City of
Peterborough

To: Members of the General Committee

From: Richard Freymond
            Commissioner of Corporate and Legislative Services

Meeting Date: October 13, 2020

Subject: Report CLSFS20-047
            SAP Phase 1 Update and Approval of Phases 2 and 3

Purpose

A report to update Council on the status of Phase One of the SAP Implementation Project and award Phases Two and Three.

Recommendations

That Council approve the recommendations outlined in Report CLSFS20-047, dated October 13, 2020, of the Commissioner of Corporate and Legislative Services, as follows:

a)   That funds be transferred in the amount of $418,000 from existing capital project budgets no longer required and $351,687 in funds from the Information Technology Capital Reserve to offset the $769,687 in costs related to the completion of SAP Implementation Phase One.

b)   That Phase Two of the SAP Implementation Project be awarded to BlueIT Group Inc. at an upset limit of $1,441,400 plus $187,382 HST for a total of $1,628,782 based on BlueIT Group Inc.'s Proposal in response to RFP document P-33-16 for the supply and installation of an enterprise resource planning software solution.

c)   That Phase Three of the SAP Implementation Project be awarded to BlueIT Group Inc. at an upset limit of $1,463,700 plus $190,281 HST for a total of $1,653,981 based on BlueIT Group Inc.'s Proposal in response to RFP document P-33-16 for the supply and installation of an enterprise resource planning software solution.

d) That the Phase Two and Three Budgets include a Contingency Provision in the amount of $200,000 and $400,000 respectively, that may be added to the contract at the discretion of the Commissioner of Corporate and Legislative Services.

Budget and Financial Implications

Phase One

The additional net requirement of $769,687 for Phase One of the Project can be accommodated within previously approved funding of $418,000 which is no longer required and a transfer from the Information Technology Reserve in the amount of $351,687 as shown in Table 1.

Table 1
Project Expenditures - Phase 1

Project Item	Phase 1 Budget	Phase 1 Actual Costs	(Over) Under Budget
Computer Hardware	$360,000	$453,452	$(93,452)
Software	$730,000	$776,206	$(46,206)
Software Maintenance	$268,700	$350,795	$(82,095)
Implementation	$2,518,200	$2,544,984	$(26,784)
Staff Backfill	$600,000	$1,361,589	$(761,589)
Contingency / Change Requests	$717,200	$466,035	$251,165
HST	$68,200	$78,927	$(10,727)
Total	**$5,262,300**	**$6,017,987**	**$(769,687)**
Sources of Funding			
PTS Capital Projects and Improvements - Ref #20-070			$300,000
City IT Capital Projects and Improvements - Ref #20-069			$100,000
Information Technology Reserve			$351,687
Phase 2 of the SAP Implementation Budget			$18,000
Total			**$769,687**

The uncommitted balance in the Information Technology Reserve after the recommended transfer would be $816,878.

Phases Two and Three

The total net $4,611,960 requirement, after applicable HST rebates for Phases Two and Three can be accommodated with the approved Capital Project Budget for Project 3-4.01 – Enterprise Software Modernization. Complete funding for Phase Two was approved in the 2019 Capital Project Budget. $1,339,460 of Phase Three funding was approved in the 2020 Capital Project Budget with a further $1,000,000 being pre-committed for the 2021 Capital Project Budget.

A detailed breakdown of the Budgets for Phases Two and Three of the project may be summarized in Table 2 as follows:

Table 2
Budgets for Phases 2 and 3

Project Item	Phase 2 Budget	Phase 3 Budget	Total
Transfer to Phase One	$18,000	$0	$18,000
Software	$229,700	$303,500	$533,200
Software Maintenance	$54,500	$66,800	$121,300
Implementation	$1,144,900	$1,093,400	$2,238,300
Staff Backfill	$600,000	$450,000	$1,050,000
Contingency	$200,000	$400,000	$600,000
HST	$25,400	$25,760	$51,160
Total	**$2,272,500**	**$2,339,460**	**$4,611,960**

Background

In September 2017 Council approved the recommendations outlined in Report CPFS17-036 to award RFP P-33-16 for an Enterprise Resource Planning Software Solution to BlueIT Group Inc. RFP document P-33-16 included requirements to both replace existing software functionality and implement functionality that was not available in the City's legacy financial software system. Given the complexity of the project it was recommended the project be split into three phases. The goal of the first phase of the project was to replace functionality of existing legacy software systems, while phases two and three would focus on implementing new functionality that could not be accommodated with the existing software.

