



Corporation of the Township of Brock

Staff Report to the Mayor and Members of Council

From: Lisa Chen

Position: Director of Finance and Treasurer

Title / Subject: Modernization Initiative Update – Payroll and Human Resources Information System

Date of Report: September 22, 2022

Date of Meeting: September 26, 2022

Report No: 2022-FI-018

1.0 Issue / Origin

To provide a progress update of the Payroll and HR Information System modernization project.

2.0 Background

In February 2022, the Township was approved for Municipal Modernization Program – Intake 3 Implementation Stream funding towards a payroll and human resources information system.

The objectives of the project are to:

- implement an integrated system to streamline payroll and HR processes
- reduce labour intensive data entry and move towards electronic HR files
- enable workflow automation through employee onboarding process, electronic scheduling, time sheet submission and approvals
- enhance controls through rule based configurations
- provide additional self-serve capabilities such as querying employee's own vacation bank entitlements, updating their own personal contact information and allowing management staff to generate real-time reports

The project will provide efficiencies throughout and translate to time savings for both administrative and management staff, freeing up time to work on higher value activities.

3.0 Analysis

The overall project was submitted for \$57,500 including the net HST impact, with \$37,372 (65%) from the grant and \$20,128 (35%) to be funded from capital reserve funds. This includes software implementation, training, project management but excludes annual operating costs

beyond the first year. Project costs must be incurred by February 2023 to be eligible for reimbursement.

Current Payroll Process

Payroll is processed through a combination of internal staff and outsourcing. Timesheets are prepared by staff on a spreadsheet, submitted to their supervisor for approval, and then sent to the Payroll Analyst who reviews the submission for compliance to compensation policies, enters the hours for each employee into the system, and then maintains a spreadsheet to track vacation bank entitlements. Files are transmitted to the bank and CRA by a third party (Ceridian), who also manages the monthly remittances, generates year end reports and produces T4 statements. Processing fees are approximately \$8,000 annually based on the number of transactions for each payroll cycle.

After each payroll cycle, the Payroll Analyst consolidates the timesheets, reorganizes the amounts by expense types, and then enters it into the financial system. She is also responsible for submitting union dues, and updating OMERS enrollment information.

Current HR Process

When a position is vacant, management staff prepare staff requisitions according to the approved staffing complement and upon successful recruitment, employment contracts are sent to the Payroll Analyst for filing. All onboarding forms, policies and employee training are coordinated through the Receptionist, and forwarded to the Payroll Analyst for safe-keeping who also enrolls them into the corporate benefit plan.

When an employee leaves, management staff coordinates the return of equipment, and notifies the Payroll Analyst who coordinates the final pay, terminates the benefits/OMERS and requests a record of employment through Ceridian.

Long term disability, parental leaves, attendance management and WSIB claims are managed by a combination of management, Clerks and Finance staff, along with the CAO and consultants as required. Documents are generated by each respective departments, and forwarded to payroll for processing and filing.

Modernization Opportunity

Through an integrated payroll and HR information system, there is opportunity to coordinate processes, update files, communicate consistent information and ensure proper controls are in place by storing everything in one central database. In addition, employee expense reimbursement will be considered for direct deposit using the payroll system.

In selecting the path forward, a key consideration was whether to continue to outsource the payroll remittances, CRA reporting and T4 statements or to bring all processes in-house. The following table provides a comparison of the two options considered for implementation.

Description	Outsource	In-house
Application	Continue to expand functions through the existing service provider. Both payroll and HR modules are integrated, but requires an upgraded version of their payroll system.	Utilize payroll and HR modules from the existing financial system provider. Payroll system is native to the system while the HR system is a stand-alone product that requires integration.
Technical Expertise – Implementation	Large number of public sector clients and an in-house group of Canadian public sector specialists. A made in Canada solution. Multi-factor authentication is enabled.	Large number of public sector clients with both Canadian and American clients. Canadian version of a US product. Current system will need to be upgraded to enable multi-factor authentication.
Technical Expertise – Ongoing support and maintenance	Specialized public sector support group due to level of complexity of union agreements. Recently engaged by Government of Canada to replace their payroll system. Ongoing updates due to changes in legislation are managed and tested by the provider. Costs are included in the monthly subscription fees.	Parent company owns many public sector applications, however, client service levels deteriorating as the company has focused on corporate expansion. Ongoing updates due to changes in legislation will need to be managed, tested and paid for by the township every year.
Staffing Resource	Staff will maintain and update township specific data. Less internal resources required.	Staff will maintain and update township specific data as well as process, remit, and configure. Responsibilities will be added to staff in Finance and IT. System and legislative updates to be supplemented by outsourced technical expertise annually.
Level of complexity	Payroll and HR systems are complex and subjective to	Payroll and HR systems are complex and subjective to

Description	Outsource	In-house
	regular legislative updates. For a small municipality risk is mitigated through outsourcing.	regular legislative updates. For a small municipality risk is high by bringing it in house.
Project Timelines	Similar to alternative.	Similar to alternative.
Organizational change management and training	Major transformation that will need to be managed in phases. Ongoing training and support is available online and through the call centre, included in the monthly fee. User interface is more intuitive.	Major transformation that will need to be managed in phases. Ongoing training and support is available as part of implementation, but future training will be managed through internal resources or available through professional services.
Costs	Implementation is approximately \$50,000, with an annual subscription fee of \$27,000 for three years, in comparison to the current \$8,000 per year.	Implementation costs were not available. Preliminary annual costs are estimated at \$11,000 per year.

Based on the analysis, staff recommend continuing with the current combined internal and outsourcing model to move the township forward with this modernization initiative. Ceridian is a Canadian solution and has been responsive to our queries, and held in high regard by other public sector clients. Although more costly, the benefits far outweigh the incremental operating costs, and will free up staff's time to take on additional responsibilities related to new Asset Management reporting requirements in the future (cost avoidance of hiring new staff).

A 5-month implementation plan will be separated into 4 project phases linked to milestone payments. The plan includes project kick off, solution design, configurations, user acceptance testing, parallel payroll system testing, and training. The project team will include staff from all departments.

4.0 Related Policies / Procedures

Employment Standards Act, labour laws, WSIB, OMERS, CRA, union and personnel agreements, corporate benefit plan, and township training and .

5.0 Financial / Budget Assessment

The implementation costs will be funded by the grant and the township on a 65% and 35% split. The grant has a deadline of February 28, 2023 to be eligible for reimbursement. The project plan is aggressive but staff are committed to having it implemented by the deadline. The progress payments are scheduled into 4 equal payments throughout the project to mitigate

any risks of not receiving the full grant. The exposure is potentially 25% of the grant amount should we not complete the project on time. Future updates will be provided to Council and any delays will be communicated in advance.

The incremental annual operating impact will be submitted as part of the 2023 budget process. Staff will consider efficiencies in other areas to mitigate the financial impact that is currently estimated at \$19,000 per year.

6.0 Climate Change Impacts

None.

7.0 Communications

An update will be provided to Council before the end of the calendar year.

8.0 Conclusion

Moving forward with the project will provide opportunities to take advantage of technology, efficiencies, one database for all related information and additional function. Additional functions can be added in future years when additional grants are available.

9.0 Recommendation

BE IT SOLVED THAT the Update on the Payroll and Human Resources Information System be received.

THAT staff proceed with the award of the contract to Ceridian for the:

- a) Implementation of an integrated payroll and HR information system in the amount of \$48,968.50 plus HST, or \$49,830.65 inclusive of HST net of the rebate;
- b) Monthly subscription fee of \$17.53 per employee per month (subject to HST), for three years, renewal thereafter on an annual basis.