



CITY OF HAMILTON
PUBLIC WORKS DEPARTMENT
Hamilton Water Division

and

CORPORATE SERVICES DEPARTMENT
Information Technology Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	September 16, 2015
SUBJECT/REPORT NO:	Workforce and Time Management Solution (KRONOS) (PW15064/FCS15063) - (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Dan McKinnon (905) 546-2424, Extension 5941 Andrea Bazzard 905-546-2424, Extension 5605 Glenn Binkosky (905) 546-2424, Extension 7388
SUBMITTED BY:	Gary Moore, P. Eng. Acting General Manager Public Works Department Mike Zegarac General Manager, Finance & Corporate Services Department
SIGNATURE:	

RECOMMENDATION

- (a) That the expanded implementation of the KRONOS workforce and time management solution version 8 for Hamilton Water and Community Services (Lodges) be single-sourced to KRONOS Inc. in the amount of \$245,800 which was approved through 2015 operating and capital budgets within the affected Divisions (\$210,000 in Hamilton Water and \$35,800 in the Lodges);
- (b) That the Information Technology Division complement be increased by one permanent full time equivalent (FTE), the position of Systems Analyst, with funding provided through a cost allocation in the amount of approximately \$107,000 annually from Hamilton Water, the Lodges and Paramedic Services.

EXECUTIVE SUMMARY

In 2010/2011 a partial and modified version of KRONOS (a Time, Attendance, Absence Tracking and Scheduling Software Solution) was implemented in Hamilton Water in response to regulatory requirements set forth by the Ministry of Labour and the Highway Traffic Act. Previous to this implementation in Hamilton Water, the Lodges had implemented a modified version of KRONOS in 2004. As a result of an independent Business Analysis Paramedic Services is in the process of implementing KRONOS as their workforce and time management solution. In an effort to standardize the platform for all time and attendance needs across these three business units and to minimize on-going costs associated with the support and maintenance of multiple systems, KRONOS will be implemented as the workforce and time management solution across Hamilton Water.

In 2014 Paramedics Services was given approval to single-source Kronos for implementation services. Paramedic Services plans to initiate this work in 2015. In order to align implementation work, and subsequently optimize sustainability of the solution set, staff recommend that Kronos be single-sourced for implementation within Hamilton Water and the Lodges.

At present there are no Kronos Partner or Non-Partner organization certified or experienced at implementing Workforce Central Version 8. Although Kronos acknowledges there are organizations able to provide successful integration between a Kronos environment and a PeopleSoft environment, the implementation requirements of a combined solution set (Workforce Central and Workforce Telestaff) is a unique Kronos capability and the customization and configuration is very specialized. In addition, Kronos has not authorized any third parties to implement this solution set. As such, staff recommend that KRONOS be single-sourced for the implementation of the workforce and time management solution.

Currently, both Hamilton Water and the Lodges are using an external provider (Katalogic Inc.) for the ongoing maintenance and technical support of the KRONOS system. The support contract with Katalogic commenced in May 2011 and over the past four years Hamilton Water and the Lodges have jointly spent approximately \$98,000 per year. Staff recommend that the costs associated with the outsourcing of technical support services be absorbed into the cost allocation for an Information Technology full-time equivalent (FTE), and therefore the knowledge and resources be brought in house. There is a potential to expand the Kronos footprint within the City of Hamilton, the cost for third party support will exceed the cost relative to internal support. As well, the scope of support services that will be provided internally is broader than those offered through a third party provider.

Alternatives for Consideration - See Page 8

FINANCIAL - STAFFING - LEGAL IMPLICATIONS

Financial: The estimated capital investment for implementation across Hamilton Water is \$210,000 and was approved in the 2015 Rate Capital Budget. The

estimated capital investment for implementation in the Lodges is \$35,800 and will be funded from the approved 2015 Operating Budget.

The annual operational sustainability costs post implementation, commencing in 2016, are estimated at \$127,000:

- \$107,000 for 1 FTE in Information Technology (salary, benefits and other costs)
- \$20,000 yearly license maintenance fees, with an approximate 2% incremental inflation adjustment each year thereafter.

