Report of the Standing Committee on Fiscal Issues dated May 7, 2002

Connexus Project Implementation Contract

File GL-5.6 (Vol. 9)

1. The Standing Committee on Fiscal Issues has been advised in recognition of the need to renew the City's internal business systems, capital funding has been set aside annually since the mid 1990's. Given that the City was able to manage Y2K compliance without full system replacement, the City is now able to develop a sound business case and strategy for the best utilization of these capital funds.

On September 26, 2000, a report was submitted to the Standing Committee on Fiscal Issues seeking approval to issue a Request for Proposal (RFP: 867-2000) for consulting services. These services were intended to provide assistance and advice to the City of Winnipeg in the early stages of planning, scoping, business case development, resourcing, project management, senior management project orientation, ongoing governance and contracting as it prepared to initiate a city-wide business systems review.

The Request For Proposal closed on October 6, 2000. Gartner Consulting was awarded the contract for RFP No. 867-2000 in the amount of $727,539.00.

On July 3, 2001, a report was submitted to the Standing Committee on Fiscal Issues seeking approval to issue a Request For Proposal for the provision of a business systems solution to perform the City's Human Resources/Payroll, Financial Management, and Purchasing/Inventory Management functions across departments.

On July 11, 2001, the Executive Policy Committee authorized the Chief Financial Officer to award the Pre-Implementation Planning contract for Connexus. RFP: 530-2001 was issued on July 25, 2001, and nine (9) proposals were received by Request for Proposal close on September 19, 2001.

In February 2002, a report was submitted to the Chief Financial Officer seeking approval to award a contract to Deloitte & Touche LLP in the amount of $445,500.00 (plus GST) for the Pre-Implementation Planning Work pursuant to RFP: 530-2001: The City of Winnipeg Connexus Project. Proposals were evaluated utilizing a highly participative and intensive process, which considered such areas as Business Application, Operational Value and Usability, Implementation, Technology, and Price. The evaluation was premised on the complete Connexus solution, including all project phases.

The Pre-Implementation Planning contract was awarded to Deloitte & Touche LLP. It was intended that if the outcome of the Pre-Implementation Work resulted in a positive business case for the Connexus project, it would be recommended that a contract be awarded to Deloitte & Touche LLP for the Implementation Services Work pursuant to RFP 530-2001.

The Pre-Implementation Planning Work includes the following deliverables:

(1) Final Business Case

- Strategic benefits of the Connexus Project include:
    - E-government foundation

- Alignment with the Financial Management Plan, the Human Resource Strategic Plan and the Information Technology Strategic Plan
- Contemporary human resource management capabilities
- Real-time city-wide systems for better information management
- Built-in best practices
- Standardized practices, policies and procedures
- Employee self service

- Quantitative, financial analysis of the Connexus Project:

  - A detailed investment and benefit (cost avoidance and savings) analysis associated with the implementation of the project was performed. The analysis was prepared on a Net Present Value (NPV) basis over 12 years. The 12-year view is based on a 2-year implementation plan and a 10-year benefits analysis.

  - The result of the Net Present Value (NPV) analysis is positive. A chart illustrating the cumulative Net Present Value (NPV) for the major business case dimensions, over the multi-year period, is outlined on Attachment "A". These amounts culminate in a $19.4 million positive outcome.

The Connexus implementation will include an integrated approach to replace the above noted internal business systems across the City organization. The key modules and their inter-relationship are depicted on Attachment "A".

Deloitte and Touche LLP will be the prime contractor on the project with Compaq Canada and PeopleSoft Canada as sub-contractors. Compaq Canada will supply the necessary hardware and PeopleSoft Canada will supply the necessary software. The Project Timeline is outlined on Attachment "B"

Interest and financing charges may be paid to contractors for hardware and software in order to defer principal repayment in compliance with capital cash flow parameters.

In recognition of complementary objectives between Connexus and the Corporate Information Technology Department (CIT), Connexus is anticipating utilizing approximately $1.8 million from the CIT Capital Forecast for 2003. This amount will be largely repaid in future years but is needed in 2003 in order for the City to fulfill its responsibilities under this contract.

Once Connexus is implemented, operating budget dollars currently used to support the mainframe and other replaced system applications will be redirected to sustain Connexus operations.

Based on the positive business case outcome, it is recommended to proceed to the next phase and award the contract to Deloitte & Touche LLP for implementation of a fully integrated cross departmental business system to perform the City's Human Resources, Payroll, Time and Attendance, Inventory, Purchasing and Finance functions. In the opinion of the Connexus Project, the proposed Contractor has the necessary skills and resources to perform the work.

The proposal for Implementation Services Work is open for acceptance for 90 days following April 30, 2002.

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Pursuant to clause 8(e) of the City's Policy on Purchasing Procedures and the Disposal of Surplus Supplies, Council must approve multi-year contracts.

The Financial Impact Statement is outlined on Attachment "C".

The Standing Committee on Fiscal Issues recommends:

I. That a contract be awarded to Deloitte & Touche LLP in the amount of $19,240,500.00 (including GST and PST as applicable) for the implementation of the Connexus Project, including hardware and software pursuant to RFP: 530-2001: The City of Winnipeg Connexus Project.

