



**STAFF REPORT
ACTION REQUIRED**

Amendment to the Agreement between the City of Toronto and Zylog Systems (Canada) Ltd. for TalentFlow Software

Date:	August 30, 2011
To:	Government Management Committee
From:	Executive Director, Human Resources, General Manager, Toronto Employment & Social Services (TESS) and Director, Purchasing and Materials Management Division
Wards:	All
Reference Number:	P:\2011\Internal Services\PMMD\GM11011PMMD (AFS # 14169)

SUMMARY

TalentFlow software is currently used by the City's Human Resources Division and Toronto Employment & Social Services (TESS) Division to provide an e-Recruitment system that streamlines and simplifies the City's recruitment processes. TalentFlow ensures City employees and the public have access to job opportunities with the Toronto Public Service. TalentFlow also facilitates and automates recruitment processes for community employers who partner with TESS to provide employment opportunities and programs for the unemployed or underemployed residents of Toronto. The purpose of this report is to request authority to amend and extend the existing agreement from January 1, 2012 to December 31, 2014 with Zylog Systems (Canada) Ltd. (Zylog) to provide for additional customization requirements and for on-going annual maintenance and hosting fees for the TalentFlow System for a total increased amount not to exceed \$887,500.00 net of all taxes.

Zylog is the single source (see explanation on page 5) for TalentFlow Systems and has sole access to the proprietary intellectual property (source code) which is essential for the provision of further customization requirements, for on-going annual maintenance and for technical support for this system. There is no other vendor or reseller that can perform these services on the TalentFlow software. The disadvantages and risks associated with pursuing an RFP to acquire a new vendor to provide maintenance, hosting, technical support and customizations are detailed in the Issue Background section of this report.

TalentFlow was acquired by the Human Resources Division through Request for Quotation (RFQ) 3405-06-3448 in 2006, and was the low bid meeting specification as a result of the competitive process. The pricing offered by Zylog for the additional customizations and ongoing annual maintenance and support is reduced to levels at or below the original pricing submitted in the RFQ, and is fair and reasonable. In July 2011, independent technology research consultants, Gartner, Inc., provided specific market analysis to the City confirming that Zylog's pricing for the City for TalentFlow is competitive and in the low end of the market range for the provision of similar services to organizations of comparable size and scope. Further, the existing legal Agreement between Zylog and TESS binds Zylog to provide the City with discounted rates for their licensing, hosting and customization services for up to four (4) further years at the discretion of the City ending December 31, 2014.

Zylog has not increased its maintenance or hosting fees to the City since 2007 and in fact provided a further discounted price to the City when TESS contracted with Zylog for its use of TalentFlow in 2010. Zylog has demonstrated their commitment to ensure that costs to the City for TalentFlow (use, hosting, customization and support) are reduced to levels at or below the original pricing submitted in the RFQ, and that these costs are fair and reasonable and representative of the required work.

This amendment to the Agreement with Zylog requires Council approval since the total contract period exceeds five (5) years in length. The recommendations are in accordance with the City of Toronto Municipal Code Chapter 71 – Financial Control, Section 71-11.1 (proposed commitment costs exceed the original funding by more than \$500,000.00 excluding all taxes).

RECOMMENDATIONS

The Executive Director of Human Resources, the General Manager of Employment and Social Services, and the Director of Purchasing and Materials Management Divisions recommend that Council:

1. Authorize the amendment of the Agreement between the City of Toronto and Zylog Systems (Canada) Ltd. to the satisfaction of the City Solicitor as follows:
 - (a) to extend the current Agreement from January 1, 2012 for an additional three (3) year term ending December 31, 2014; and;
 - (b) to increase the total contract value in the amount not to exceed the sum of \$887,500.00, net of all taxes, for further customization requirements, and for ongoing annual maintenance and technical support for the TalentFlow e-Recruitment system.

FINANCIAL IMPACT

The Corporate e-Recruitment System (TalentFlow) contract for ongoing maintenance, annual hosting fees and customization requirements consists of Capital and Operating funding totalling \$903,120.00 including non-Recoverable HST (\$887,500.00, net of all taxes). This consists of a total amount of \$633,000.00, net of all taxes, in the years 2011 – 2014 in the Operating Budgets and a total amount of \$254,500.00, net of all taxes in the Capital Budget. Future funding will be requested in subsequent City Manager's Office Operating Budget submissions for 2012-2014. Future funding will be requested in Toronto Employment and Social Services Operating Budget submissions for years 2012 through to 2014.

