

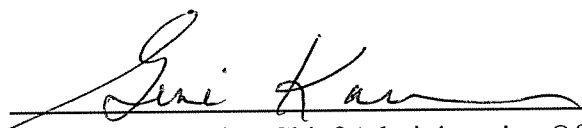
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**Halifax Regional Council**  
**July 4, 2006**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**   
Geri Kaiser, Acting Chief Administrative Officer

**DATE:** June 27, 2006

**SUBJECT:** Award of Contract-Revenue Tools Replacement Project

**ORIGIN**

Request for Proposal issued February 28, 2005 and closed April 30, 2005 and the approved Capital Budget for 2006/07.

**RECOMMENDATION**

It is recommended that Regional Council:

1. Award the contract for the replacement of HRM's revenue billing and collection system to Hansen Canada, for an estimated total cost of \$1.705 million, with funding authorized from Capital project CIM00566 as per the budget implications section of this report.

## **BACKGROUND**

As part of the budget process for fiscal year 2004/05, it was determined that the current revenue system (Richter) was in need of replacement. The system has been used for over 12 years and is at risk of failure. In 1999, when HRM adopted SAP as the main financial reporting tool, a revenue solution was proposed to replace the old system brought forward from the former Town of Bedford. However, just prior to going live in April of 1999, senior staff decided that the solution proposed was insufficient to the needs of the HRM and the project plan to replace the revenue billing and collection system was scrapped.

Since 1999 we have continued to use Richter for much of our revenue billing and collecting. There are many problems with the system including:

- The system uses an antiquated programming technology (Non Oracle or Windows based) which makes the data hard to access and utilize in other systems
- The software is supported by one programmer who is an employee of the outside firm which owns the software. Only that programmer is completely familiar with the software and able to make any changes HRM requires or to respond to any system failures that occur. The software configuration and functionality is not well documented.
- The system is not integrated with our GIS system, meaning data can often be incorrect or incomplete.
- HRM's Customer Relationship Management solution is not integrated with our revenue system. Close to 85,000 calls that come through the call centre annually or approximately 15% of all calls are Revenue related queries. Next to queries about when and how to take the bus, this is the highest percentage of calls from citizens. In order to answer inquiries, staff must access the current antiquated system which slows down the response time and sometimes leads to errors in information provided.
- Revenue related information is siloed in numerous sub systems.
- Reporting is poor and payment history reporting is particularly difficult making it hard to respond to questions from citizens as to how their payments were applied against their accounts.
- Dunning functionality (automated collections features) are non-existent in Richter. This means staff spend an inordinate amount of time tracking the status of overdue accounts, monitoring payment arrangements on accounts and attempting to comply with the MGA regarding the tax sale process. Most of our tracking systems are done in spreadsheets.
- Business units who are responsible for revenue streams find it very difficult to report on those revenues. This hinders management and operational performance measurement.

## **DISCUSSION**

In September of 2004 the Revenue Tools Replacement Project was launched. The first aim was to determine and thoroughly understand end user requirements so as to avoid the situation that happened with the SAP revenue solution.

The other main aim of the project was to create an Integrated City solution which sought to enter data once and use it many times in an efficient and effective manner to better serve citizens and council.

Early on, EMT directed that staff were to leverage HRM's investment in existing technology. We were not to seek another software product but were to take advantage of the best of both SAP and Hansen, HRM's two major Enterprise Resource solutions.

The project unfolded as follows:

-By December 2004 the project staff (Catherine Sanderson, Project Manager and Cindy Stevens, Project Coordinator) had compiled all user input. Over 420 requirements for over 100 revenue streams were identified and documented. Process charts were prepared for most of the revenue streams and process improvements identified.

-The Province was engaged to review the requirements and the possible solutions in partnership with HRM. Since the Province was also poised to proceed with implementation of a new assessment solution it was considered prudent to do so in tandem so we could integrate our work with theirs.

-An RFP document was finalized by the Steering Committee and issued to the two vendors in February 2005 with a closing date of April 30, 2005.

