

8. PURCHASE OF SYSTEM SUPPORT SERVICES

COMMITTEE RECOMMENDATION

That Council approve the purchase of SAP R3 system support services from IBM Canada Ltd., Ottawa, Ontario, for the period May 1, 1999 to March 31, 2000 at a cost not to exceed \$650,000, including GST.

DOCUMENTATION:

1. Finance Commissioner's report dated 15 Apr 99 is immediately attached.

REGION OF OTTAWA-CARLETON
RÉGION D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf.
Your File/V/Réf.

DATE 15 April 1999

TO/DEST. Coordinator, Corporate Services and Economic Development
Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **PURCHASE OF SYSTEM SUPPORT SERVICES**

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee and Council approve the purchase of SAP R3 system support services from IBM Canada Ltd., Ottawa, Ontario, for the period May 1, 1999 to March 31, 2000 at a cost not to exceed \$650,000, including GST.

BACKGROUND

On April 20, 1999, the Region of Ottawa-Carleton (Region) enterprise went live with the SAP R3 system, with the exception of OC Transpo. OC Transpo will go live prior to the end of June. At that time, the enterprise will have achieved success in implementing its new management information system. Over 800 users across the Regional Municipality of Ottawa-Carleton, OC Transpo and the Ottawa-Carleton Police Service will use the system daily to process transactions and generate management information. The system will be used for financial, purchasing, materials management, sales, plant maintenance, vehicle maintenance, human resource information and payroll applications.

Following go-live, the enterprise focus and effort will shift from system implementation activities to the ongoing need for system support. For the past several months, staff has been researching and planning the necessary R3 system support service model for the Region, in order that it is in place for the immediate post go-live timeframe.

The system support model that will be used by the Region involves three levels of support.

The first level is the existing system help-lines that exist across the Region. Help-line analysts will take calls from R3 end-users who require support. It is expected that a portion of the calls will be able to be resolved by the help-line analysts who will be supported with call tracking and problem resolution database tools. When an analyst cannot resolve the problem, it will be referred to the second level support group.

The second level support group is a staff team dedicated to the support, maintenance and expanded use of the R3 system in the Region. For the first three months post go-live, this team will be made up of the current implementation project team of 62 full-time equivalents (FTEs) along with several of the consultants that worked for the past year to implement the R3 system. During this “system stabilization” period, research indicates that the support group can expect a high volume of end-user support calls dealing with end-user errors, system access and security problems, master data issues and application configuration problems. Following this initial and intense support period, the resource level of the second level support group is planned to be scaled back to 27 FTE’s (all staff resources). By September, when the R3 system is expected to have been stabilized and have entered a “steady” state, the second level support group will be reduced to an ongoing resource level of 15 FTE’s.

Many of the problem issues that the support model will have to deal with will require R3 system skills that are more advanced than our trained and experienced staff will possess, particularly in the areas of application configuration and database management. SAP R3 system skills are extremely marketable, presenting any organization using R3 with a serious staff retention problem. As a result, it is not realistic for organizations to attempt to train staff to an advanced skill level in R3 and then attempt to retain them. It is more cost-effective to purchase those advanced-skill services from an external service provider when they are required.

This introduces the need for a third level support unit that assists the second level support group with advanced skills when the problem issues being dealt with demand it. The Region’s support model proposes that these services be purchased from an external service provider.

DISCUSSION

It is expected that the first year of system support for R3 will be very challenging. In that timeframe, the Region will have to deal with the effort required to stabilize the configured application while, at the same time, support over 800 users just recently trained in a complex and mission-critical information system. This effort may be further compounded by the effect of losing staff with R3 training and experience. For these reasons it is very important that any external third level support service provider be well acquainted with the Regional organization and the manner in which we have configured the R3 system to meet our business requirements.

With regard for this fact, staff requested a sole source proposal from IBM Canada Ltd. (IBM). IBM has performed very well over the last year as the major systems consulting firm on the implementation project and their Ottawa practice is very familiar with the Region and our R3

implementation. IBM's knowledge of the system and the Region's specific configurations make it possible for them to provide support immediately. As a large, reputable organization, IBM has the ability to supply and retain the depth of resources at the required advanced skill level at a price below standard industry rates.

The IBM proposal is based on having consulting resources on-site during the month of May, moving to an off-site third level support service bureau model from June onward. The proposal provides for 130 days of consulting service during May, reducing to a minimum of 27 days per month in the following months, for a total of 430 for the eleven month period. Staff is of the opinion that these estimates are reasonable in terms of the amount of services that will be required. The per diems quoted by IBM are competitive with industry standard rates.

It is recommended that the Region sole source a contract with IBM to provide SAP R3 third level support for the next eleven months. This will allow staff the time to gain more experience in their own support roles, as well as time to assess and measure the type of ongoing third level support that will be required in the future. At that time staff will be in a better position to prepare and issue a Request for Proposal and to properly evaluate prospective suppliers.

PUBLIC CONSULTATION

Public consultation is not required.

FINANCIAL STATEMENT

Funds are available for the purchase of these services in the Genesis Project Account 912-17942 and in Operating Account 012-12182-2330.

*Approved by
Kent Kirkpatrick on behalf of
J.C. LeBelle
Finance Commissioner*

FINANCE DEPARTMENT COMMENT

Funds are available as indicated. The estimated 2000 cost of the proposed contract is \$120,000 and represents a pre-commitment against the 2000 Operating Budget.

*Approved by
Kent Kirkpatrick*