



HISTORIC
FRANKLIN
TENNESSEE

ITEM #22
BOMA
11/26/13

MEMORANDUM

November 11, 2013

TO: Board of Mayor and Aldermen

FROM: Eric S. Stuckey, City Administrator *ES*
Russ Truell, Assistant City Administrator/CFO
Shirley Harmon, Human Resources Director
Fred Banner, IT Director
Tracy Harness, Benefits Administrator
Brian Wilcox, Purchasing Manager

SUBJECT: Consideration of contract award to Kronos, Inc. of Chelmsford, MA in the estimated total amount of approximately \$392,894.50 non-recurring cost and approximately \$59,610 per year recurring cost for Kronos Workforce Central Suite human resources information system (Purchasing Office Procurement Solicitation No. 2013-003; \$100,000 budgeted in 110-89550-41650 for fiscal year 2014; Contract No. 2013-0127)

Purpose

The purpose of this procurement is to purchase a suite of software comprising a human resources information system. The proposed software, from Kronos, Inc., would be used to support human resources administration, leave administration, time and attendance management and employee benefits administration. The proposed software, which is specific to functions related to human resources, would replace a module to the City's current financial accounting and reporting system with additional features and improve the reliability of the time and attendance function.

Background

The City published in the *Williamson Herald* on June 28, 2012 a Notice to Proposers for a human resources information system. In addition, solicitation documents were sent on or about the same date directly to thirteen (13) potential proposers known or thought to be interested in this solicitation. Proposals from three (3) vendors were publicly opened at the submittal opening held on July 31, 2012. A tabulation of the proposals received for this solicitation is attached.

The proposal ranked highest by the proposal evaluation team is from Kronos, Inc. of Chelmsford, MA. Staff has checked references with other clients of Kronos, and had local government clients of Kronos demonstrate for the City their usage of and experience with Kronos software. In addition, staff has considered what software products some of Franklin's comparable local governments use to meet their human resources information system needs.

Kronos has submitted for the City's review and consideration the following four documents, all of which are currently in the process of being negotiated:

- Kronos Order Form
- Kronos Services Scope Statement
- Kronos Sales, Software License And Services Agreement
- Kronos Application Hosting Addendum Supplemental Terms And Conditions

In addition, the City has prepared the attached proposed Procurement Agreement. All five of these documents, in addition to the documents referenced therein, would collectively comprise City Contract No. 2013-0127 by and between the City and Kronos, Inc.

Tennessee Code Annotated § 4-30-103 requires local governments “implementing new electronic technology associated with the disbursement of public funds, purchasing or the sale of local government assets or the collection of various taxes, fines, fees or payments” to file, at least thirty (30) days prior to implementation, a plan containing specified information with the comptroller of the treasury for comments. Staff has prepared the attached plan and would file such plan upon BOMA approval.

Financial Impact

The fees being quoted by Kronos may be categorized according to whether they are recurring or non-recurring, as follows:

Fee description	Fee amount
Non-recurring costs:	
Software Licenses	\$122,400.00
Equipment	59,834.50
Professional Services	175,965.00
Bill-As-You-Go Instructor Lead Training	30,345.00
Travel Expenses	3,000.00
Cloud Hosting Startup	1,350.00
Total non-recurring costs:	\$392,894.50
Recurring (annual) costs:	
Support Services	\$39,510.00
Educational Services Subscription	2,100.00
Cloud Hosting	18,000.00
Total recurring (annual) costs:	\$59,610.00

The option being recommended by staff, no. 3 below, contemplates the City financing the non-recurring portion of the purchase, as well as \$30,000 for other professional services pertaining to the implementation of this software, by means of a lending institution of the City’s choosing, namely Banc of America, which would result in annual payments in the estimated total amount of \$144,190 per year for three years. In addition, the option being recommended by staff contemplates payment of cash for the recurring portion of the purchase in the estimated total amount of \$59,610 per year in years one through three and a like amount plus an annual escalation per year of not more than 3% in years four and five. The Human Resources Department budget for fiscal year 2014 allocates \$100,000 out of the General Fund toward a human resources information system; depending upon the timing of implementation and the lease payment schedule, this FY 2014 budget amount would need to be increased by approximately \$100,000 to cover the first year’s lease payments and maintenance fees.