It has been identified that Hamilton Water has an opportunity to achieve cost avoidance and recover labour costs annually by adopting a fully integrated workforce and time management solution, realizing over \$300,000 in cost avoidance and improved efficiencies. With annual post-implementation operational and sustainability costs of approximately \$127,000, jointly for Hamilton Water, the Lodges and Paramedic Services, the payback period for this investment has been estimated at less than thirty months. The funding for the Hamilton Water portion has been approved in the 2015 Rate Capital Budget.

The proposed Kronos upgrade for the Lodges will cost approximately \$35,800, and this will be funded through the existing allocated operational budget for Kronos in the Lodges.

Staffing: Information Technology will require the addition of 1 permanent FTE for the implementation and ongoing operation and maintenance of the KRONOS system. The cost allocation for this FTE will be realized from the funds currently being used to outsource the operational support of KRONOS through Katalogic Inc. and will be funded from Hamilton Water, Lodges and Paramedic Services.

Information Technology will provide support through its Service Desk and Solutions Support teams, and scope will include break/fix resolution, and enhancement requests.

Legal: Legal Services will review the software license agreements as well as the annual maintenance agreement for software support services.

HISTORICAL BACKGROUND

In 2008 the Hamilton Water Division was prompted by the need to implement a workforce and time management solution in order to comply with new Ministry of Labour and the Highway Traffic Act hours of work regulations. In response to this need Hamilton Water hired UEM Inc. to conduct a Request for Information (RFI) for the provision of timesheet and resource planning software. Based on the Vendor responses to the RFI and an evaluation undertaken by UEM, a recommendation was made that Kronos Workforce Central Suite was the preferred solution to provide Timesheet &

Resource Planning and Scheduling Software for Hamilton Water. Kronos was recommended for the following reasons:

- Kronos was the only vendor capable of meeting all of the high priority requirements as part of a modified software package;
- Kronos demonstrated ease of use and compatibility with existing software infrastructure and business processes;
- Kronos has already been implemented in the City of Hamilton in other Divisions and therefore is already proven to work with the City's IT infrastructure.

As identified in the vendor review by UEM, KRONOS had already been procured by Lodges through a competitive bid process in 2004. As such, Hamilton Water purchased approximately 25 KRONOS licenses under the existing contract.

Currently, both Hamilton Water and the Lodges are using an external provider (Katalogic Inc.) for the ongoing maintenance and technical support of the KRONOS system. The support contract with Katalogic commenced in May 2011 and has cost Hamilton Water and the Lodges approximately \$98,000 per year to support 56 licensed users, and 820 employees.

There is now an opportunity to leverage this technology solution across Hamilton Water to realize the benefits of: administrative efficiencies, improved risk management (includes regulatory compliance, collective agreement and payroll compliance), improved productivity and employee satisfaction due to accurate and consistent application of pay rules.

An external scan of other municipalities has identified that KRONOS is currently used by the Region of Niagara, City of London, City of Greater Sudbury, Region of Waterloo and the City of Guelph as the preferred technology solution for time, attendance, absence tracking and scheduling.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The recommendations of this report are consistent with Procurement Policy 11 - Single Sourcing of KRONOS for the implementation and knowledge transfer of the proposed workforce and time management solution.

The recommendations of this report are consistent with the Corporate Budget Policy - Budgeted Complement Control Policy for the increase of one permanent FTE, Systems Analyst, with funding provided through an annual cost allocation from Hamilton Water, the Lodges and Paramedic Services.

The recommendations in this report will improve the City's ability to comply with the Highway Traffic Act and the Employment Standards Act as it applies to hours of work legislation.

