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Item No. 11.1.2
Halifax Regional Council
September 24, 2013

TO: Mayor Savage and Members of Halifax Regional Council

Original signed by 

SUBMITTED BY:

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

DATE: September 3, 2013

SUBJECT: Award: Sole Source SAP Business Intelligence Software

ORIGIN

2013-14 FICT Business Plan (FICT 2.6) and 2013-14 Project Budget.

LEGISLATIVE AUTHORITY

Under the HRM Charter, Section 79, Regional Council may expend money for municipal purposes Administrative Order #35, the Procurement Policy, requires Council to approve the award of contracts for sole sources exceeding \$50,000. A sole source purchase from a public body is permitted under section (11)(A)(k) of Administrative Order #35 (found at Appendix “A” to this report).

RECOMMENDATION

It is recommended that Regional Council, in accordance with the sole source provisions of Administrative Order 35 Section 8(11)(A)(k):

1. Approve:
 - a) The procurement of software licenses for SAP’s *BA&T Data Services – Accurate Analytics Option*, and *SAP Location Intelligence by APOS* from the Province of Nova Scotia at a cost of \$292,000.80 (net HST included) and

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- b) An annual expenditure for software maintenance of \$64,240.18 (net HST included) The software licenses and maintenance will be procured via an ‘Affiliate Use Agreement’ with SAP Canada Limited which allows HRM to take advantage of an existing licensing agreement between the PNS and SAP.
2. Direct the Chief Administrative Officer to execute the Affiliate Use Agreement for the procurement of the SAP software with annual software maintenance for a term of five (5) years.

BACKGROUND

As a component of its approved 2013-14 business plan, Finance and ICT is in the process of implementing a new capability – Business Intelligence (BI) Services. In order to implement this service, ICT must acquire software as was specified as a key deliverable in the business plan (FICT 2.6). Council previously approved funding for this software in the Fiscal 2013-14 capital budget. This request to Council focuses specifically on the procurement of the software via a licensing arrangement already in place between the Province of Nova Scotia (PNS) and a vendor of industry-leading BI software, SAP.

Business intelligence (BI) is information that has been engineered to help individuals make better, more informed decisions more quickly. BI is delivered through BI Systems: specialized processes, application software and technologies. A ‘BI Current State Analysis’ project was conducted in 2012 and identified a significant need for BI capabilities at HRM. The project determined that:

- HRM personnel (up to and including senior managers) spend an inordinate amount of time gathering and massaging data for reporting, analysis and decision making.
- Management does not have ready access to information required for analysis and decision making. This in turn affects the ability of managers to provide Regional Council with well supported “data driven” recommendations.
- There is perception that decision-support information is of poor quality – there is a lack of trust in available information.

It was determined that effective BI capabilities will address the issues identified during the current state analysis project. For this reason, a project was undertaken in the summer of 2012 to develop a roadmap for the implementation of BI Services at HRM as well as 3 year budget for the service to cover the cost of incremental technical staff, software, hardware and consulting services. In addition, a comprehensive business case was created in the spring of 2013. The business case clearly identified that the tangible benefits of the service outweigh the costs and conservatively estimated a payback period of between 3 and 4 years.

ICT is currently in the process of building the foundation for BI Services. This includes assembling the technical team, acquiring the required technology (hardware and software) and

developing the delivery and governance processes to be used. From a software perspective, HRM already has licensed some of the software required to deliver BI services. Specifically, HRM had previously acquired licenses for *SAP's Business Objects Enterprise 4.0*, through an arrangement with the PNS that leverages a very favorable licensing contract negotiated by the Province with SAP. This software, considered to be industry-leading by rating agencies such as the Gartner Group, is designed to support the reporting and analysis needs of business personnel at HRM and was acquired through the PNS contract at a fraction of its market cost.

HRM now has the opportunity to acquire additional SAP software to support BI (*BA&T Data Services – Accurate Analytics Option*, and *SAP Location Intelligence by APOS*) through a similar arrangement with the PNS. The purpose of this report is to request approval to acquire a license to use this software from PNS, which will also require HRM to enter into an Affiliate Use Agreement with SAP Canada Inc., through the sole source provisions of Administrative Order 35. This software is not in scope of the recently approved service agreement with PNS for broader SAP hosting and support services.

DISCUSSION

HRM does not currently license *BA&T Data Services – Accurate Analytics Option*, and *SAP Location Intelligence by APOS* which performs a number of key functions that are critical to the success of BI at HRM, including:

- Data engineering: The information provided by BI Systems is ‘sourced’ from HRM’s operational systems (for example, SAP and Hansen). The data in these systems must be engineered: cleansed, integrated and transformed in order to be useful for decision making. The software we seek to acquire provides state of the art data engineering capabilities.
- Data profiling and quality monitoring: As mentioned, significant quality issues exist with some of HRM’s data. This software provides the ability to profile data in operational systems to understand in detail the quality issues that must be addressed. In addition, the software provides the ability to set data quality targets and monitor progress toward these targets.
- Metadata management: Metadata is an important component of BI and services a number of key functions. Perhaps the most important is that it provides a means by which users of BI systems can a) locate the information they need from the system and b) gain an understanding of what the information means.
- GIS (map) based analytics: HRM has made a significant investment in geographic (map based) information. This software provides a means by which information can be viewed and analyzed using HRM’s maps (e.g., in the context of electoral boundaries, transit routes, road segments, etc.).