Funding in the amount of \$100,000.00, net of all taxes for the customization is available in 2011 Information & Technology Division Capital Budget and a total of \$154,500.00, net of all taxes, has been included in the 2012-2020 Capital Plan.

Below is a summary of Financial Impacts for the Human Resources, Toronto Employment & Social Services and the Information and Technology Divisions (net of all taxes and including non-Recoverable HST equivalent at the bottom):

Cost Allocations (Operating and Capital Budget)	2011	2012	2013	2014	Total
<u>TalentFlow</u> Annual Maintenance, Licensing & Hosting Fees		\$105,000.00	\$105,000.00	\$105,000.00	\$348,000.00
Customizations	\$33,000.00				
HR Subtotal	\$33,000.00	\$105,000.00	\$105,000.00	\$105,000.00	\$348,000.00
Maintenance & Hosting Fees 100 new users and 10 new sites		\$65,000.00 \$30,000.00	\$65,000.00 \$30,000.00	\$65,000.00 \$30,000.00	\$195,000.00 \$90,000.00
TESS Subtotal		\$95,000.00	\$95,000.00	\$95,000.00	\$285,000.00
Total Operating	\$33,000.00	\$200,000.00	\$200,000.00	\$200,000.00	\$633,000.00
E-HR Web Enablement (including AODA, hiring manager tool, security and privacy assessments, testing, training, customizations and reports)	\$100,000.00	\$134,500.00	\$10,000.00	\$10,000.00	\$254,500.00
Total, net of all taxes	\$133,000.00	\$334,500.00	\$210,000.00	\$210,000.00	\$887,500.00
Total, including non-Recoverable HST	\$135,340.80	\$340,387.20	\$213,696.00	\$213,696.00	\$903,120.00

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

If the recommendations are approved, the total financial impact of the Agreement to its full term will be \$887,500.00. If this report is not approved, the City must go back to the marketplace to acquire and implement a new system. To date, the City has spent a total of \$346,020.00 on customizations, configurations and privacy/security assessments for TalentFlow. These expenses – normally a one-time initial cost to customize a new system

to meet the City's requirements – will be incurred again if the City acquires a new system. This repeat expense can be entirely avoided through the extension of the TalentFlow contract. Please refer to the section "Risks of Issuing a New Competitive Process to Replace TalentFlow - Costs" on page 6.

DECISION HISTORY

The Human Resources Division awarded Request for Quotation (RFQ) No. 3405-06-3448 for the Supply, Delivery, and Installation of the Recruitment and Application Tracking System TalentFlow for the period from January 1, 2007 ending December 31, 2007 with the option to renew for four (4) additional one (1) year periods for a total amount of \$395,000.00 net of all taxes ending December 31, 2011. Subsequently, the Human Resources Division amended the Agreement to allow several customizations required to meet operational and business process needs for the corporate recruitment and staffing functions.

The total invested by Human Resources in TalentFlow since 2007 for its acquisition is as follows:

Initial acquisition (hosting/licenses) and Annual Maintenance for the term of the Contract ending December 31, 2011	\$395,000.00
Hosting Fees	\$110,000.00
Customizations	\$188,720.00
Security/Privacy assessments	\$ 9,200.00
TOTAL (net of all taxes)	\$702,920.00

Under the Provincial Ontario Works (OW) legislation, the City (TESS) has been assigned the mandate of providing employment supports and services to residents of Toronto. In support of this mandate, the Zylog Agreement was amended in July 2010 to allow TESS to deploy TalentFlow to support employment services under the OW Program. TalentFlow was acquired to help Torontonians get jobs, to help Toronto businesses find suitable employees, while concurrently fulfilling the City's employment services mandate under the OW Act and Regulations.

Zylog supplied, installed, and customized the TalentFlow application and TESS acquired 100 additional licenses. The TalentFlow system, further customized for the Toronto Employment & Social Services Division, was successfully launched in July 2010 to automate the matching of City residents looking for work to the many employment programs and employment opportunities with community employer partners. The solution has successfully matched clients and Toronto residents with jobs, and resulted in employment for Torontonians with community employers. For this critical work, a total of \$221,850.00, net of all taxes, was paid by TESS through an amendment to the existing Agreement and a separate Purchase Order in 2010.