It is important to note that the full cost of implementation cannot be determined with accuracy. As an industry standard, there is an assumption that professional services provided during the implementation process will typically total 2.5 to 3.0 times the cost of the software package alone. In this instance, that would amount to approximately \$367,200 (three times \$122,400, the quoted cost of the software licenses). The vendor in this case has proposed \$175,965 as startup professional services costs in the contract. Professional services from other service providers may also be needed. Specifically, project management services have been identified by staff as an important implementation need.

It should also be noted that integration issues with existing systems may ultimately result in the purchase of a payroll module from Kronos, which would also add additional expense to this project. The decision to purchase the payroll module is not required at this time.

Options

In accordance with the solicitation documents, the City reserves the right to reject any and all proposals.

In addition, the following options are available to the City for a 32-week implementation timeline and, except as noted below, for the same products and services (summary of differences is provided immediately following the table):

Opt. No.	Products	Implementation Timeline	Hosting site	Non-recurring cost	Recurring cost	Method of payment
1	Perpetual license to Kronos Workforce Central Suite of software for 700 employees, 150 managers and 10 administrators, plus 22 biometric time clocks	32 weeks, subject to final project plan	remote managed services (software running on CoF servers)	During first four years: \$147,048 per year		During first four years: 48-mo. municipal lease by means of a lending institution of Kronos' choosing (at 6.5%) for both the non-recurring and the recurring portion of the purchase
				After first four years: \$0	After first four years: \$35,120 per year for support but not hosting (plus an annual escalation of not more than 3%)	After first four years: Cash
2	Perpetual license to Kronos Workforce Central Suite of software for 700 employees, 150 managers and 10 administrators, plus 22 biometric time clocks	32 weeks, subject to final project plan	Kronos-hosted	During first four years: \$152,808 per year		During first four years: 48-mo. municipal lease by means of a lending institution of Kronos' choosing (at 6.5%) for both the non-recurring and the recurring portion of the purchase
				After first four years: \$0	After first four years: \$53,840 per year for support and hosting (plus an annual escalation of not more than 3%)	After first four years: Cash
3	Perpetual license to Kronos Workforce Central Suite of software for 750 employees, 150 managers and 10 administrators, plus 22 biometric time clocks	32 weeks, subject to final project plan	Kronos-hosted	During first three years: \$144,190 per year (includes \$30,000 for other professional services pertaining to the implementation of this software)	\$59,610 per year in years one through three for support, hosting and educational services subscription (plus an annual escalation of not more than 3% in years four and five)	36-mo. municipal lease by means of a lending institution of City's choosing (at 1.30%) for the non-recurring portion of the purchase; cash for the recurring portion of the purchase
				After first three years: \$0		



HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

Opt. No.	Products	Implementation Timeline	Hosting site	Non-recurring cost	Recurring cost	Method of payment
4	Perpetual license to Kronos Workforce Central Suite of software for 750 employees, 150 managers and 10 administrators, plus 22 biometric time clocks	32 weeks, subject to final project plan	Kronos-hosted	an estimated \$183,584.50, due upon installation (for software licenses, equipment, and cloud hosting startup fee) plus an estimated \$209,310, due as services are rendered (for startup professional services plus training and travel)	\$59,610 per year in years one through three for support, hosting and educational services subscription (plus an annual escalation of not more than 3% in years four and five)	Cash for both the non-recurring and the recurring portion of the purchase

Summary of options above:

- Option No. 1 anticipates the City hosting the software on City servers, and both non-recurring and recurring costs during the first four years being financed by means of 48-month municipal lease by means of a lending institution of Kronos' choosing.
- Option No. 2 is the same as Option No. 1 except that the vendor, Kronos, would host the software on its own servers.
- Option No. 3 anticipates Kronos hosting the software on its own servers, the non-recurring costs being financed by means of 36-month municipal lease by means of a lending institution of the City's choosing, and the recurring costs being paid by cash.
- Option No. 4 is the same as Option No. 3 except the City would pay cash for both the non-recurring and the recurring portion of the purchase.