RELEVANT CONSULTATION

The following Sections have reviewed this report and are supportive of the recommendations:

Corporate Services Department: Information Technology and Procurement

Community & Emergency Services Department: Lodges and Paramedic Services

City Manager's Office: Human Resources and Organizational Development, HR Systems and Operations

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The recommendations in this report are supported by the analysis in the following three areas:

- Overview of the Need for a Workforce and Time Management Solution
- Rationale for Single-Sourcing KRONOS Implementation
- IT Application and Technical Support

Overview of the Need for a Workforce and Time Management Solution

Hamilton Water, the Lodges and Paramedic Services currently rely on several methods to track time and leave including KRONOS, time entry and attendance bolt-on, exception tracking, access and excel tools, and handwritten forms. Timekeeping, scheduling, and leave recording vary by business unit but ultimately all pay and leave data is entered into PeopleSoft for payment and accrual tracking. Not only does the current approach consume a large amount of City resources, but it does not provide Hamilton Water, the Lodges and Paramedic Services with a pathway to proactive workforce management.

In 2014 Hamilton Water staff retained the services of KRONOS to conduct a Business Assessment of the current workforce and time management practices within the Division.

The Business Assessment identified the following key issues with the current time and attendance management practices:

- **Manual processes lead to errors.** It has been identified that there may be over payments across the Division. Manual payroll processes (collecting time on time sheets, entering time in spreadsheets and time entry bolt-on are all areas where data entry or calculation errors are a reality).
- **Payroll Inflation / Buddy punching.** It is currently difficult and time consuming to ensure that employees arrive on time and complete a full work day. Advances in technology and the need for greater accuracy, accountability, and transparency have resulted in a movement towards positive time recording for hourly employees (and on premise reporting for salaried exempt employees), which reduces compliance risk and facilitates accurate tracking of hours worked and leave management.

- **Overtime control.** In many business units overtime is honour based. It is based on employees reporting their time with no automated checks and balances. The current labour reporting does not allow for real time visibility into actual hours worked, which is key to ensuring overtime is managed in an equitable fashion and employees work scheduled hours unless otherwise required and necessary.
- **Absenteeism** can affect the need to offer overtime, quality of service, and even whether or not an employee is eligible for holiday pay. However, the current process relies on employee identification of problems and does not provide a level of reporting which supports efficient people management.
- **Current leave processes** and reporting may allow for inaccurate leave entry, differences between leave requests and leave recorded by PeopleSoft, and under-reporting of leave used - which could adversely affect Hamilton Water's annual budget.
- **Activities and grant tracking** could be improved by capturing labour related to specific projects in real time, which would enhance Hamilton Water's ability to produce accurate job costing, budgets, and reimbursement requests.
- **Manual processes**, including time calculations and leave capture, increase Hamilton Water's risk exposure to union related compliance penalties.

In addition to improving upon issues and inefficiencies with the current time management practices, the Business Assessment has estimated that Hamilton Water has an opportunity to realize over \$300,000 in cost avoidance and improved productivity by adopting a fully integrated workforce and time management solution.

Implementation of a workforce and time management solution will help Hamilton Water realize increased efficiency and effectiveness of timekeeping, payroll, and leave management operations while improving payroll accuracy, organizational transparency and reducing compliance risk.

Rationale for Single-Sourcing KRONOS Implementation

In 2010/2011 a partial and modified version of KRONOS (a Time, Attendance, Absence Tracking and Scheduling Software Solution) was implemented in Hamilton Water in response to regulatory requirements set forth by the Ministry of Labour and the Highway Traffic Act. Along with Hamilton Water, the Lodges had previously (2004) implemented a modified version of KRONOS and Paramedic Services is in the process of implementing KRONOS as their workforce and time management solution. In an effort to standardize the platform for all time and attendance needs across these business units and to minimize on-going costs associated with the support and maintenance of multiple systems, KRONOS will be implemented as the workforce and time management solution across Hamilton Water and the Lodges.

In 2014 Paramedics Services was given approval to single-source Kronos for implementation services. Paramedic Services plans to initiate this work in 2015. In order to align implementation work, and subsequently optimize sustainability of the solution set, staff recommend that Kronos be single-sourced for implementation within Hamilton Water and the Lodges.

At present there is no Kronos Partner or Non-Partner organization certified or experienced at implementing Workforce Central Version 8. Although Kronos acknowledges there are organizations able to provide successful integration between a Kronos environment and a PeopleSoft environment, the implementation requirements of a combined solution set (Workforce Central and Workforce Telestaff) is a unique Kronos capability and the customization and configuration is very specialized. In addition, Kronos has not authorized any third parties to implement this solution set. As such, staff recommend that KRONOS be single-sourced for the implementation of the workforce and time management solution.

