



**STAFF REPORT
ACTION REQUIRED**

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

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| Date: | June 14, 2011 |
| To: | Government Management Committee |
| From: | Executive Director, Human Resources, Acting General Manager, Toronto Employment & Social Services (TESS) and Director, Purchasing and Materials Management Division |
| Wards: | All |
| Reference Number: | |

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 to streamline and simplify the City's recruitment processes. TalentFlow ensures City employees and the public are aware of 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 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 in a total amount not to exceed \$1,254,500.00, net of all taxes. Further this report requests to extend the term of the agreement from January 1, 2012 to December 31, 2015.

Zylog is the single source 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 proposed pricing is reduced to levels at or below the original pricing submitted in the RFQ, and is fair and reasonable. TalentFlow pricing was compared and was shown to be competitive, particularly in light of its advantages and superior functionality. Further, the existing 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.

Zylog has not increased its maintenance and 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.

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 Acting General Manager of Employment & 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 four (4) year term ending December 31, 2015; and;
 - (b) to increase the total contract value in the amount not to exceed the sum of \$1,254,500.00, net of all taxes, for further customization requirements, and for on-going 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 \$1,276,579.20 net of HST Recoveries (1,254,500.00, net of all taxes). This consists of a total amount of \$1,000,000, net of all taxes, in the years 2011 – 2015 in the Operating Budgets and a total amount of \$254,500.00, net of all taxes in the Capital Budget. Funding in the amount of \$105,000.00, net of all taxes, is available in the 2011 Approved Operating Budget for Human Resources in the City Manager's Office. Future

funding will be requested in subsequent City Manager's Office Operating Budget submissions for 2012-2015. The amount for \$95,000.00, net of all taxes, is available in the 2011 Approved Operating Budget for Toronto Employment and Social Services (TESS). Future funding will be requested in subsequent Toronto Employment and Social Services Operating Budget submissions for years 2012 through to 2015.

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 \$244,500.00, 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 & net of HST Recovery equivalent at the bottom):

| Cost Allocations (Operating and Capital Budget) | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| TalentFlow | | | | | | |
| Annual Maintenance, Licensing & Hosting Fees | \$105,000.00 | \$105,000.00 | \$105,000.00 | \$105,000.00 | \$105,000.00 | \$525,000.00 |
| HR Subtotal | \$105,000.00 | \$105,000.00 | \$105,000.00 | \$105,000.00 | \$105,000.00 | \$525,000.00 |
| Maintenance & Hosting Fees | \$65,000.00 | \$65,000.00 | \$65,000.00 | \$65,000.00 | \$65,000.00 | \$260,000.00 |
| 100 new users and 10 new sites | \$30,000.00 | \$30,000.00 | \$30,000.00 | \$30,000.00 | \$35,000.00 | \$120,000.00 |
| TESS Subtotal | \$95,000.00 | \$95,000.00 | \$95,000.00 | \$95,000.00 | \$95,000.00 | \$380,000.00 |
| Total Operating | \$200,000.00 | \$200,000.00 | \$200,000.00 | \$200,000.00 | \$200,000.00 | \$905,000.00 |
| E-HR Web Enablement (including AODA, hiring manager tool, security and privacy for launch, testing, training, customizations and reports) | \$100,000.00 | \$134,500.00 | \$10,000.00 | \$10,000.00 | \$0.00 | \$254,500.00 |
| Total, net of all taxes | \$300,000.00 | \$334,500.00 | \$210,000.00 | \$210,000.00 | \$200,000.00 | \$1,254,500.00 |
| Total, including non-Recoverable HST | \$305,280.00 | \$340,387.20 | \$213,696.00 | \$213,696.00 | \$203,520.00 | \$1,276,579.20 |

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

DECISION HISTORY

Request for Quotation (RFQ) No. 3405-06-3448 for the Supply, Delivery, Installation of Recruitment and Application Tracking System for the period from January 1, 2007 ending December 31, 2007 with the option to renew for four (4) additional one (1) year periods was issued for the City's Human Resources Division, and as a result the City entered into an Agreement in the amount of \$95,000.00, net of all taxes. The term ends on December 31, 2011. Subsequently, the Human Resources Division amended the Agreement twice to allow customizations required to meet operational and business process needs for the corporate recruitment and staffing functions.

In July 2010, the Agreement was amended to allow TESS to deploy TalentFlow to support the Ontario Works Program. Zylog supplied, installed, and customized the

TalentFlow application and TESS purchased 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 resident job seekers to the many employment programs and employment opportunities with community employer partners. A total of \$200,000.00, net of all taxes, was added by amendment to the existing Agreement by TESS in 2010 for this work, raising the total invested by the City in TalentFlow (for the original purchase, maintenance, hosting fees and subsequent customizations) \$788,720.00, net of all taxes.

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 in the fall 2011 for City-wide application and use.

ISSUE BACKGROUND

In order to meet immediate contract obligations, the City is required to pay its 2011 annual maintenance and hosting fees. New customizations for the Human Resources Division must be acquired in order to meet provincially legislated privacy and accessibility requirements and security specifications for the City.

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 staff effort and resources from the Fire Services Division as one of the pilot divisions.

The current agreement with Zylog (acquired through a competitive process) provides discounted rates for licensing, hosting and customizations 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 organization that can customize the existing system.

The Legal Services Division has advised that if the City undertakes a Request For Proposal (RFP) 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 RFP 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 an RFP.

Similarly, if the City wishes to pursue an RFP process for an e-Recruitment system at this time, the Human Resources Division will be required to request additional capital budget for an RFP process of an estimated \$1,700,000.00. It will be necessary to go back to the

marketplace with the same requirements as were in the 2006 RFQ and terminate the use of the current TalentFlow application; this RFP process could potentially provide an unfair advantage to the current vendor.

Further, for the duration of the RFP process, the Human Resources Division will be forced to fall back on unsupported legacy technology for an unknown and potentially lengthy period, creating substantial risk for the corporate recruitment and job applicant tracking processes. The City will lose all the efficiencies and benefits gained through work conducted over the past few years on acquiring and implementing the new TalentFlow system.

The TESS Division successfully launched the TalentFlow System in July 2010 and currently has several hundred posted employment opportunities, and almost 5000 City residents registered as candidates for employment with community employers who have partnered with TESS to offer employment opportunities to 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 an RFP process. As a result, the Toronto Employment & Social Services Division will need to revert to cumbersome manual processes that prevent effective responses to current labour market opportunities and job seekers' demands.

Failing to continue the contract with Zylog and implementation of another applicant tracking system would involve costly new configurations and customizations, retraining of staff, reloading of positions and business process re-engineering. Further, 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 our community employer partners seeking suitable candidates for available employment positions.

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 pricing has been compared through market research with that of its competitors and has been shown to be competitive, despite its advantages and superior functionality. Further, the existing legal agreement between Zylog Systems (Canada) Inc. and TESS binds Zylog to provide the City with discounted rates for their licensing, hosting and customization services for up to four further years at the discretion of the City. Proposed pricing is fair, reasonable and representative for the required work.

An integrated approach to service provision, including strong partnerships with communities, employers, agencies and other governments, has become, and will continue to be, critical to our efforts to ensure our services respond to city residents' needs and improve outcomes for Torontonians.

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

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SIGNATURE

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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>