Recommendation

Staff recommends that the City:

1. accept the proposal ranked highest by the proposal evaluation team, from Kronos, Inc. of Chelmsford, MA;
2. select Option No. 3 listed above (Kronos hosting the software on its own servers, the non-recurring costs being financed by means of 36-month municipal lease by means of a lending institution of the City's choosing, and the recurring costs being paid by cash);
3. acknowledge that an amendment to the City's master lease arrangement with Banc of America may be necessary to accommodate the payment method recommended above;
4. acknowledge that, depending upon the timing of implementation and the lease payment schedule, a FY2014 budget amendment may be necessary;
5. approve, contingent upon Law Department and City Administrator approval, City Contract No. 2013-0127; and
6. approve the attached plan pursuant to T.C.A. § 4-30-103.

Purchasing Manager Brian Wilcox is of the opinion that the prepared solicitation documents as distributed allowed for competition among multiple vendors, and that the staff recommendation appears to be made in a fair and impartial manner based upon the proposals received.

Tabulation of Proposals*

Purchasing Office Solicitation No.:		2013-003 (human resources information system)						
Notice to Proposers published in the <i>Williamson Herald</i> on:		6/28/12						
Number of vendors that were notified of / that responded to this request for proposals:		13 / 3						
Date and time proposals due and publicly opened:		7/31/12 2:00 PM						
Present at opening of proposals:		David Herndon of Kronos; Tracy Harness of the City of Franklin Human Resources Department; and Martha Garland and Brian Wilcox of the City of Franklin Purchasing Office						
Target meeting of BOMA at which recommendation will be considered:		12/10/13						
Proposals received from:	Proposal No.:	Description of proposal	Does the proposer take exceptions?	Average of scores by proposal evaluation team based on submitted proposals (out of a possible 100 points; scoring based on published selection criteria):	Average of scores by proposal evaluation team after demonstrations (out of a possible 100 points; scoring based on published selection criteria):	Payment terms:	Estimated time of delivery after receipt of order:	Proposal pricing is valid through:
Arahant, LLC 130 9th Ave. S., Suite 110 Franklin, TN 37064 Blake McBride, CEO 615/394-6760 blake@arahant.com	1 of 1	HRIS	Proposer takes no exceptions	58.5	not invited to demonstrate	net 30 days	30 days	12/31/12
Kronos Incorporated 297 Billerica Rd. Chelmsford, MA 01824 David Herndon, Sr. Account Executive 901/746-8643 david.herndon@kronos.com	1 of 2	Kronos Workforce Central Suite and Kronos InTouch Biometric Terminals	Proposer takes exceptions, and proposal is subject to negotiation	84.3	84.6	net 30 days	2-5 business days for software and time clocks	12/31/13
PDS 470 Norristown Rd., Suite 202 Blue Bell, PA 19422 Jeanne Eberly, Regional Sales Manager 610/489-6686 jeberly@pdssoftware.com	1 of 1	Vista	Proposer takes no exceptions to the City's Standard Procurement Terms and Conditions but includes its standard License contracts	82.7	66.5	net 30 days	to be determined	12/31/12

*Shaded proposal is the proposal found by the proposal evaluation team to best meets the needs of the City

CITY OF FRANKLIN, TENNESSEE PROCUREMENT AGREEMENT

(City of Franklin Contract No. 2013-0127)

THIS PROCUREMENT AGREEMENT ("AGREEMENT") is by and between the City of Franklin, Tennessee ("CITY"), and Kronos, Inc. of Chelmsford, MA ("VENDOR"), who mutually agree as follows:

1. CITY issued (a) on June 30, 2012 Purchasing Office Solicitation No. 2013-003, a request for proposals to supply and deliver a human resources information system, and (b) on July 17, 2012 Addendum No. 1 to Purchasing Office Solicitation No. 2013-003 (collectively, "SOLICITATION"), a copy of which is attached hereto as Attachment No. 1 and hereby incorporated by reference as if fully set forth herein.
2. In response to CITY's SOLICITATION, VENDOR submitted a proposal dated July 26, 2012 ("SUBMITTAL"), a copy of which is attached hereto as Attachment No. 2 and hereby incorporated by reference as if fully set forth herein.
3. VENDOR has now also submitted a Certificate of Insurance, dated _____, 2013, that meets or exceeds CITY's Insurance Requirements, copies of both of which are attached hereto as Attachment No. 3 and hereby incorporated by reference as if fully set forth herein.
4. VENDOR has now also submitted (a) VENDOR's Order Form, (b) VENDOR's Services Scope Statement, (c) VENDOR's Sales, Software License And Services Agreement, and (d) VENDOR's Application Hosting Addendum Supplemental Terms and Conditions (collectively, "VENDOR's CONTRACT DOCUMENTS"), all executed and approved by the parties with the execution of this Agreement, a copy of which is attached hereto as Attachment No. 4 and hereby incorporated by reference as if fully set forth herein.
5. CITY awarded on _____, 2013 and now desires to retain VENDOR to supply and deliver a human resources information system pursuant to this AGREEMENT. VENDOR's CONTRACT DOCUMENTS describe the products, services and associated cost specifically selected and ordered under this AGREEMENT.
6. In the event of a conflict between CITY's SOLICITATION and VENDOR's SUBMITTAL, CITY's SOLICITATION shall supersede conflicting terms and conditions found in VENDOR's SUBMITTAL, except for any exceptions identified by VENDOR in its SUBMITTAL and accepted at the time of award by CITY. VENDOR's CONTRACT DOCUMENTS shall supersede conflicting terms and conditions found in either CITY's SOLICITATION or VENDOR's SUBMITTAL, except that CITY's Standard Procurement Terms and Conditions as modified for this particular procurement and incorporated into VENDOR's contract documents shall supersede conflicting terms and conditions found in VENDOR's CONTRACT DOCUMENTS.

CITY OF FRANKLIN, TENNESSEE PROCUREMENT AGREEMENT

(City of Franklin Contract No. 2013-0127)

EXECUTED THIS _____ DAY OF _____ 20__.

For VENDOR:

For CITY:

(signature of VENDOR's authorized representative)

(signature of CITY's authorized representative)

TITLE: _____

TITLE: _____ Mayor

Approved as to Form:

Attorney for CITY

CITY OF FRANKLIN, TENNESSEE
PROCUREMENT AGREEMENT

(City of Franklin Contract No. 2013-0127)

Attachment No. 1

SOLICITATION

CITY OF FRANKLIN, TENNESSEE
PROCUREMENT AGREEMENT

(City of Franklin Contract No. 2013-0127)

Attachment No. 2

SUBMITTAL

**CITY OF FRANKLIN, TENNESSEE
PROCUREMENT AGREEMENT**

(City of Franklin Contract No. 2013-0127)

Attachment No. 3

CITY's Insurance Requirements

and

Certificate(s) of Insurance

CITY OF FRANKLIN, TENNESSEE

PROCUREMENT AGREEMENT

(City of Franklin Contract No. 2013-0127)

Attachment No. 3a

CITY's Insurance Requirements

Prior to award of the procurement by the City, the successful proposer (that is, the vendor who is recommended be awarded the purchase) shall provide one or more Certificate(s) of Insurance that meet(s) or exceed(s) the following insurance requirements:

Type of coverage		Limits of coverage	Certificate of insurance*
Commercial general liability	Premises / operations	\$1 million per occurrence / \$2 million annual aggregate	Certificate of insurance shall name the City of Franklin as an Additional Insured and attach endorsement. Coverage shall apply on a primary and non-contributory basis.
	Products / completed operations	\$1 million per occurrence / \$2 million annual aggregate	
As an alternate to commercial general liability, proposer may offer ... Technology errors and omissions liability		\$1 million combined single limit	Certificate of insurance shall name the City of Franklin as an Additional Insured and attach endorsement. Coverage shall apply on a primary and non-contributory basis.
Workers compensation		Statutory limits	Certificate holder only
Employers liability		\$500,000 bodily injury each accident / \$500,000 policy limit bodily injury by disease / \$500,000 each employee bodily injury by disease	Certificate holder only

If and when insurance coverage documented by the certificate(s) of insurance referenced above expires before the expiration of any specified term of award, including any extensions thereto, or the delivery and acceptance of the ordered products and/or services, then the successful proposer shall provide, no later than 20 days following the effective date of the insurance coverage renewal period, one or more unexpired certificates of insurance that indicates the new date(s) of insurance coverage expiration and that meets or exceeds the insurance requirements as specified above.

In the event that insurance coverage documented by the certificate(s) of insurance referenced above is materially modified or canceled before the expiration of any specified term of award, including any extensions thereto, or the delivery and acceptance of the ordered products and/or services, then the successful proposer shall notify the City, within thirty (30) calendar days of knowing or being notified itself, of any such material modification or cancellation.

