STAFF REPORT
ACTION REQUIRED

Procurement Authorization - SAP Technical Service Assistance

Date:	December 20, 2016
To:	TTC Board
From:	Chief Executive Officer

Summary

The purpose of this report is to obtain authorization for the award of contracts for the Provision of SAP Technical Service Assistance to the following three SAP placement firms, in the upset limit of $4,000,000.00 per firm (for a total upset limit amount of $12 million) in Canadian funds, with a three year duration from Notification of Award, on the basis of the three highest rated qualified proponents:

- The Addmore Group Inc.
- itelligence Business Solutions Canada, Inc.
- PreciSion ERP Incorporated

The retained firms will carry out assignments on an as required basis in support of the SAP capital project.

Recommendations

It is recommended that the Board:

Authorize award of contracts for the Provision of SAP Technical Service Assistance to the following three firms, in the noted upset limit amounts, in Canadian funds, each for a three year duration from Notification of Award, on the basis of the highest rated qualified proponents:

Firm	Upset Limit Amount
The Addmore Group Inc.	$4,000,000.00
itelligence Business Solutions Canada, Inc.	$4,000,000.00
PreciSion EPR Incorporated	$4,000,000.00
Total Upset Limit Amount	$12,000,000.00

Financial Summary

Sufficient funding for these expenditures has been included in the TTC's 2016-2025 Capital Budget and Plan under Program 7.1 IT Systems and Infrastructure Projects (City Project #CTT061) approved by City Council on February 17, 2016. Work releases for SAP Capital Program-related contracts will be within current capital project approved limits.

The Chief Financial & Administration Officer has reviewed this report and agrees with the financial impact information.

City Council Decision - 2016 Capital and Operating Budgets

Accessibility/Equity Matters

All companies awarded this work are required to provide accessible customer service training for all staff members and to keep records of such training to ensure any work performed by the contracted technical resources conforms to all legal requirements relating to accessibility and barrier free access, and equity, including but not limited to the Accessibility for Ontarians with Disabilities Act, 2005, S.O. 2005, c. 11, and the Ontario Human Rights Code, R.S.O. 1990.c.H.19.

Issue Background

As part of the TTC Five-Year Corporate Plan to modernize the organization, the TTC will transform its back office processes and systems supported by the implementation of the SAP Enterprise Resource Planning application through a comprehensive business process review. Core back office systems including financials, human resources, and payroll will be addressed in the early phases of the program. The program will deal with all other administrative processes in later phases of this project.

There are approximately 60 finance, human resources, and payroll systems, standalone applications and databases. The main systems are more than 25 years old.

The City of Toronto Core Services Review completed in 2011-12 recommended SAP for all City of Toronto Agencies, Boards, and Commissions. The City of Toronto also has a 'SAP First' preference when evaluating replacements for existing business information systems.

In 2013 a contract was awarded by TTC to Software AG (Canada) Inc. (Contract No. C25PW12844) through a competitive RFP process, to conduct a readiness assessment and develop an Enterprise Resource Planning (ERP) Strategy for the TTC. Software AG (Canada) was subsequently purchased by 'itelligence Group'.

The study identified the following issues and opportunities at TTC:

- Current applications are silo'd and do not perform as effectively as they could.
- The majority of the current applications are more than 9 years old and some are well in excess of 25 years old.
- These systems require more effort to utilize than a modern system for a variety of reasons. Data integrity /consistency are lower than desired due to multiple interactions between different systems.
- There are limited performance metrics to validate processing from a business perspective. There are cases of multiple applications performing very similar functions and at least one case of multiple applications to perform what should be performed by a single application.

The study concluded the "TTC needs to complete a comprehensive program of business process re-engineering of most business functions enabled by the implementation of the SAP Enterprise Resource Planning application. This project should be undertaken as part of the TTC Modernization Plan."

The study estimated the cost of the program at $63.2M including contingency. This amount has been set as the project budget for this implementation and has been included in the approved 2016-2025 Capital Budget approved by City Council on February 17, 2016. Of the approved $63.2M, $32.4M has been established for external contracted staff.

