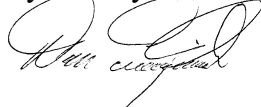


TO: Mayor Kelly and Members of Halifax Regional Council



SUBMITTED BY:

Dan English, Chief Administrative Officer



Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: June 3, 2009

SUBJECT: Award - Purchase of HASTUS Modules, Sole Source

ORIGIN

At the March 3, 2009 Halifax Regional Council Meeting staff were authorized, in accordance with the Sole Source Policy (Administrative Order 35, Section 7(8)), to negotiate with GIRO Inc. for the Sole Source Purchase of the Daily Vehicle, Daily Crew and Minibus modules of HASTUS to a maximum of \$766,050 (net HST included) with funding from Capital Account No. CIU00875 - Scheduling Software Upgrades (\$560,000) and Capital Account No. CB200427 - Satellite Garage Facility (\$206,050), per the Budget Implications Section of the report. (Commitment 2050373084)

RECOMMENDATION

It is recommended that Council:

1. Allocate \$206,050, from Capital Account No. CB200427 - Satellite Garage Facility to Capital Account No. CIU00875 - Scheduling Software Upgrades and;
2. Approve in accordance with the Sole Source Policy (Administrative Order 35, Section 7(8)), a sole-source award to GIRO Inc. for the purchase of the 2009 Upgrade and the Daily Vehicle, Daily Crew, Roster Optimize and Minibus modules of HASTUS. The cost of the award is a maximum of \$1,216,050 including net HST with funding from Capital Account No. CIU00875 - Scheduling Software Upgrades, as outlined in the Budget Implications section of this report.

BACKGROUND

Metro Transit currently employs 500 operators who provide direct transit services to 93,000 passengers daily. These services have grown by 33% over the past four years with the number of operators almost doubling in that same time period. This significant rate of growth is anticipated to continue over the next five years. As the organization grows so too does the complexity and scope of transit operations as well as paying employees.

Metro Transit uses a variety of technologies from multiple vendors and internally developed tools, including manual processes, to conduct its operations. The nature of Transit's business is such that more than 30% of the operator's work is assigned on a daily basis. The value of this work represents \$9 million of Metro Transit's approximate \$30 million operator payroll. Key operational administration is conducted with the use of multiple Lotus Spreadsheet macros which are cumbersome and subject to error and/or corruption due to complexity. The continued use of these manual processes and non-integrated technology will lead to disruptions in service, violations of the collective agreement, inaccurate data input resulting in payment inaccuracies, unnecessary overtime, and low employee morale. Additionally, due to extensive manual manipulation of data, human resources are overutilised and are performing redundant tasks as a means to reduce error and mitigate risk.

GIRO Inc., established in Montreal, develops and implements integrated software solutions for planning and managing transport-related operations with a special focus on public transit. GIRO's products combine advanced operations research and optimization techniques with powerful data management tools that bring tangible benefits. GIRO Inc. serves customers in the Americas, Europe, Australia, and Asia.

HRM initially purchased modules of the HASTUS enterprise solution from GIRO Inc. in 1989 for the automation of Metro Transit's scheduling related functions. The modules being used successfully include: GEO; Vehicle; Crew; Crew Opt and BID. There are additional modules that are not currently in use that will provide Metro Transit with a technological solution that meets the identified business requirements to optimize the operation.

DISCUSSION

On March 3, 2009, Metro Transit received approval from Regional Council to proceed to negotiate with the above-noted vendor. Negotiations have been ongoing with GIRO Inc. providing implementation proposals that are cost effective and meet the objectives required by Metro Transit. Since entering into negotiations with GIRO Inc., it has been identified that the implementation of the Daily Vehicle, Daily Crew, Minibus and Roster Optimize modules of HASTUS are contingent on the completion of the planned 2009 Upgrade, and therefore, the pricing has been included in this report.

The current HASTUS installation will be upgraded from Version 2006 to Version 2009. This upgrade is necessary to launch the new modules, enhances existing functionality, and includes new features such as a Google Transit interface (provides localization data compatible with Google Transit Trip Planner requirements), working timetable enhancements and faster data display time. Upon Council approval, the installation process for the upgrade will begin the week of June 22, 2009. The scope of work includes the implementation of the upgraded software, the migration of existing customizations, and in-depth testing of the calibration of the solutions to ensure Metro Transit's requirements are being met. Training on the new features will be provided to staff to ensure optimization of use. The risk associated with the Upgrade is low and is based on previously successful upgrades provided to Metro Transit.

