

While the current service provider has served Niagara Region for several years, staff acknowledge that this agreement has been sole sourced since its inception and would therefore not align with the direction of Council. Furthermore, the RFP process ensures Niagara Region is competitively tendering for goods and/or services to ensure best value to the Region and the constituents of Niagara.

This option also assumes the current provider supports a continued arrangement on the same terms that currently exist and that the Region are able to continue to secure these extended services at a reasonable cost.

2. Transition to a fully insourced technical support and development model following the current intended Procurement process

Staff have been reviewing this option as part of the longer term HR technology strategy, including considerable time researching this strategy over the past several months. With an insourced technical support and development model, Niagara Region maintains greater control of managing critical assets required for payroll, employee database, recruitment, time/attendance, scheduling, attendance management, pension, and more.

As stated, the level of continued development and expansion operationally required is completed by a 3rd party for HR technologies, however budget constraints each year limit the ability and affordability to complete development work, which falls outside the support agreement, to fully leverage applications, build efficiencies, and at times even prevents or delays the development required for break fixes. While the demand and cost for development by a 3rd party on a time and materials basis increases each year, budgetary constraints prevent the type of investment to keep up with current demand, particularly given the budgetary requests which are also required to have 3rd party consultants complete necessary maintenance upgrades required almost annually to manage multiple applications, which are significant contractual hours over a six month period to complete as a capital project. There is little budgetary room left for new development and progress without significantly greater capital investment costs, which is typically not achievable within approved capital and is proving difficult to sustain. Operating area business needs are also dynamic and if the business is not able to

identify these needs early enough for budget planning inclusion, the request often needs to be deferred to future budget year consideration, limiting HR's ability to be responsive and proactively address these needs, and risks the business finding alternative solutions within a single department out of necessity, ultimately creating risk of driving up costs by creating multiple single department response solutions as opposed to delivering a corporate wide solution. At the same time, the trend for the annual 3rd party ongoing support agreement costs, while closely managed and carefully negotiated, also experienced increases greater than council budget guidance for the past several years.

An external model is also creating some duplication of effort particularly for lower level, high volume requests. Within an external support model, staff are not permitted access to our systems for configuration and development to protect the terms of the external support agreement. Practically, this creates a process whereby staff are identifying and carefully documenting all of the detailed requirements for the request to configure for the provider, and then often there is additional turn-around time resulting in the need to log the request with the provider, address enquiries from the external party that is not as familiar with the business or the nature of the request, wait for the work to be completed, and then confirm/test result and provide back to the operating area. For straightforward, high volume requests such as security access changes, an internal resource could complete the effort and serve the business in fewer steps. Understandably, an outsourced model restricts Niagara Region's access from internally managing the completion of these requests.

When considering the immediate future of HR service delivery, an internal support model would allow for greater control to cost and deliver services to other local area municipalities and additional partners. While Niagara Region would contractually request that a 3rd party agreement includes a level of scalability to allow for service delivery to local area municipalities, the Region would still have limited control over the cost and delivery of those services as each unique request would need to be individually negotiated with the 3rd party to address each new scope of work. This could significantly alter the affordability and timelines for such arrangements.

Once the RFP process requirements are satisfied and the costs and availability of these services in the market are better determined through the formal procurement process, it will allow Staff to make an informed recommendation on the most effective method to deliver services in the future, and provide the best value for the constituents of Niagara.

3. Transition to a fully insourced technical support model immediately following the expiration of the 3rd party agreement

The considerations for an in-house solution are as stated in Alternative #2 above.

This alternative has been given a measured amount of staff time to explore and analyze over the past several months. This analysis requires resources from across the organization including Human Resources, Information Technology, Finance, Procurement and Legal. In order to implement this solution, new resources are required to complement existing staff resources in order to transition work currently being outsourced. While the benefits of insourcing still remains with this alternative, in the absence of conducting the Procurement Process there is no comparative market data to analyze cost of insourcing in comparison with maintaining a 3rd party model, and whether any cost differential outweighs the stated benefits of insourcing.

Relationship to Council Strategic Priorities

This report aligns with Council's Strategic Priority of Sustainable and Engaging Government.

Other Pertinent Reports

- September 27, 2017: GM 6-2017 Employee Information Systems (HRIS): External Systems Support Agreement
- February 18, 2015: HR 05-2015 Employee Information Systems; Contract Renewal
- July 18, 2012: CSD 96-2012 Corporate Services Committee
- March 7, 2012: CSD 44-2012 Corporate Services Committee
- January 31, 2007: CSD 25-2007 Corporate Services Committee

Prepared by:

Linda Gigliotti

Associate Director, Employee Services

Recommended by:

Franco Meffe
Director, Human Resources

Submitted by:

Ron Tripp, P.Eng.
Acting, Chief Administrative Officer

This report was prepared in consultation with Franco Meffe, Director Human Resources; Todd Harrison, Commissioner Corporate Services/Treasurer; Helen Chamberlain, Director Financial Management & Planning/Deputy Treasurer; Stuart Hendrie, Chief Information Officer; Laura Ford, Manager, ERP System Support; Bart Menage, Director, Procurement & Strategic Acquisitions and Brian Wilson, Legal Counsel.

Appendices

Appendix A Current Outsourced Support Services