ISSUE BACKGROUND

Single source procurement is a non-competitive purchase where there is only one supplier of a product or service and as a result a competitive quotation process is simply not possible. Examples include utility purchases, TTC tokens and suppliers mandated by the Provincial government.

TalentFlow is a web-based proprietary system that collects job seeker resumes and job applications. TalentFlow has been under development for corporate use since its acquisition in 2007. Since the acquisition, the City has successfully conducted several division-based pilots and a full divisional launch by Toronto Employment & Social Services in 2010, leading to its full implementation by Human Resources scheduled for the fall 2011 for City-wide application and use.

Zylog services are provided to the City – both to the Employment & Social Services Division and to the Human Resources Division – although there are two separate purchase orders for each division there is a single legal Agreement that protects the City's interests and binds the vendor to the same core terms and conditions for both divisions. TESS is required under Provincial legislation to offer employment services, and needed TalentFlow to effectively and efficiently meet these requirements by serving the recruitment needs of community employer partners and the employment objectives of TESS clients and Torontonians.

The City has made a substantial financial investment in TalentFlow since 2007. In addition, the City has made a considerable investment of staff effort and resources – both by the Human Resources and Employment & Social Services Divisions - since 2007, in working with the vendor to develop new business and technical processes and to customize the product to meet the City's operational needs. There has also been an investment of staff effort and other resources from the Fire Services Division as one of the pilot divisions using TalentFlow.

The current Agreement with Zylog (acquired through a competitive process) provides discounted rates for licensing, hosting and customization services offering competitive pricing with the current market conditions. By continuing to do business with Zylog the process of implementing new features will be cost effective as the vendor is the only supplier that can customize the existing system.

Risks of Issuing a New Competitive Process to Replace TalentFlow

The Legal Services Division has advised that if the City undertakes a new competitive process to solicit a new vendor to provide for annual maintenance, hosting and customization services on this existing product, the City will be unable to issue an unbiased, transparent and fair competitive process document requesting these specific services for the existing proprietary system. It is self-evident that only Zylog could successfully comply with the requirements of such a process.

A new competitive process to replace TalentFlow may also provide an unfair competitive advantage to the current vendor due to their prior work with the City, their extensive knowledge of the City's requirements and the existing TalentFlow solutions that have already been fully configured and customized for both divisions.

Since the contract expires on December 31, 2011, it will be necessary to terminate the use of the TalentFlow application for both community employment purposes and corporate recruiting, resulting in additional costs and other negative impacts as outlined below for both the City, its employees, its community partners, employers and citizens.

Additional Costs and Service Disruptions:

Terminating the contract with Zylog, undertaking a new process and acquiring a new system(s) would be costly, a significant time commitment from City resources and cause major service disruption.

Costs:

Undertaking a new competitive process to identify a new system(s) would require that the Human Resources and Employment & Social Services Divisions request additional funding for its acquisition, implementation, multi-year hosting or hardware, multi-year licensing and maintenance agreements. In addition, charges will be incurred to address privacy impact and security assessments and to configure and customize the solution to meet the operational requirements of both divisions. These initial, one-time configuration and customization costs are required to ensure that the system meets the City's requirements. If the City applies the competitive process to acquire a replacement for TalentFlow, these one-time costs will be incurred again for the replacement system. These initial configuration and customization costs, estimated to be about \$350,000.00, will be necessary for any new system acquired from the marketplace. However, the City has already received and paid for this work in TalentFlow, and can therefore avoid this expense entirely through the extension of the TalentFlow contract.

Time commitment:

Extensive staff time would be involved in repeated work of managing the customizations and configuration of the new system (work that is already complete for both divisions for the TalentFlow system), and overseeing the successful adherence by the new vendor to the City's business and privacy and security requirements. More time would also be required for retraining over 400 staff and other additional users, re-entering position data, and redesigning business processes.

Service Disruptions:

A new system would result in severe service disruptions as it would require public users to learn the new system and to recreate their personal employment profiles. It will also reduce the number of residents getting jobs in the community, and negatively impact community businesses and our community employer partners seeking suitable candidates for available employment positions.

