



Request for City Council Committee Action from the Department of BIS

Date July 18, 2011

To: The Honorable Betsy Hodges, Chair, Ways and Means Committee

Subject: Execute Contract with Halogen Software Inc. to Purchase and Implement an Enterprise Performance Management System

Recommendation: Authorize proper City officials to a) execute a 3 year contract not to exceed \$300,000 with Halogen Software Inc. for software, licensing, maintenance and professional services; and b) to include two options for one-year extensions.

Prepared by Elise Ebhardt, BIS Interagency Coordinator, 673-2026

Submitted by Otto Doll _____, 673-3190
Chief Information Officer

Approved by Steven Bosacker _____
City Coordinator

Presenters in Committee Otto Doll, Pam French

Policy Review Group X Not Applicable

Permanent Review Committee (PRC) X Approved

Prior Related Directives:

- As part of the Human Resources Department 2010 Supplemental Budget it was recommended, "The department is encouraged to implement the Enterprise Performance Management System Software within existing resources." This recommendation was in lieu of a financial directive to reduce the 2010 funding level by the same amount, \$175,000.
- December 10, 2010 approval of Enterprise Performance Management System Funding Plan

Financial Impact:

No additional appropriation is required at this time. The funding plan for the Performance Management system is described below.

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to department's finance contact prior to the Committee Coordinator

Background/Supporting Information

The establishment of an enterprise wide performance management system has been a part of the Human Resources (HR) Business Plan for a number of years. The initiative comes from feedback from employees through the Employee Survey and from departments through the Management Services Survey, along with directives from the Compensation Philosophy developed by elected officials. The use of enterprise systems to track, monitor and manage organizational and employee performance is a growing trend exemplified by the many organizations deciding to purchase these types of systems.

After conducting significant internal and external research into customer needs and performance management systems, the HR Department issued a Request for Proposals (RFP) in September of 2010. It has been determined that the preferred solution for the City of Minneapolis will be one that is externally hosted and available to our workforce at any time. The RFP was written to assure the selected vendor will match our performance management model. The RFP process resulted in eleven respondents. The project team's evaluation of the proposals resulted in a group of three vendors scheduled to provide system demonstrations. Halogen Software Inc. was the preferred vendor based on the City's requirements.

The HR Department has also initiated pilot implementation projects in Public Works and Human Resources. The utilization of the automated tool will be a requirement for the pilot projects.

This request is to preserve the available resources such that the most appropriate decision is made.

Value on Investment

Using an automated tool as part of the City's enterprise performance management system includes the following benefits:

Efficiency:

- Leverage technology to improve cycle times from initiation to review through feedback and response.
- Eliminate paper and substantially reduce records management costs.
- Tighten alignment of individual performance objectives with unit, department, and city goals.
- Efficient processes improve employee morale.

Customer Satisfaction:

- Instant and easy accessibility to performance data for individuals.
- Robust performance statistical reporting promotes objectively based recognition of excellence.
- Provide an accountable and continuously improving workforce serving the citizens of the City of Minneapolis.
- Consistent feedback has been shown to improve employee retention, reducing overall on-boarding costs for new hires.

Risk Avoidance:

- Provide legally defensible and consistent records of performance appraisal and management for all city employees.
- Ensure that input, feedback, and response cycles comply with standards.
- Ensure full participation in a performance management framework.

Strategic Planning / Goals:

- Align city employee performance with city goals and demonstrate traceability.
- Provide a means to strategically plan for performance improvement.
- Provide analytical reporting to assess trends and make systemic changes as needed.

Social / Economic Impact:

- An enterprise system that fairly manages performance can expose non-aligned activities so that employees can be re-purposed to optimize their effectiveness and value add to the city and its goals.
- A single legal victory traceable to consistent and defensible performance data managed in a PMS could potentially render savings that recoup all costs for the application and its subscription. A civil rights employment lawsuit to recover potential and lost wages often extends into the \$100s of thousands.

Systems / Data:

- Accurately capture performance related metrics.
- Provide robust reporting for trend and gap analysis.

Funding for Halogen Performance Management Software

As part of the 2010 Supplemental Budget it was recommended for the HR Department that, "The department is encouraged to implement the Enterprise Performance Management System Software within existing resources." This recommendation was in lieu of a financial directive to reduce the 2010 funding level by the same amount, \$175,000.

On December 10, 2011, the Minneapolis City Council took action to roll over \$175,000 in the HR 06400 Fund to be used for the purposes of implementing the performance management software.

The system implementation will be phased in, therefore the Halogen Software contract costs will increase each year based on the number of employees expected to use the

system. The contract is expected not to exceed \$300,000 over the first three years. In year one we estimate 500 employees will use the system, year two an estimate of 2,000 employees, and by year three we plan to implement with all City employees (regular/full time) for an estimate of 3,500 users.

Our plan is for the HR Department to fund the first two years of the Halogen contract, which is projected to be \$103,000, plus the cost for BIS services (project implementation costs). After payment for the first two years, HR will roll over the unspent balance of the \$175,000, to partially cover year three. The ongoing remaining Halogen Software contract costs will be billed to individual departments at a cost of approximately \$38 per employee per year. There are no ongoing BIS support costs.

Request for Approval

BIS is requesting authorization for the proper City officials to:

- a) execute a three year contract not to exceed \$300,000 with Halogen Software Inc. The Halogen solution includes enterprise Performance Management software (licensed and externally hosted), maintenance, and professional services to configure, implement and support the system for the City. (BIS Project 880F0176)
- b) include two options for one-year extensions within the contract.

No additional appropriation is required at this time.