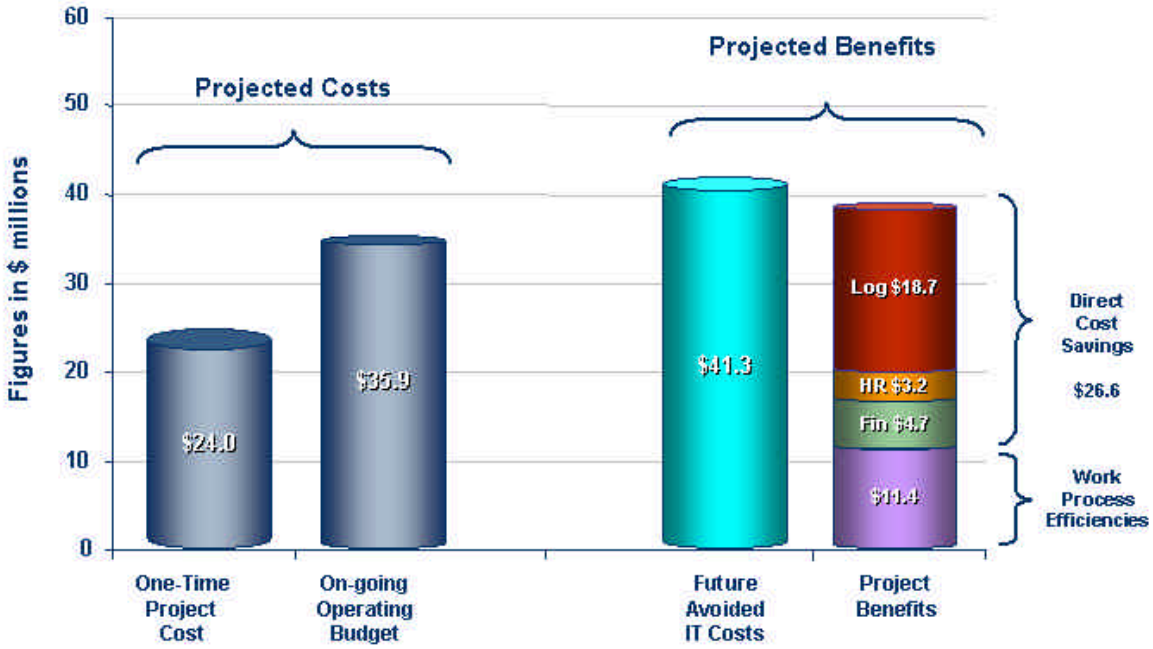
II. That the additional 2002 capital requirement of $1.15 million be funded from unallocated capital funds created as a result of recent provincial funding announcements.

III. That the operating budget shortfall be referred to the Administration for recommendation and review during deliberation on the 2003 current estimates.

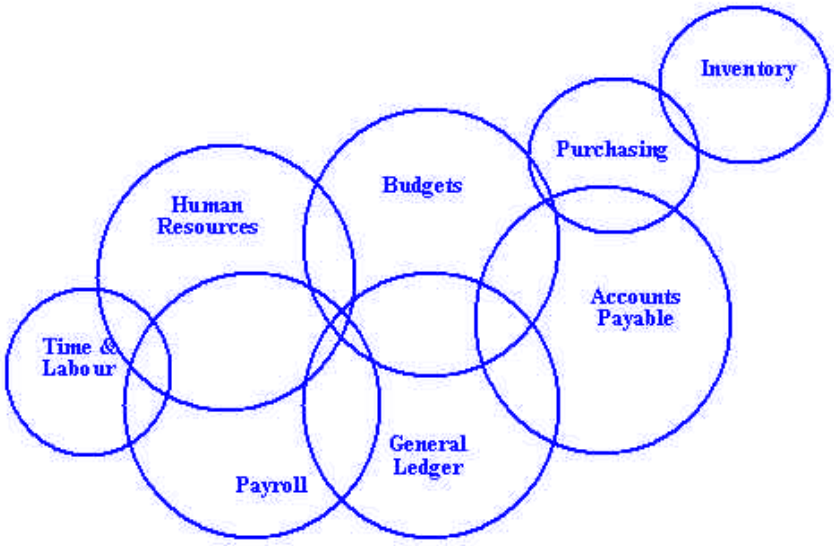
IV. That the Connexus Project provide a report on a quarterly basis to the Standing Committee on Fiscal Issues.

V. That the Proper Officers of the City be authorized to do all things necessary to effect the intent of the foregoing, including the execution of any documents related thereto.