Specific TESS Impacts

The TESS Division successfully launched the TalentFlow System in July 2010 and currently has several hundred posted employment opportunities, and almost 6000 City residents registered as candidates for employment with community employers who have partnered with TESS to offer employment opportunities to City residents. TESS also has over 300 staff trained in the use and support of the system. These significant investments by City staff and by City taxpayers will be lost when the system is shut down for a new competitive process. As a result, the Toronto Employment & Social Services Division will need to revert to cumbersome manual processes that prevent effective and timely responses to current labour market opportunities and job seekers' demands. Job opportunities will be missed, and residents looking for work will have their efforts disrupted, resulting in growth of the social assistance caseload and associated ongoing costs to the City.

TESS continues to experience high caseloads due to the 2009-2010 recession. However, with the more recent economic growth, jobs are increasingly available. TalentFlow provides a valuable tool for matching thousands of unemployed residents with available jobs in the community. The continued use of TalentFlow is critical to TESS' ability to fulfill its employment service delivery objectives, and to increase the number of unemployed residents finding and keeping jobs.

Specific Corporate HR Impacts

For the duration of the competitive process, the Human Resources Division will be forced to fall back on legacy technology (the current Resumix system) using unsupported, out-of-date hardware, for an unknown and potentially lengthy period, creating substantial risk for the corporate recruitment and job applicant tracking processes.

The City will lose the efficiencies identified through work conducted over the past few years to acquire and implement the new TalentFlow system. The HR Division has trained 140 staff on the TalentFlow system, and several City employees have attended "how-to-apply" sessions on the new system. Approximately 15,000 applications are currently in the system as a result of three Fire Services recruitment drives. Some of the efficiencies already identified through preparatory work process reviews in anticipation of using TalentFlow would be lost.

COMMENTS

The proposed pricing is reduced to levels at or below the original pricing submitted in the Request for Quotation (RFQ) in 2006, and is fair and reasonable. Zylog has not increased its maintenance and hosting fees to the City since 2007, and in fact provided a further discounted price to TESS when that division contracted with Zylog for its use of TalentFlow. TalentFlow functionality was compared to several other systems in the spring of 2010, and its pricing was compared in July 2011, through independent market research, with that of its competitors. In both market tests TalentFlow has been shown to be competitive, despite its advantages and superior functionality. Further, the existing legal Agreement binds Zylog to provide the City with discounted rates for their licensing,

hosting and customization services for up to four further years (i.e. to 2014) at the discretion of the City. TESS and HR staff have confirmed that the proposed pricing is fair, reasonable and representative for the required work.

TalentFlow supports residents of Toronto in obtaining jobs. With TalentFlow, and through strong partnerships among City Divisions, with communities, private employers and agencies, TESS is able to facilitate reliable jobs to Torontonians, and help Toronto's community agencies and private sector employers find qualified employees for their businesses, supporting economic development for the City.

Maintaining the continued services of the TalentFlow solution for the Human Resources and Toronto Employment & Social Services Divisions will ensure the City's approach to employment services and recruitment processes are cost effective, resident and user-focused and integrated both within the Toronto Public Service and with community partners fostering local prosperity and economic growth.

CONTACT

Judy Kane, Director, Employment & Social Services Toronto Employment & Social Services, Tel: (416)397-1705, E-mail: Jkane@Toronto.ca

Mary Louise Work, Director Strategic HR Services, Human Resources Division, Tel: (416)392-4728, E-mail: mwork@toronto.ca

James Addy, Manager, Program Support TESS, Tel: (416)397-0719, E-mail: Jaddy@Toronto.ca

Madeleine Gaudet, Manager, Program Support TESS, Tel: (416)392-9314, E-mail: mgaudet@toronto.ca

Jo-Ellen Beck, Manager, Workforce Planning and Data Management, Human Resources Division, Tel: (416)392-5011, E-mail: jbeck@toronto.ca,

Elena Caruso, Supervisor, Purchasing and Materials Management Division, Goods and Services, Tel: (416)397-4814, E-mail: ecaruso@toronto.ca

SIGNATURE

Heather MacVicar, General Manager
Toronto Employment & Social Services

Bruce L. Anderson
Executive Director, Human Resources

Lou Pagano
Director, Purchasing & Materials Management Division

ATTACHMENTS

TESS Main Job Board

<http://www.brainhunter.com/frontoffice/enterSeekerHomeAction.do?sitecode=pl551>

TESS “Partnership to Advance Youth Employment” Job Board

<http://www.brainhunter.com/frontoffice/enterSeekerHomeAction.do?sitecode=pl553>

TESS “Job Incentive Program” Job Board

<http://www.brainhunter.com/frontoffice/enterSeekerHomeAction.do?sitecode=pl552>