Minbus (an enhanced feature of Vehicle) and Roster Optimize (an enhanced feature of Crew) provide advanced optimization tools for vehicle scheduling, maximizing the efficiency and effectiveness of bus, route, and crew assignment across multiple garages. With the opening of the Ragged Lake Transit Centre (RLTC) in May 2010, the acquisition of Minbus and Roster Optimize are critical to ensure existing and planned services are delivered as efficiently and effectively as possible in a multiple transit centre environment. Of the current 708,000 hours of service, 30-40% will be dispatched from RLTC. Minbus and Roster Optimize will ensure vehicle allocation is optimized and will minimize the amount of unproductive operator time associated with deadheading. The installation of Minbus and Roster Optimize requires a duration of 6 months which will begin the week of June 22, 2009 and will be completed in mid-November 2009. The scope of work includes defining the specifications, configurations and customizations required to meet the operational requirements of Metro Transit. This is a relatively straight forward implementation which minimizes the risks to the organization. The product will be tested prior to delivery by GIRO Inc.'s project staff. HRM will receive training on both modules and will complete a thorough testing process prior to full acceptance.

Daily Vehicle and Daily Crew are integrated modules of existing HASTUS functionality, Vehicle and Crew, that will improve the management of daily transit operations by maximizing the scheduling, bus assignment and work assignment functions of the transit operation and eliminate errors. Existing skilled knowledge workers will use their time for value-added operational responsibilities. The implementation of the Daily Vehicle and Daily Crew is extensive, and will require changes to a number of existing processes as well as the development of customizations that meet the specific operational needs of Metro Transit. The intent is to implement the modules in their standard format as much as possible. The proposed implementation does allocate 50 days to customizations that are required to meet the complexity of the Metro Transit's operation and to adhere to rules outlined within the Collective Agreement. This portion of the project will commence within two months of a signed agreement and will take approximately 16 months to complete, approximately 5 months after the commissioning of RLTC. Metro Transit has developed a risk contingency plan to ensure that the opening of RLTC is not impacted by the project time lines.

Negotiations with GIRO Inc., are ongoing with substantial agreement on the terms and conditions of a contract. There are final points that are still being negotiated. The approach taken is to minimize risk while establishing a performance focussed contract. Discussions are resulting in the establishment of set project performance standards, identification of critical milestones, performance security, a mutually agreed to payment schedule, and performance penalties for non-compliance or non-performance. Upon finalization, a contract will be signed by both parties. Council approval is required in order to complete the contract. Table 1 below sets out the key business terms and conditions to be included in the contract:

Table 1:

Key Business Terms and Conditions	
<i>Client</i>	Metro Transit
<i>Vendor</i>	GIRO Inc.
<i>Modules</i>	Minibus, Roster Optimize, Upgrade 2009, Daily Vehicle and Daily Crew
<i>Cost</i>	\$978,085 (without additional customizations that may be required)
<i>Term</i>	Effective immediately upon date of execution and remain in place until revised by mutual agreement
<i>Scope of Work</i>	Detailed design specifications tailored to meet the operational needs Detailed project plan Customizations Training User acceptance testing
<i>Conditions</i>	Milestone based implementation plan Performance evaluation Performance security
<i>Warranty</i>	One year after installation (each component)
<i>Payment</i>	Phased payment scheduled based on deliverables

Metro Transit staff have contacted other transit properties in North America who have successfully implemented the identified HASTUS modules. The properties have achieved improved efficiency and effectiveness of their operations. They also provided information on the extensiveness of their customizations and identified issues that were encountered that have allowed for the development of appropriate risk mitigation strategies by Metro Transit. There is a very high satisfaction rating respecting both the product implementation and the service provided by the vendor.

Staff also had discussions with other transit properties who have recently tendered for similar work to evaluate the cost proposal provided to determine if the pricing received is competitive. Through these discussions Metro Transit is confident that the negotiated price is very competitive.

Large scale technology projects such as this one typically provide for a project contingency of 15 - 20%. This is industry best practice and reflects the fact that project estimates are based on high level business requirements. The first key deliverable of the project is to conduct a detailed assessment that will define the number and extent of customizations necessary to meet the business needs. For this project, the contingency is \$237,965 which is the remaining funds in the affected Capital accounts and amounts to 19%. The original project estimates contained no contingency, however the favourable price proposal negotiated allowed this to be built in within the existing capital projects.

