Niagara Region

Subject: UKG Kronos Time and Attendance Software Contract Renewal

Report to: Corporate Services Committee

Report date: Wednesday, October 9, 2024

Recommendations

1. That the renewal of the UKG Kronos Time and Attendance Software Agreement contract **BE APPROVED** at an annual cost of $446,090 (including 13% HST) for a guaranteed fixed period of five (5) years for a total cost of $2,230,450 (including 13% HST);

2. That a capital budget adjustment in the amount of $519,533 gross and net **BE APPROVED** for the Time and Attendance Application Upgrade and **BE FUNDED** from the Capital Variance Project – Levy; and

3. That the Regional Clerk and the Regional Chair **BE AUTHORIZED** to execute a Master Services Agreement, or similar, with Kronos Canadian Systems Inc. (a UKG Company), together with any other necessary ancillary agreement(s), in order to: (i) migrate The Regional Municipality of Niagara's use of its current on premises time and attendance software application to a cloud-based platform; and (ii) obtain the use of the necessary subscription based 'UKG Pro' time and attendance products for a five (5) year term, as outlined in this report, provided that all such agreement(s) are in a form satisfactory to the Director of Legal and Court Services.

Key Facts

- The purpose of this report is to provide information on the UKG Kronos renewal upgrade which is required as the current Time and Attendance application is reaching End of Life and UKG Kronos clients are being moved to a cloud-based application to replace the current on-premise server application; and to obtain Council approval to proceed with a single source contract directly with UKG Kronos in accordance with Section 18 (a) (i) of Procurement By-law 02-2016 as amended on February 28, 2019.
- The second purpose of this report is to seek Council approval to transfer $519,533 from the Capital Variance Project – Levy (CVP – Levy) to Project 20000732 (Time and Attendance Application Upgrade to cover costs for subscription fees, migration costs, and additional implementation costs. As of September 23, 2023, the CVP-Levy has an uncommitted balance of approximately $2,458,843. Any unspent funds at the completion of this project will be returned to the CVP – Levy.

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- Per Section 6.5 (c)(iii) of the Budget Control By-law, Council approval is required if Capital Variance of more than $250,000 is required for a project.
- UKG Kronos has advised that engineering for the current application in use, Workforce Central (WFC) product will end on December 31, 2025, signifying the end of all engineering for this product.
- Niagara Region, Niagara Region Police Services (NRPS), and the City of St. Catharines are all currently using UKG Kronos Workforce Central (WFC) which is an on-premises server solution. This application is critical to the delivery of payroll, scheduling, and absence management by managing all time and attendance information and records.
- Currently, on a corporate wide basis Niagara Region is leveraging the Time and Attendance software application to manage attendance, ensure adherence to the *Employment Standards Act* (Ontario) and all collective bargaining requirements and policy, to manage and report absences, and manage scheduling and shift filling for operational needs.
- Niagara Region has ensured this upgrade initiative is inclusive of the effort required for NRPS and the City of St. Catharine's current needs; and scalable to accommodate all local area municipalities and Niagara Region's agencies, boards and commissions should the need arise in future.

Financial Considerations

The annual fixed cost of the recommended five (5) year UKG Kronos term is $401,718 (including non-recoverable HST) for a total five (5) year cost of $2,008,590 (including non-recoverable HST). The first year of subscription fees will be included within Project 20000732 (Time and Attendance Application Upgrade). To accommodate this, along with migration costs and additional implementation costs, a gross budget increase of $519,333 (including non-recoverable HST) is required. This results in a total adjusted capital budget of $1,489,533. A full project budget breakdown can be found in Appendix 1 to Report HR 8-2024.

The approved 2024 annual budget for the current UKG Kronos contract is $255,475. The recommended annual cost of $401,718 represents an annual increase of $146,243, or 57.2%, over the current approved 2024 annual budget. This increase is due to the necessity to upgrade the application to the cloud, increased efficiency, improved oversight with the use of self serve functionality, and enhanced security features.

The portion of the subscription fees to be incurred in 2025 was anticipated and will be included in the proposed 2025 Information Technology Solutions operating budget.

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Future year costs for subscription fees will continue to be proposed as part of the Information Technology Solutions operating budget.

Analysis

Niagara Region and NRPS are reliant on UKG Kronos for corporate wide time keeping and scheduling, as is the City of St. Catharines currently for a portion of their needs. The application can accommodate all our unique needs to ensure compliance with multiple collective agreements and all regulatory requirements. The application has been configured to address all pay rules, scheduling requirements, and integrates with our PeopleSoft HCM for payroll, Maintenance Management Systems, and Vocantas for automated shift call outs.