CITY OF FRANKLIN, TENNESSEE
PROCUREMENT AGREEMENT
(City of Franklin Contract No. 2013-0127)

Attachment No. 3b

Certificate(s) of Insurance

**CITY OF FRANKLIN, TENNESSEE
PROCUREMENT AGREEMENT**

(City of Franklin Contract No. 2013-0127)

Attachment No. 4

VENDOR'S CONTRACT DOCUMENTS

CITY OF FRANKLIN, TENNESSEE
PROCUREMENT AGREEMENT
(City of Franklin Contract No. 2013-0127)

Attachment No. 4a

VENDOR's Order Form

CITY OF FRANKLIN, TENNESSEE
PROCUREMENT AGREEMENT
(City of Franklin Contract No. 2013-0127)

Attachment No. 4b

VENDOR's Services Scope Statement

**CITY OF FRANKLIN, TENNESSEE
PROCUREMENT AGREEMENT**

(City of Franklin Contract No. 2013-0127)

Attachment No. 4c

VENDOR's Sales, Software License And Services Agreement

**CITY OF FRANKLIN, TENNESSEE
PROCUREMENT AGREEMENT**

(City of Franklin Contract No. 2013-0127)

Attachment No. 4d

VENDOR's Application Hosting Addendum Supplemental
Terms And Conditions

New Electronic Technology Plan pursuant to T.C.A. § 4-30-103

Plan filed by: City of Franklin, Tennessee

Plan to be filed with: Tennessee Comptroller of the Treasury

Plan filed on: <DATE1>

New electronic technology to be implemented starting: not earlier than <DATE2> (<DATE1> + 30 days)

Section 1: Description of the business process and the technology to be utilized.

Description of the business process:

- human resources administration
- leave administration
- time and attendance management
- employee benefits administration

Description of the technology to be utilized: Kronos Workforce Central Suite, licensed by Kronos, Inc. of Chelmsford, MA, to include the following Kronos-hosted software and Kronos-supplied equipment:

Software:

- Workforce Timekeeper V7
- Workforce Manager V7
- Workforce Employee V7
- Workforce Absence Manager V7
- Workforce Integration Manager V7
- Workforce Administrator HR/Payroll V7
- Workforce Human Resources V7
- Workforce Employee HR/Payroll V7
- Workforce Manager HR/Payroll V7

Equipment:

- Kronos InTouch 9000 H2, Standard Enclosure, with Bar Code Badge Reader
- Kronos Touch ID Biometric Verification/Identification Option
- InTouch North America Power Kit For External AC Outlet - Standard Enclosure

Section 2: Description of the policies and procedures related to the implementation of the electronic technology.

The policies and procedures related to the implementation of the electronic technology are those pertaining to administration of the City's human resources, leave, time and attendance, and employee benefits functions, including federal and state law and regulation, the City's Charter, the City's Code of Ordinances, and the City's Human Resources Manual.

Section 3: Documentation of internal controls that will ensure the integrity of the business process.

The internal controls that will ensure the integrity of the business process are those pertaining to administration of the City's human resources, leave, time and attendance, and employee benefits functions, which are already in place and will be supported and enhanced by the implementation of the electronic technology, since the City will then have a single point of entry for human resources and time and attendance data, with a complete audit trail for transactions.

Section 4: Estimated implementation cost and a statement as to whether the implementation of the new electronic technology will be implemented within the existing operating resources of the office or indicate prior approval of the governing body if additional operating resources are needed.

The technology provider, Kronos, Inc., estimates its charges for implementation to be \$392,894.50 for non-recurring costs and \$59,610 per year for recurring costs. Other costs of implementation, including costs payable to other vendors of the City and the value of City staff time dedicated to implementation, have not been estimated and are not known.

The new electronic technology will be implemented within the existing operating resources of the City of Franklin, as follows:

Implementation product/service provider	Implementation cost timing	Method of payment
technology provider	non-recurring	36-mo. municipal lease-purchase arrangement by and between the City and a financial institution of the City's choosing
	recurring	operating budget cash
other vendor(s) of the City	non-recurring	36-mo. municipal lease-purchase arrangement by and between the City and a financial institution of the City's choosing
	recurring	operating budget cash
City of Franklin staff	non-recurring	operating budget cash
	recurring	

The recommendation to procure the new electronic technology described above, including the recommended methods of payment for each implementation cost category, was presented to and approved by the City of Franklin Board of Mayor and Aldermen on _____.