

Corporate Report

REPORT NUMBER 121-2023-Corporate Services & Long-Term Care-Corporate Information Technology

DATE

PREPARED

March 31, 2023

FILE

MEETING DATE

April 24, 2023

SUBJECT

Consulting Services and Licensing Subscription to Upgrade the City's SAP Software System

RECOMMENDATION

WITH RESPECT to Report 121-2023-Corporate Services & Long-Term Care – Corporate Information Technology, we recommend that the Director – Corporate Information Technology be authorized to directly negotiate, and enter into contracts, with NTT Data Business Solutions Incorporated and SAP Canada Inc. to upgrade the City's SAP Software System to S4/HANA Cloud Solution (the "SAP Upgrade"), in the amount of \$1,177,800 + applicable HST, pursuant to sections 4.08 and 4.09 of Supply Management By-law No. 113-2011;

AND THAT the General Manager, Corporate Services & Long-term Care and the Director – Corporate Information Technology, together, be authorized to execute all contracts and other documentation to implement the SAP Upgrade, including a five (5) year license subscription period commencing May 25, 2023;

AND THAT the General Manager – Corporate Services & Long-Term Care be authorized to sign all documentation related to this matter;

AND THAT the General Manager, Corporate Services & Long-term Care and the Director – Corporate Information Technology, together, be authorized to expend any further funds that may be necessary or financially beneficial to the City in relation to SAP Upgrade, but such funds, shall not exceed, in aggregate, the approved 2023 capital budget for this SAP Upgrade;

AND THAT the Manager – Supply Management be authorized to issue the required purchase orders to award this purchase;

AND THAT any necessary by-laws be presented to City Council for ratification.

LINK TO STRATEGIC PLAN

The proposed upgrade to the City of Thunder Bay's SAP Software System aligns with the goals outlined under *Serve* in the 2019-2022 Strategic Plan "One City, Growing Together." *Serve* intends to "advance service excellence through a citizen focus and best use of technology."

The SAP upgrade is a recommended action item presented in the Corporate Digital Strategy, which supports a broad range of strategic goals related to advancing service excellence and making the best use of technology.

EXECUTIVE SUMMARY

The approved 2023 Capital budget includes \$1.5 million dollars to upgrade and enhance the City's Enterprise Resource Planning (ERP) solution, known as SAP, as the current release is approaching end of life. This software solution is critical in supporting and integrating many of the City's business processes. The upgrade to S4/HANA Cloud Solution, and continued investment in the SAP Software is a recommendation of the Corporate Digital Strategy.

This report recommends the single source award for consulting services and subscription licensing required to upgrade the City's SAP System to SAP's S4/HANA Cloud Solution to NTT Data. NTT Data (formally IDS-Sheer Canada Ltd.) has been the City's SAP Channel Partner for consulting and SAP reseller for licensing and maintenance since 1997.

DISCUSSION

The City must upgrade the current SAP version to SAP S4/HANA, as the current release is approaching end of life and will no longer be supported. As part of this upgrade, the City is moving to the Cloud Solution offering for S4/HANA (SAP RISE), which will provide more flexibility and increased ease of operation moving forward. The SAP software solution is critical in supporting many of the corporate-wide functions including Financial Management and Reporting, Plant Maintenance, Payroll and Benefits, Human Resources, Materials Management and Procurement, as well as other business service support functions.

In addition, the upgrade will provide a modern foundation on which to implement additional functionality to increase process automations and employee self-service capabilities. The Corporate Digital Strategy, endorsed by City Council in December, 2021 (R 160/2021), recommends the City look to utilize more of SAP's capabilities to assist with streamlining operations and to provide a more modern digital workplace experience.

Over the past 25 years, NTT Data's Consulting Service has been involved with the City's previous SAP upgrades and implementation of new modules & functionality. In addition, NTT Data has provided SAP helpdesk support and functional consulting services for problem resolution.