-In May 2005, both vendors presented a series of presentations to an extensive team of HRM staff, an external consultant and some provincial staff. HRM then requested a price proposal.

-There were delays of several months while we awaited price proposals from one vendor. In August 2005 HRM was able to complete it's evaluation process.

Both proposals were rated by a User Team, a Technical Team, an Integration Team and a Senior Evaluation Team which then compiled the results and presented it's recommendation to the Steering Committee. The ratings are attached.

The proponents were rated on their ability to meet the Functional and Technical Requirements, their ability to Deliver the solution within Cost.

Hansen Canada partnered with a certified SAP Systems Integrator from the United States called ea Consulting in order to deliver their proposal.

The Hansen/ea Consulting proposal was estimated to cost approximately \$3.5 Million. The SAP Canada price proposal was an estimated \$7.5 Million.

- In September 2005 the Steering Committee decided it would be wise to seek an estimate of what it would cost HRM if we were to build our own custom solution. HRM hired Sierra Systems, a local consultant to estimate the cost of this approach.

-In October 2005, the consultant presented their report which indicated that the cost of a custom solution would be approximately \$6.6 million and take 3 years to complete.

-The Steering Committee decided to proceed with a process to refine the requirements and guarantee the price proposal. Since the Hansen/ea proposal had been the lowest of the two proponents and the custom build option, HRM decided to proceed with the Hansen/ea proposal. SAP Canada was released from the RFP process late in October 2005.

-Hansen/ea's proposal had included a plan to complete a Statement of Work, which would allow them to gain a deeper understanding of HRM's requirements and also allow them to bring greater certainty to their overall project plan, timelines, resource requirements and price. The end project was to be a "not to exceed" price proposal which HRM could live with.

-In December 2005 the Hansen/ea team spent two weeks with HRM staff completing the Statement of Work process.

-In January 2006, they presented their new price proposal and project plan. As the price and plan proposed was unacceptable to HRM staff, we negotiated further and were able to achieve a plan that HRM staff and the vendors can now work within.

-The new plan involves significant involvement of HRM IT, Finance, Web Services and Data Management and GIS staff. The benefits include:

- an affordable price
- internal knowledge of the system for go forward cost savings
- greater influence over the end result such that HRM can gain greater assurance that we have what we need

### **BUDGET IMPLICATIONS**

The final capital project costs proposed are an estimated \$2.1 million. In 2007/08 staff will request approval for the final phase of the project estimated at \$395,000. Incremental net operating costs of seconded staff and other project costs for 2006/07 are estimated at \$310,000.

Funds are available in the Approved 2006/07 Capital Budget (Capital Project CIM00566) and the Approved 2006/07 Operating Budget (Fiscal Services Account M317 Operating Costs for New Capital).

**Capital Account No. CIM00566, Revenue Tools Replacement**

Cumulative Unspent Budget	\$ 985,000
Approved 06/07 Capital Budget	\$ 720,000
Less: Estimated 06/07 costs	<u>\$1,705,000</u>
Balance of Account	\$ -

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. The final phase of the project will be subject to council approval in the 07/08 Fiscal Year Budget.

**ALTERNATIVES**

Council could ask staff to continue operating with the existing revenue software. This is not recommended for all the reasons outlined in the Background section of this report.

Council could ask staff to initiate another RFP process seeking other firms solutions to our revenue management challenges. This is not recommended as staff feel the best use of both SAP and Hansen is being achieved with the current proposal before Council.

**ATTACHMENTS**

Scoring Criteria and Evaluation Results of RFP

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Report Approved by:   
Cathie O'Toole, CGA Acting Director - Finance 490-6308

**ATTACHMENT**

**Scoring Table**

		Scores	Scores
Criteria	Weight	Hansen-/ea Consulting	SAP Canada
<b>1. Functional and Technological Fit</b>			
- Evaluation of requirement fit	25	20.8	17.5
- Degree of Integration	25	18.0	15.5
<b>2. Ability to Deliver</b>	30	22.3	13.5
<b>3. Cost</b>	20	20	9.5
<b>TOTAL</b>	100	81.1	56