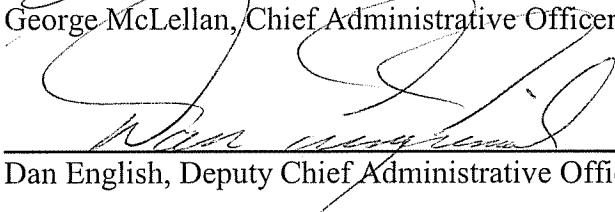

Halifax Regional Council
21 January 2003

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer


Dan English, Deputy Chief Administrative Officer

DATE: January 13, 2003

SUBJECT: SAP HR Project - SAP Canada Contract

ORIGIN

Single-source contracting/consulting services to SAP Canada.

RECOMMENDATION

It is recommended that Halifax Regional Council approve an expenditure of approximately \$148,350 CDN plus net HST for a total cost of \$157,888, excluding travel and lodging, for technical consulting expertise for the SAP HR project. The total will be funded through existing capital account number CIN00200 SAP HR Project and with funding authorized as per the Budget Implications section of this report.

BACKGROUND

At the February 19, 2002 Halifax Regional Council meeting, the single-source contract for technical consulting expertise was awarded to SAP Canada on a contract not to exceed \$95,000 CDN plus net HST for a total cost not to exceed \$102,000 CDN, excluding travel and lodging, to complete numerous activities associated with the SAP HR project.

SAP Canada has assisted and completed work in the following key areas for Halifax Regional Municipality's SAP HR Project:

- i) Payroll/HR process definition. SAP has assisted in defining how HRM's payroll and HR business processes will function in SAP.
- ii) Provision of expert knowledge, direction, training and advice to HRM's project team to assist them in designing and building the SAP HR module to meet HRM's payroll, collective agreement, and other HR business requirements.
- iii) Provision of coaching to facilitate knowledge transfer to project team staff so that HRM will be self-sufficient after the project is complete. This coaching has been provided in all areas of work completed to date.

DISCUSSION

The Go-Live date for SAP HR is March 6, 2003. The complexity of the payroll and benefits implementation and the delivery of a high quality system (as other details surface with business units) will require additional technical consulting services for SAP HR. These services include support for the implementation of the software and facilitation of complete knowledge transfer to our staff. This service will require an additional \$157,888 to take the project through to its go-live date.

BUDGET IMPLICATIONS

The total cost of the engagement not to exceed CDN \$157,888, net HST, excluding travel and lodging. The total amount will be funded through capital account CIN00200 SAP HR Project, with an uncommitted balance of \$174,780 (gross budget \$195,000). This has been confirmed by staff of Financial Services.

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 SAP HR Steering Committee has approved the additional scope of work. This initiative is also included in the business plans of Human Resources Services and Information Services (Shared Services)

ALTERNATIVES

One alternative would be to release a request for proposal soliciting bids from other qualified firms for the remaining work. However, because of SAP Canada's specialized knowledge of their product and of Halifax Regional Municipality's specific SAP HR project, and the negative impact of changing vendors and consultants during a critical phase of the project, it is unlikely that this process would result in a firm other than SAP Canada being selected. This alternative would also cause delays in the project time line and likely result in additional costs to HRM to familiarize a second vendor with the project.

A second alternative would be to complete the project with existing HRM resources without any additional external consulting. This alternative would delay the project go-live date of March 6/03 by a *minimum* of six weeks depending on what issues arise from system testing and the cutover from the legacy system to SAP. This delay would move the project go-live date into April during fiscal year end activities which would have several negative impacts on the success of the project. For example, training attendance may be negatively impacted as many staff will be occupied with year-end activities and not able to attend scheduled training sessions. The delay would also represent approximately \$50,000 in additional payroll costs for internal resources which would impact the 03/04 budget and consequently may reduce planned SAP HR Phase II functionality. Project team members are expected to return to their home business units in April and the delay may impact on the regular operations of several business units. Finally, completing the project through to go-live without an experienced technical consultant also presents greater risk if errors are encountered while going live with SAP HR; an experienced consultant can fix quickly what may take an internal resource significantly longer to resolve as it may be the first time he/she has encountered the problem.

ATTACHMENTS

None

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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