NTT Data (formerly IDS-Scheer, Plaut, Optimum) has been the corporation's channel partner and SAP Licensing Reseller since the SAP implementation in 1997. This contract will cover all consulting services, subscription licensing and skills transfer required for the successful upgrade of the ERP solution.

It will be more cost effective and beneficial to the City to award NTT Data the SAP Upgrade Contract for the following reasons:

- familiarity with the City's implementation of the current SAP system;
- extensive knowledge of the City's business processes;
- familiarity with the City's configuration and issues;
- demonstrated ability to implement the SAP upgrades for the City;
- demonstrated ability to work with the internal project team members;
- Preferred Pricing based on long standing relationship with the City.
- NTT Data is the SAP reseller on record with SAP and is best positioned to provide the required SAP licensing subscription since they manage our existing licensing and maintenance for SAP products.

The consultant resources are required to:

- implement the necessary functionality;
- transfer knowledge to the City of Thunder Bay team members;
- to position the City's to further enhance the product.

Administration has consulted with the Manager – Supply Management on this matter and a consensus has been reached that there is suitable merit to use the Negotiation Method.

FINANCIAL IMPLICATION

The 2023 Capital budget includes \$1.5 million for the SAP upgrade project. Based on the scope of work outlined in the proposal and the subscription licensing required to complete the upgrade, the following is a break down of the \$1,177,800 dollars + applicable HST, included in the Statement of Work that will be funded from Capital:

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Consulting Services	\$ 600,000.00
Year 1 SAP Cloud Service Licensing Subscription	\$ 568,035.00
Temporary Additional SAP Cloud Storage (one year)	\$ 9,765.00
Subtotal	\$ 1,177,800.00
HST	\$ 153,114.00
HST Rebate	\$ (132,384.72)
Net Cost	\$ 1,198,529.28

Funding related to the ongoing maintenance (licensing subscription) for the remaining four years of the term, in the amount of \$717,000/per year, is included in the projected CIT operating budget forecasts for 2024 through 2028. This projection includes the ongoing operating impact identified as part of the 2023 capital project.

CONCLUSION

It is concluded that NTT Data should be awarded a single source contract in the amount of \$1,177,800 + applicable HST to provide the consulting services and subscription licensing to upgrade the Corporation's Enterprise Resource Planning Solution (SAP).

BACKGROUND

Since 1997, The City has used the SAP system as its core financial, human resources and payroll system. SAP is a robust, comprehensive platform that is widely used by municipalities across Ontario, including Toronto, Barrie, Cambridge, Kitchener, Pickering and Peterborough. Throughout the last 25 years, the Corporation has invested in enhancing and upgrading SAP as it is critical in supporting the Corporation's daily business processes.

The last significant upgrade to SAP was in 2009. Prior to that upgrade, a study was undertaken to determine the most cost-effective plan for the City's ERP software solution. The study looked at upgrading our current ERP software solution, purchasing a new ERP solution or purchasing a number of function specific applications and building interfaces between each application. The most cost effective and beneficial alternative for the Corporation was to continue to use SAP and to upgrade to our current version of SAP (ECC 6.0)

The City's Corporate Digital Strategy, which was endorsed by City Council on December 20, 2021 (Corporate Report R160/2021), included recommendations for a SAP multi-year plan, upgrade and enhancements (*Major Initiative 6.2.3*). The Digital Strategy highlighted that SAP continues to be a market leading solution used widely by

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many other municipalities in Canada and suggests that the City increase investment in SAP solutions to better utilize its capabilities. The transition to a cloud-based solution for SAP is further supported by the Corporate Digital Strategy which highlights the benefits of cloud-based services including infrastructure management and other efficiencies related to reduced ongoing operational tasks.

REFERENCE MATERIAL ATTACHED

None.

REPORT PREPARED BY

Jack Avella, Director – Corporate Information Technology

REPORT SIGNED AND VERIFIED BY

Emma Westover, General Manager Corporate Services & Long Term Care and City
Treasurer (Acting)

04/14/2023