

Corporate Report

NO: R166

COUNCIL DATE: July 5, 2004



REGULAR

TO: Mayor & Council DATE: June 25, 2004
FROM: General Manager, Finance, FILE: 2320-20
Technology & HR
SUBJECT: Payroll/Human Resource Information System
Replacement

RECOMMENDATION

That Council approve the revised contract with PeopleSoft Canada Co. for a total cost of up to \$1,997,000 including GST and PST.

INTENT

To provide Council with the current status of the City's Payroll/HRIS systems replacement project and to seek approval to revise the contract with PeopleSoft Canada Co., to reflect updated estimates for consulting services for the required conversion and implementation of the software.

BACKGROUND

Council was presented with Corporate Report #R247 in December 2001 that outlined the urgent need to replace the Wang Mainframe. The Wang has been a reliable system that is already well past its expected useful life. It is obsolete and is wholly dependent on a diminishing supply of used parts to sustain it. The costs to maintain and support this hardware are high when compared with newer technology. Our knowledge base to support Wang hardware and applications is diminishing.

The City's current payroll application still resides on the Wang mainframe. In January 2003 a Request For Proposal (RFP) for the replacement of the existing system was advertised. A total of 11 responses were received and an extensive evaluation process followed that included rating all of the responses to a set of pre-determined and weighted criteria.

Corporate Report #R090 (copy attached), presented to Council on May 5th, 2003 outlined the urgent need to replace the City's payroll application and Human Resource Information System (HRIS).

These needs that were outlined follow:

- The City's current payroll application was custom designed for the needs of Surrey and has served the City well since January 1984. It is long past its expected service life and does not align with other IT architecture and current City standards for distributed network servers;

- The payroll system manages the payment of over \$110 million in salaries and benefits; produces approximately 54,000 pay cheques and over 2,900 T-4 slips annually. It is vital that the payroll information be processed accurately and quickly in order that pay cheques are produced on time;
- The City's HRIS (ADP Canada) was acquired in 1996 and was expected to serve the identified human resource requirements until the eventual replacement of the Wang payroll application. By 1999 ADP Canada, chose not to continue maintenance, support or development of this application, and
- HRIS handles the information required to manage approximately 2,500 employees. Information is captured and managed from the time a job application is received through to the retirement of an employee. Most information is confidential and is critical to enable managers throughout the organization to effectively and fairly manage staff.

In addition to the needs outlined above, replacing the existing applications with an industry-proven reliable application was critical, especially given the recent turmoil in the technology industry. As an example, shortly after the RFP process was finalized, PeopleSoft purchased J.D. Edwards.

Corporate Report #R090 also summarized the evaluation process and the expected costs of replacing the existing systems. As a result, Council authorized staff to complete negotiations with PeopleSoft Canada Co. (PeopleSoft) and Telus Enterprise Solutions Partnership for a total cost of up to \$1,300,000 including GST and PST.

At the time that the contracts were awarded, the consulting fees were estimated. However, a more accurate determination of actual time required could only be completed once the new software was purchased, installed and closely compared with our existing systems and processes. This comparison is referred to as a "Fit-Gap Analysis".

The partnership arrangement was intended to reduce the overall cost of implementation because Telus consulting rates were less than those for PeopleSoft. However, shortly after starting the project, an assessment was conducted that resulted in the mutually agreed change in the implementation partner from Telus Enterprise Solutions Partnership to PeopleSoft Canada Co.

DISCUSSION

Based on the partnership change, there was an indication that Council's contract authorization of \$1,300,000 was no longer sufficient. However, a more accurate determination of the additional authorization required could not be done until the Fit-Gap Analysis had been completed.

Proceeding with PeopleSoft's industry proven methodology, the City's business requirements compared to the software capabilities were analysed (Fit-Gap Analysis). This analysis was completed in May 2004 and identified the following issues:

- Many of the City's business practices that had been provided in the current payroll system (Wang) were not available in standard packaged software. Some of these practices will be easily changed to meet the new software standards. For other practices, the new software will need to be customized to meet our needs;
- Data stored in the Wang System is more difficult to interpret programmatically than originally estimated and will require additional work to convert into the new software and
- The level of implementation complexity of the automated pay and benefit rules dictated by employee agreements are significantly higher than originally anticipated.

These issues could not have been identified until the selected software licence was purchased, analysed and compared with our existing system. Resolving these issues will increase the work required to complete the conversion. This additional work however, would have still been required had an alternative software solution been selected. It is also important to note that, had this additional work been anticipated during the evaluation of the RFP's, PeopleSoft would still have been the

recommended solution.

The following updated project cost summary includes the additional costs related to the change in the implementation partner from Telus Enterprise Solutions to PeopleSoft, as well as the additional work that was identified during the Fit-Gap Analysis:

Updated Project Cost Summary

<u>Description</u>	<u>Initial Est.</u>	<u>Updated Est.</u>
Contract (licensing, mtce, training & consulting fees)	\$1,300,000	\$1,997,000
Other (integration, conversion, & project management)	325,000	325,000
Hardware – servers, workstations, miscellaneous	80,000	80,000
Project Contingency	<u>140,000</u>	<u>143,000</u>
Total	<u>\$1,845,000</u>	<u>\$2,545,000</u>

The funding shortfall of \$700,000 is available in the Wang Retirement Program that is funded from the overall Capital Replacement Reserve Fund for Information Technology.

Council originally approved up to \$1,300,000 plus GST and PST for contracts with the PeopleSoft/Telus Enterprise Solution Partnership. As a result of a change in implementation partners from Telus Enterprise Solutions Partnership to PeopleSoft, and additional work identified in the Fit-Gap Analysis, it is recommended that Council approve a revised contract with PeopleSoft Canada Co. for a total cost of up to \$1,997,000 including GST and PST.

CONCLUSION

In May, 2003 Council authorized staff to proceed with contract negotiations for the replacement of Payroll and HR systems with a PeopleSoft Canada Co/Telus Enterprise Solutions Partnership. However, shortly after starting the project, an assessment was conducted that resulted in a mutually agreed change in the implementation partner from Telus Enterprise Solutions to PeopleSoft.

Also, the recently completed Fit-Gap Analysis identified several unanticipated factors that have increased the estimated level of effort required for the design, build, configuration, documentation and testing activities related to the conversion and implementation.

As a result, it is recommended that Council approve a revised contract with PeopleSoft Canada Co. with a total cost of up to \$1,997,000 including GST and PST. The funding shortfall of \$700,000 is available in the Wang Retirement Program that is funded from Capital Replacement Reserve Fund for Information Technology.

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