UKG Kronos has advised that engineering for the current application in use, Workforce Central (WFC) product will end on December 31, 2025, signifying the end of all engineering for this product. This means UKG will no longer provide service release updates, feature enhancements, patches for customer-reported defects, and version updates to embedded components. Afterwards, while UKG Kronos will provide some technical maintenance support and security support until March 2027, the WFC application will fully reach End of Life. As a solution, UKG Kronos is currently upgrading clients from WFC to the new Pro WorkForce Management (Pro WFM) which is cloud based and not hosted on-premises. For this application and throughout the industry, it is increasingly common to move to hosted cloud-based solutions for enterprise-wide applications. Currently, UKG Kronos is upgrading all clients to a hosted cloud solution from the current on-premises server solution before reaching the end-of-life date of December 31, 2025.

The advantage to upgrading with the current vendor is that a sizable percentage of the existing applications' configuration can be leveraged with the upgrade saving time and money, specifically by mitigating the amount of rebuilding and re-testing all the configuration built over several years, for implementation.

In addition to addressing the necessity to upgrade the application to the cloud due to the current application reaching end of life, the new cloud-based application will include:

I.   Much anticipated new features including manager and employee self serve functionality, mobile access, and enhanced scheduling features. While WFC, the current server application, did provide these features such as mobile access in a more restricted fashion, the necessity to purchase licenses for all users for the

server application proved to be cost prohibitive, more complex to implement functionality, and a significantly less friendly user interface.

II. Greater efficiency and improved oversight with the use of self serve functionality. With this upgrade, employees and managers will be able to quickly access schedules, better manage absence requests, efficiently manage shift vacancies, and have better oversight and audit tools to final time keeping records that feed payroll processing and payments.

III. Mitigated overall security risk by applying this upgrade which will move the software from on-premise to a hosted cloud-based solution. Moving to a hosted solution ensures the application can be upgraded anytime ensuring access to the most stable and secure versions of the software. Any material changes to license counts can be addressed on the annual renewal date.

Once the upgrade is complete, the introduction of self serve functionality will fundamentally improve the corporate wide time keeping workflow which currently requires duplicate keying from secondary sources to WFM. This will improve overall efficiency and by eliminating duplicate keying will reduce administrative effort. Furthermore, with the introduction of self serve functionality all managers will have greater oversight and real-time access to time keeping data, attendance records and accrual banks to better manage staffing and service delivery requirements.

Finally, Niagara Region is reliant on a 3rd party vendor to support the existing on-premises server application. Upgrading to the hosted cloud solution will remove the need for that contractual element from the vendor and strengthen the Region's procurement and marketing position for that contract in the future.

Committing to a five-year subscription service agreement guarantees current rates and is well aligned with our three-year HR Technology Strategy. The HR Technology Strategy is a guiding plan to ensure focus and provide the philosophy, priorities and direction for the resources, investments, and related service delivery for a three-year period. Addressing the sustainability of a key business applications' end-of-life date and leveraging the opportunity to enhance the user experience while creating greater efficiency is well aligned with the strategies' key guiding principles.

Alternatives Reviewed

Alternatives reviewed include:

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1. Continued use of UKG Kronos current application beyond End-of-Life vendor support - this would put Niagara Region and its partners at future security and functionality risk with the absence of break fixes and upgrades.
2. Procuring a new provider instead of upgrading – this would increase time and resources required as much of the existing customized configuration can be leveraged by the provider to upgrade the existing application.
3. Renewing the subscription services annually rather than over a five-year period – this would increase the annual costs with each renewal resulting in lost savings over the next five years and increase the administrative effort to manage the contract.

None of the above alternatives are recommended.

Relationship to Council Strategic Priorities

The upgrade of the Time and Attendance application will support Council's Strategic Priority of:

Effective Region; Objective 1.1: Implement continuous improvement and modernized processes to ensure value-for-money in regional services and programs; 1.2 Explore and implement opportunities to improve service delivery outcomes through shared services, and 1.3 Deliver fiscally responsible and sustainable core services.

Other Pertinent Reports

HR 2-2021: Human Resource Information System (HRIS) Application Support, Maintenance & Development Services Agreement

> (https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=02d53742-2556-46a6-919b-161e2e7aa26a&Agenda=Merged&lang=English&Item=14&Tab=attachments)

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Appendices

Appendix 1: Total Estimated Project Cost