Program Staffing

To manage delivery of the program, a program team comprised of TTC and contracted staff has been created. Contracted staffing of the program team is planned to be retained through five contract awards: two have been awarded to date, one is the subject of this report and two will be awarded in the future.

The contracts required for this project are as follows:

A. Program Management Consulting Services – Contract No. C25PX15778

   This contract was approved at the Board Meeting of June 22, 2015 and awarded to Comtech Group Inc. on June 23, 2015.

   [Procurement Authorization - Program Management Services for SAP-ERP Implementation Program](#)

B. System Integrator Services – Core Human Resources, Financials, Payroll (Wave 1) – Contract No. C25PX15779

This contract was approved at the Board Meeting of March, 23, 2016 and awarded to IBM on March 24, 2016.
Board Report - System Integrator Services for SAP-ERP Implementation Program

C. SAP IT Technical Services Assistance – Workforce Management (Wave 2) and Budgeting, Procurement, Materials Management (Wave 3) (The subject of this report)

D. System Integrator Services –Asset Management, Facilities Maintenance, Vehicle Maintenance (Wave 4-6) (Future contract)

E. SAP Managed Services (Future contract)

Comments

A Request for Proposal (RFP) was publicly advertised on the Merx Web site as well as the TTC's website as of September 6, 2016. Forty companies downloaded copies of the proposal documents, out of which fourteen submitted a proposal by the closing date of September 29, 2016. During the bid period, one addendum was issued. The proposal validity expires on December 28, 2016.

The RFP indicated that the term of the contract shall be for three years from the date of Notification of Award, with an option to renew for an additional two, one-year periods at the TTC's sole discretion. If a task has been started prior to the original scheduled contract completion date, the task shall be carried out until completion, and a contract amendment will be issued to extend the contract completion date accordingly. The RFP is for the provision of SAP specific technical positions, which was further broken down into basic, intermediate and expert categories.

It was pre-determined that any proponent who scored a total qualitative rating of at least 80% would be considered qualified. It was also pre-determined and stated in the proposal documents that the TTC intended to award up to three contracts.

The recommendation for award is based on the three highest total weighted scores. The evaluation of proposals was based on a two envelope process and consisted of qualitative and pricing components; 80 points allocated to the qualitative merit and 20 points allocated to the pricing. Proposals were first scored based on qualitative criteria at the associated weightings as set out in the proposal documents and summarized in Appendix A. It was pre-determined that proposals achieving a total minimum of 64 points out of the maximum 80 points available for the qualitative evaluation would be considered qualified.

The pricing component of all qualified proponents was then evaluated, utilizing the percentage dedication for the pre-defined staff positions for the Basic (5-9 years' experience); Intermediate (10-14 years' experience) and Expert (15+ years' experience)

Categories, as set out in the proposal documents for evaluation purposes only, to determine an overall composite all-inclusive hourly billing rate.

The total weighted score was calculated as a sum of the weighted qualitative score and the weighted pricing score. Of the 14 responses received, one was considered not eligible for further participation in the RFP evaluation: Comtech Group Inc. (Comtech) submitted a Proposal as a joint venture with ARM Consulting Services Inc. (ARM). Comtech is currently performing SAP program management services under Contract No. C25PX15778 for the TTC, and in accordance with the conditions of this contract, they cannot participate, including assistance to another proponent, for any other contract(s) associated with the TTC SAP program. TTC Legal's opinion was sought and it was confirmed that Comtech's submission be disqualified from further consideration for this requirement.

A total of 13 responses were considered compliant. A total of five responses met the minimum 80% requirement and were considered qualified (achieving a total minimum of 64 points out of the maximum 80 points available) and had their pricing component evaluated; and a total of 8 responses did not meet the 80% minimum requirement as summarized in Appendix B.

Individual work assignments will be issued by TTC's staff in accordance with the Work Assignment Process as detailed in the attached Appendix C and the upset limits are drawn from on an "as required" basis. The RFP included TTC's Scope of Services, which outlined the work assignment process. This centralized control provides TTC staff with a method of monitoring the programme's expenditures, delivering a responsive and accountable administrative process.