Connexus Business Case Summary
(Net Present Value (NPV) -12 Years)

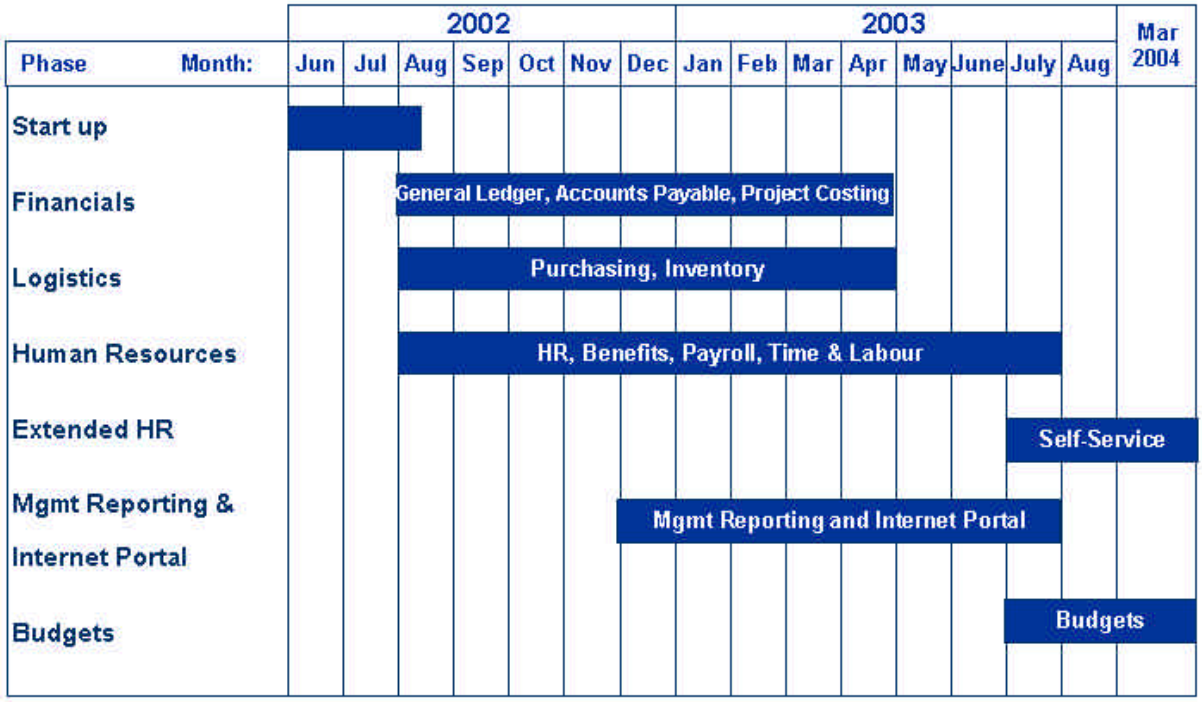


PROJECT SCOPE:



Attachment “B” referred to in Clause 1 of the Report of the Standing Committee on Fiscal Issues dated May 7, 2002

PROJECT TIMELINE:



Financial Impact Statement

Date: April 30, 2002

Project Name: Connexus

First Year of Program **2002**

	2002	2003	2004	2005	2006	2007 and Beyond	Totals
Capital							
Capital Expenditures Required	$ 8,776,523	$ 10,069,842	$ 1,082,916	$ 1,082,916	$ 1,082,916	$ 2,165,832	$ 24,260,945
Less: Existing Budgeted Costs	7,626,523	10,069,842	1,082,916	1,082,916	1,082,916	2,165,832	$ 23,110,945
Additional Capital Budget Required	$ 1,150,000	$ -	$ -	$ -	$ -	$ -	$ 1,150,000
Funding Sources:							
Debt - Internal	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-	$ -	$ -
Grants-Provincial Funding	1,150,000	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Funding	$ 1,150,000	$ -	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 1,150,000						
Total Additional Debt Required	$ -						
Current Expenditures/Revenues							
Direct Costs	$ 1,000,000	$ 3,309,525	$ 6,656,019	$ 6,954,197	$ 9,731,934	$ 56,530,017	$ 84,181,693
Less: Incremental Revenue/Recovery	175,530	1,057,249	3,154,622	4,559,570	6,440,365	51,611,341	66,998,677
Net Cost/(Benefit)	$ 824,470	$ 2,252,276	$ 3,501,397	$ 2,394,627	$ 3,291,569	$ 4,918,676	$ 17,183,016
Less: Existing Budget Amounts	1,000,000	1,141,433	2,418,519	2,581,473	2,759,271	23,366,723	33,267,419
Net Budget Adjustment Required	$ (175,530)	$ 1,110,843	$ 1,082,878	$ (186,846)	$ 532,298	$ (18,448,047)	$ (16,084,403)

Additional Comments:

E-Government Funding - In recognition of complementary objectives between Connexus and the Corporate Information Technology Department, Connexus is anticipating utilizing approximately $1.8 million from the Corporate Information Technology Department Capital Forecast for 2003. This amount will be largely repaid in 2004 and 2005 but is needed in 2003 in order to meet anticipated cashflow requirements.

Funding Source - In addition to the Connexus Capital Budget and Forecast amounts, an additional amount from unallocated capital funds, created as a result of recent provincial funding announcements, is required in 2002.

Project Start-Up - Project operating start-up costs in 2002 (software maintenance and hardware maintenance) totalling $1 million are recommended to be funded from the contingency account.

Operating Budget Shortfall - The budget shortfall outlined above is to be referred to the administration for recommendation and review during deliberation on the 2003 current estimates.

Carrie Erickson
Manager of Finance & Administration