Rating services such as Gartner Group classify this SAP’s Data Services solution as one of the best available today. Further, the ICT architecture team developed an extensive set of

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requirements (several hundred requirements were defined) to evaluate vendor software. The SAP offering meets or exceeds all of the mandatory requirements identified by ICT.

As previously stated, HRM has acquired SAP Business Objects Enterprise 4.0 to be used as its primary reporting and analysis tool. SAP Business Objects Enterprise and SAP Data Services are tightly integrated and designed to work together. Because of this, there is a great deal of value in deploying them in tandem.

The pricing for the software has been negotiated through the PNS and has been significantly discounted. Original estimates for the solution obtained directly from SAP Canada Inc. have indicated that HRM will obtain value for its money through this proposed arrangement when compared to purchasing the solution directly from the vendor.

The costs for the procurement and maintenance of this software are as follows:

Component	Procurement Cost (Net HST Included)	Ongoing Annual Costs (Net HST included)
BA&T SAP Data Services, Accurate Analytics Option (including a mandated Oracle Database license)	\$240,640	
SAP Location Intelligence by APOS	\$51,361	
Enhanced software maintenance (22% of procurement cost)		\$64,240
Total (Net HST Included)	\$292,001	\$64,240 ¹ / year

FINANCIAL IMPLICATIONS

Based on the Province of Nova Scotia Price of \$280,000.00 plus net HST of 12,000.80 for a total cost of \$292,000.80, funding is available in the approved 2013/14 Project Budget from Project No. CI990001 – Business Intelligence Roadmap. The budget availability has been confirmed by Finance.

¹ Assuming the software procurement takes place in October 2013, the maintenance cost for Fiscal 2013-14 will be approximately \$32,000.

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Budget Summary:	<u>Project Account No. CI990001- Business Intelligence Roadmap</u>	
	Cumulative Unspent Budget	\$768,494.57
	Less: Sole Source Award	<u>\$292,000.80</u>
	Balance	\$476,493.77

Assuming that this procurement will be finalized in October 2013, the annual maintenance cost for 2013/14 is expected to be \$30,800.00 plus net HST in the amount of \$1,320.09 for a total cost of \$32,120.09, and funding is available in the 2013/14 on-going cost of capital for Project No. CI990001. The budget availability has been confirmed by Finance. Future year costs will be included in that fiscal year's operating budget.

* This project was estimated in the Approved 2013/14 Project Budget at \$500,000.00

The balance of funds will be used for hardware, front end software, and professional services to implement BI.

ENVIRONMENTAL IMPLICATIONS

There are no environmental impacts.

ALTERNATIVES

There are alternatives to the software that we could seek to procure in the marketplace, some of which may meet or exceed HRM's requirements. HRM has the option of developing a Request for Proposal (based on the requirements already defined). While this option provides the benefit of fully evaluating all available products, this approach is not recommended for the following reasons:

1. The SAP offering meets all of HRM's requirements.
2. No other product in the marketplace integrates with SAP's Business Objects Enterprise in the same manner as Data Services as the two products have been designed to work together. If Data Services is not selected, additional operational and opportunity costs may be required to ensure that Business Objects Enterprise works well with a third party solution and the overall BI environment may be less integrated thus less efficient.
3. HRM will receive good value for money through a strategic procurement with the Province of Nova Scotia by taking advantage of the economies of scale achieved by combining the Province's purchasing power with our own.
4. Proceeding with SAP's offerings for BI supports the strategic direction of building on our existing investment in SAP, further leveraging its integrated capabilities to support HRM's business needs as articulated in a recent business case presented to Regional Council, and reducing the complexity of HRM's overall computing environment.

ATTACHMENTS

Appendix A – Administrative Order 35 – Procurement Policy Section 8(11)(A)

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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Report Approved by: _____
Greg Keefe, Director Finance & ICT (490-6308)

Original Signed

Appendix A - Administrative Order 35 Procurement Policy

8(11)(A). Sole Source/Single Source Purchases. These occur:

- (a) To ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licences, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representative.
- (b) Where there is an absence of competition for technical reasons and the goods or services can be supplied only by a particular supplier and no alternative or substitute exists.
- (c) For the procurement of goods or services the supply of which is controlled by a supplier that is a statutory monopoly.
- (d) For the purchase of goods on a commodity market.
- (e) For work to be performed on or about a leased building or portions thereof that may be performed only by the lessor.
- (f) For work to be performed on property by a contractor according to provisions of a warranty or guarantee held in respect of the property or the original work.
- (g) For the procurement of a prototype of a first good or service to be developed in the course of and for a particular contract for research, experiment, study or original development, but not for any subsequent purchases.
- (h) For the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership
- (i) For the procurement of original works of art.
- G) For the procurement of goods intended for resale to the public.
- (k) For the procurement from a public body or a not-for-profit corporation.
- (1) For the procurement of goods or services for the purpose of evaluating or piloting new or innovative technology with demonstrated environmental, economic or social benefits when compared to conventional technology, but not for any subsequent purchases.

The terms and conditions of a sole source/single source purchase shall be negotiated. Sole source/single source purchases over \$25,000 and not exceeding \$50,000 shall be approved by the CAO