The overall upset limit amount of $12 million is being awarded and split equally to all three recommended companies. The award of these contracts covers the additional resources required for the IT Systems and Infrastructure Projects during the term of the contract. TTC staff reserves the right to assess the value and complexity of the larger projects and/or programs to determine whether there is an overall benefit to issuing the requirement on a stand-alone basis as a separate competitive procurement process.

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Attachments

Appendix A - Proposal Evaluation Criteria
Appendix B – Proposal Evaluation Summary
Appendix C - Work Assignment Process

APPENDIX A

PROPOSAL EVALUATION CRITERIA

Contract Title: SAP Technical Service Assistance

Proposal No.: P25PE16869

A) CORPORATE QUALIFICATIONS
   a) Background and Capabilities
   b) List of SAP Modules the firm's technical staff has core competencies in
   c) SAP Services Partner
   d) ASUG Membership/ASUG Trusted Certified
   e) Percentage of SAP installed base involved in relation to the rest of the business
   f) Number of year in business
   g) Size of team available at Proponent's office dedicated to sourcing relevant SAP resources for TTC

B) SOURCING METHODOLOGY
   a) Research Methods for Sourcing Individuals, or similar projects
   b) Screening Processes
   c) Interviewing Processes and Validating Technical Qualifications

C) ACCOUNT REPRESENTATIVE
   a) Name, number of years' experience, academic qualifications and professional associations
   b) Methods used to ensure awareness required actions pertaining to typical office behaviours protocols including but not limited to customer service requirements

D) TRAINING/EDUCATION
   a) Methods and approach for keeping staff up to date in their field (i.e. what training requirements specific to the TTC's needs, will be taken as part of the recruiting process)

E) CORPORATE POLICIES
   a) Methods to ensure company staff complete assignments

F) PRICING EVALUATION

APPENDIX B

PROPOSAL EVALUATION SUMMARY

QUALIFIED PROPONENTS - ACHIEVING A SCORE OF 80% (64) POINTS OR MORE BASED ON QUALITATIVE EVALUATION

- The Addmore Group Inc. (*)

- Itelligence Business Solutions Canada, Inc. (*)

- PreciSion ERP Incorporated (*)

- Ian Martin Information Technology Inc.

- Calian Ltd

NON-QUALIFIED PROPONENTS - ACHIEVING A SCORE OF LESS THAN 80% (64) POINTS BASED ON QUALITATIVE EVALUATION

- Fokis Services Inc.

- T.E.S. Contract Services Inc. o/a The Employment Solution

- 2iSolutions Inc.

- Proex Inc.

- Beyond Technologies Inc.

- KPMG LLP

- Soltech Apps Inc.

- SAP Canada

(*) - Indicates Recommended Proponents

INELIGIBLE PROPONENTS

- Comtech Group Inc.

APPENDIX C

WORK ASSIGNMENT PROCESS

1. Need identified by Project Manager or Manager/Supervisor

2. Request approved by Director of the section requesting an SAP Technical Services position.

3. I.T. Services Contract Administrator (ITCA) contacts qualified companies for the applicable category and provides job details (scope of work, duration of assignment), required skills/qualifications and requests up to 3 candidates per company. Companies will be advised of the response period, with calls for submission typically open for up to 5 days.

4. The proposed candidates' resumes are submitted to the ITCA, who forwards the information to the originator for review, interview and selection. TTC Human Resources may choose to participate in the interviews. The evaluation of candidates is conducted as follows:
    I. Mandatory Requirements (pass / fail). Candidates that pass are evaluated.
    II. Candidates are rated based on their technical qualifications. Technical Submission Candidates must achieve a minimum score of 70% in order to be considered qualified for interview.
    III. Interviews are conducted with technically qualified candidates.
    IV. The highest overall rated candidate is recommended for the assignment.

5. The Company submits the hourly rate for the identified candidate. If the hourly rate is deemed too high by the evaluation team, pricing will be negotiated.

6. The recommended selection is approved by Director – Planning, Resources and Administration or Head-ITS.

7. The TTC's Internal Audit Department or other internal departments may perform periodic audits of the contracts and processes.