IT Application and Technical Support

Hamilton Water and the Lodges are currently using an external provider (Katalogic Inc.) for the ongoing maintenance and technical support of the KRONOS system. The support contract with Katalogic commenced in May 2011 and currently supports 124 users and approximately 25 licenses in Hamilton Water and 749 users and approximately 750 licenses in the Lodges. The cost incurred annually by Hamilton Water and the Lodges to support these users is approximately \$98,000 per year. With the increased implementation of KRONOS across Hamilton Water, the Lodges and Paramedic Services, and the addition of 160 users and approximately fifty additional KRONOS licenses, the increased technical support costs are estimated as noted in Table 1.

Table 1: Technical Support Cost Estimate and Comparison

	Status Quo (External support)	Expanded (External Support)	Expanded (Internal Support)
Scope of support	1 module	2 modules	2 modules
Level of Service	Break/Fix	Break/Fix	Break/Fix Enhancements Upgrades
Number of licensed users	56	116	116
Number of tracked employees	820	1280	1280
Annual Cost	\$98k	\$117k to \$175k	\$107k

Staff recommend that the costs associated with the outsourcing of the technical support services be absorbed into the cost allocation for an Information Technology FTE, and therefore the knowledge and resources be brought in house. This will position the City of Hamilton to continue to expand the deployment of Kronos.

ALTERNATIVES FOR CONSIDERATION

Alternative 1 - Tendering Kronos Implementation and Outsourcing Technical Support

This option would direct Hamilton Water staff to prepare a Request for Tender and go out for competitive bid on the implementation of the Kronos workforce and time management solution as well as continue to outsource the Technical Support for the KRONOS software.

Tendering KRONOS implementation is not recommended because it has already been identified that KRONOS is the only organization certified or experienced at implementing Workforce Central Version 8. The implementation requirements of a combined solution set (Workforce Central and Workforce Telestaff) is a unique Kronos capability and the customization and configuration is very specialized. In addition, Kronos has not authorized any third parties to implement this solution set. The cost implications of this approach remain unknown. Staff also believe that this approach may jeopardize the warranty obligations of the vendor should this approach be taken.

Outsourcing technical support is not recommended because there are significant benefits of keeping the knowledge and expertise in-house. Primarily, as we continue to expand the Kronos footprint within the corporation, it will become cost prohibitive to fund external support. It is difficult to determine the cost of outsourcing the technical support going forward however it can be reasonably assumed that it would be approximately \$150,000 annually per year based on historical costs and would eliminate the need to approve recommendation b) of this report.

Alternative 2 - Single Source KRONOS Implementation & Outsourcing Technical Support

This option would direct Hamilton Water staff to follow the recommendation of the report for KRONOS implementation, but would direct staff to outsource the technical support for the KRONOS software.

Outsourcing technical support is not recommended because there are significant benefits of keeping the knowledge and expertise in-house. Primarily, as we continue to expand the Kronos footprint within the corporation, it will become cost prohibitive to fund external support. It is difficult to determine the cost of outsourcing the technical support going forward however it can be reasonable assumed that it would be approximately \$150,000 annually per year based on historical costs and would eliminate the need to approve recommendation b) if this report.

Alternative 3 - Tendering KRONOS Implementation & In-house Technical Support

This option would direct Hamilton Water staff to prepare a Request for Tender and go out for competitive bid on the implementation of the Kronos workforce and time management solution, but to follow the recommendation b) of this report to bring the technical support services in-house.

Tendering KRONOS implementation is not recommended because it has already been identified that KRONOS is the only organization certified or experienced at implementing Workforce Central Version 8. The implementation requirements of a combined solution set (Workforce Central and Workforce Telestaff) is a unique Kronos capability and the customization and configuration is very specialized. In addition, Kronos has not authorized any third parties to implement this solution set. The cost implications of this approach remain unknown. Staff also believe that this approach may jeopardize the warranty obligations of the vendor should this approach be taken.

ALIGNMENT TO THE 2012 - 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

None