BUDGET IMPLICATIONS

Initially it was planned that a portion of the cost would be charged to Capital Account No. CB200427 - Satellite Garage Facility (Ragged Lake Transit Facility). For clarity, continuity and administrative purposes, the budget will be aggregated into one capital account as outlined in the “Cost Breakdown Table of this report.

The Roster Optimize module and Upgrade are being procured in addition to Council’s March 3, 2009 recommendation directing staff to negotiate purchasing the Daily Vehicle, Daily Crew and Minbus modules of HASTUS. As a result of this, along with the requirement to expedite the installation process the cost has increased from \$766,050 to a maximum of \$1,216,050 net HST included. Accounting confirms available funds.

Cost Breakdown:

Module	Negotiated Price
Daily Vehicle/Daily Crew	\$642,633 ¹
Minbus	\$120,076
Roster Optimize	\$79,360
Upgrade	\$136,016
Subtotal	\$978,085
Customization Contingency	\$237,965 ²

¹With 50 days of customization
²These funds will only be accessed as necessary

Budget Summary:

Capital Account No. CB200427 - Satellite Garage Facility

Cumulative Unspent Budget	\$768,420
Add: Release commitment 2050373084	\$206,050
Less: Transfer to CIU00875	\$206,050
Balance	\$768,420

Capital Account No. CIU00875 - Scheduling Software Upgrades

Cumulative Unspent Budget	\$450,000
Add: Release commitment 2050373084	\$560,000
Add: Transfer from CB200427	\$206,050
Less: Purchase Of Upgrade/Modules	\$978,085 ¹
Less: Customization Fees	<u>\$237,965</u>
Balance	\$0

¹ Does not include costs for expedited time

The daily costs for the customizations vary dependent on the requirements for a project manager, analyst or programmer and are dependent on the complexity of the customization. Based on the information provided by the vendor, there is identified funding to cover an additional 50 days of customizations based on the costing information provided by GIRO Inc.

Operating Budget - The costs associated with the implementation and on-going operation of this project have been identified within OCC of Capital Account No. CIU00875 - Scheduling Software Upgrades. Therefore, no additional operating funds are required. The annual operating cost of \$64,000 for system maintenance fees, identified as OCC, will be managed through the operating budget in Metro Transit's Cost Centre R638 once the OCC transfer has been processed.

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.

ALTERNATIVES

There are no alternatives.

ATTACHMENTS

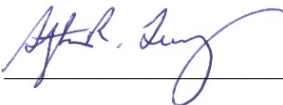
Attachment A - Sole Source Policy, (Administrative Order 35, Section 7(8))

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.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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Financial Approval by:  _____

For Anne Feist, Operations Manager - Procurement, Financial Services, 490-4200



Report Approved by: _____
Mike Labrecque, Director Transportation and Public Works, 490-4855

EF/rcm

Attachment A

Administrative Order 35 Procurement Policy Section 7 (8)

8) **Sole Source Purchases:** This occurs when there is only one available supplier of a required product or service that meets the needs of the Municipality. Negotiation is the method of purchase used to complete the terms and conditions for this purchase. A single source purchase occurs:

- (a) Where the compatibility of a purchase with existing equipment, facilities or service is a paramount consideration and the purchase must be made from a single source;
- (b) Where an item is purchased for testing or trial use;
- (c) Where the Municipality purchases supplies for resale;
- (d) Where the Municipality has a rental contract with a purchase option and such purchase option could be beneficial to the Municipality;
- (e) Notwithstanding anything in this policy, where a purchase is determined by Council to be fair and reasonable and is made from a nonprofit corporation supported by the Municipality may make such a purchase as a single source purchase;
- (f) Where items are offered for sale by tender, auction or negotiation such purchase will be deemed to be a single source purchase and the C.A.O. may authorize the submission of a bid or the conduct of negotiations where the C.A.O. determines the purchase to be clearly in the best interest of Halifax Regional Municipality;
- (g) For matters involving security, police matters, or confidential issues, a purchase may be made in a manner that protects the confidentiality of the contractor or the Municipality. Such purchases may be made as a single source purchase. Purchases of this nature must be approved by the C.A.O. Contracts over the value of \$50,000 must be reported to Council (in camera) when appropriate.