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Halifax Regional Council
February 19, 2002

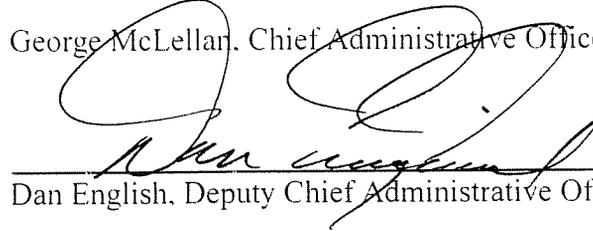
February 26, 2002

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



George McLellan, Chief Administrative Officer



Dan English, Deputy Chief Administrative Officer

DATE: February 14, 2002

SUBJECT: Single-Source Contracting of SAP Canada

ORIGIN

This report is submitted in compliance with Halifax Regional Municipality's procurement policy and the approved 2000/01 Capital Budget.

RECOMMENDATION

It is recommended that Halifax Regional Council award SAP Canada a single-source 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. The total contract 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

Halifax Regional Municipality currently utilizes SAP software to run its financials, purchasing, inventory, and fleet & building maintenance processes. SAP is an enterprise-wide system that encompasses several business unit functions within one system and one database resulting in integrated, real-time information.

The existing system used for Payroll/HR functions, HRIS Stargarden, is now too outdated to be supported by the vendor. A project scoping exercise was completed in 2000, which evaluated the functionality of SAP and the functionality of upgrading to a newer version of Stargarden. It was determined that both systems would provide adequate functionality in Payroll/HR for HRM; however, SAP offered more present and future system capacity. Additional advantages of SAP include integration with the existing SAP modules (ie financials), the elimination of system interfaces, and cost savings in hardware maintenance of \$28,000 for 2002/03 and in software maintenance of \$26,000 for 2004/05.

DISCUSSION

It is the project team's desire to contract SAP Canada to assist in three key areas of work:

- i) Assist with Payroll/HR process definition. SAP's role would be to facilitate defining how HRM's payroll and HR business processes will look on SAP.
- ii) Provide expert knowledge, direction, and advice to HRM's project team to assist them in designing and building the SAP HR module to meet HRM's payroll and HR business requirements.
- iii) Provide coaching/mentoring to facilitate knowledge transfer to HRM staff so that HRM will be self-sufficient after the project is complete.

SAP Canada has been selected as the single source for this engagement due to their ability to provide specialized knowledge and expertise about their product and their outstanding reputation in the industry. SAP is able to access networks of contacts within SAP Product Development and support organizations to efficiently address any issue in a timely manner that may arise during the project. This direct access is unavailable to third-party consultants which translates into quicker problem resolution time and therefore lower overall project costs. SAP Canada has been used successfully by Information Services in the past during the 1999 SAP implementation as well as during the 2001 SAP upgrade project. SAP Canada also has a global contract with the Province of Nova Scotia for its software licenses, all of which is available to HRM. Because the project's implementation strategy is based on HRM staff completing most of the work, SAP's specialized knowledge of its own software is a critical success factor for the project.

BUDGET IMPLICATIONS

The total cost of the engagement not to exceed CDN \$102,000, excluding travel and lodging. The total amount will be funded through capital account CIN00200, SAP HR Project, with an uncommitted balance of \$122,846 (gross budget \$145,000). 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.

This initiative has been included in the business plans of Human Resources Services and Information Services.

ALTERNATIVES

The alternative would be to release a request for proposal soliciting bids from other qualified firms. However, due to their specialized knowledge of their product, access to product development and support resources in SAP Product Development Germany, the relatively low contract amount, and the requirements of this particular engagement, 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 possibly result in additional costs to HRM to familiarize a second vendor with the project.

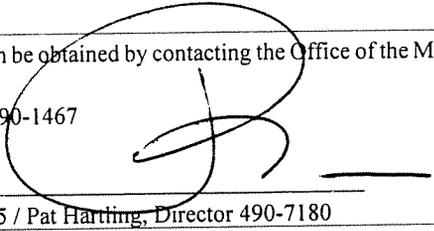
ATTACHMENTS

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.

Report Prepared by: Julie Gibson, Project Manager, 490-1467

Report Approved by:


Chuck Keith, Director, 490- 6555 / Pat Harting, Director 490-7180