In approving the Report, Council in its meeting of September 11, 2017 requested an update on the status of the project when installation of the first phase was complete. The motion read as follows:

   d) That staff provide an update report on Phase One and seek Council approval on Phases Two and Three.

This Report responds to Council's request.

Phase One

On June 28, 2020 the City successfully migrated from the legacy financial software to the new SAP software system. At the beginning of the project the goal of Phase One was to implement the following functionality:

- Accounts Payable;
- Accounts Receivable;
- Asset Accounting;
- Capital Projects;
- General Ledger;
- Human Resources Employee Database;
- Inventory Management;
- Maintenance Management for Fleet Services;
- Payroll;
- Point of Sale for the Tax and Clerks Offices;
- Portfolio Management; and
- Purchasing Management.

Apart from Portfolio Management, which was determined not to match City business processes at this time, all above functionality was successfully implemented. The SAP Portfolio Management module is used to identify and track project ideas prior to being put forward as actual capital budget requests. The system can be used to collect information about the project, help estimate costs, and identify high priority projects. The module is designed to work closely with SAP Budgeting which will be considered in a future phase.

In addition to the above, the following functionality and features were also able to be implemented at this time:

- Business Objects Report Tools;
- Electronic Bank Reconciliation;
- Electronic Travel and Expense Submission;
- Electronic Workflow Approvals for Select Processes;
- Improved System Redundancy/Recovery;
- SAP is compatible with current technology including Windows 10 and a variety of types of devices;
- Employee Self Serve Access to the Human Resources Information Management System;
- Point of Sale for Peterborough Police Services and Peterborough Transit; and
- Purchasing Card Processing.

These features were things the organization was planning to do in the future and it was determined it would be more cost effective to implement as part of Phase One instead of waiting until a future phase. This functionality was also beneficial to the City's COVID-

19 response when business processes had to be adapted to work in a remote environment.

Phase One of the SAP is the largest software project ever attempted by the City of Peterborough. To get a sense of the size of the project:

- The software was configured for 5 separate organizations: City of Peterborough, Peterborough Police Service, Peterborough Public Library, Art Gallery of Peterborough and Peterborough and the Kawarthas Economic Development;
- Configuration included setting up approximately 1,750 general ledger accounts across 330 cost collection areas, 375 capital projects, seven collective bargaining agreements and 30 different employee groups;
- Over 1,000 different scenarios needed to be tested;
- System testing generated over 1,600 issues;
- 90 different sets of master data had to be extracted from the old financial software and loaded into SAP prior to go-live;
- Approximately 1,500 staff needed to be set up with access to SAP and given instruction on how to access the system;
- Over 30 remote training sessions on a variety of topics were held in the weeks leading up to go-live; and
- Since SAP was activated over 580 support tickets have been submitted to the project team with 85% already being resolved.

Given the size and complexity of the project the implementation has been a success. There have been no significant disruptions to City services during the move to SAP. With the completion of the Phase One we were able to:

- Migrate a number of key services from out dated software systems to a current Enterprise Resource Planning software system used by a number of other Ontario municipalities including City of Toronto, City of Ottawa, Halton Region, the City of Burlington, the City of Kitchener, the City of Thunder Bay, the City of Barrie, the City of Kitchener, the City of Cambridge, and the City of Richmond Hill;
- Implement a software system capability of replacing manual, paper-based processes with electronic workflows;
- Implement a software system that can meet a wide range of requirements from many business areas across the organization, not just those of the Financial Services Division, both now and in the future; and
- Implement a software system that has recently be upgraded to work with current technology and where the software provider is actively investing in new features for their product.

The budget to complete Phase One of the SAP Implementation project was $5,262,300. Expenditures are estimated at $6,017,987 leaving the project $769,687 overbudget. The main reasons for the overage were:

- City Staff Backfill - $761,589 – The original estimate was that the project would take place from September 2017 to January 2019, a period of 17 months, whereas, in reality the project started in January 2018 and completed in June 2020, a period of 30 months. While there were factors such a key staff turnover on both the City and BlueIT Group's project teams that caused delays, the primary reason for the longer implementation time was the complexity of the installation. Our previous financial software was responsible for all the planned functionality for Phase One for the City of Peterborough, Peterborough Police Service, Peterborough Public Library, Art Gallery Peterborough, and Peterborough and the Kawarthas Economic Development. In order to have a successful implementation each piece of functionality needed to be configured to work with all other functionality for each organization. In retrospect, planning to complete this work in 17 months was quite aggressive. A 24-month implementation with a 4 to 6-month contingency would have been more realistic.

- Computer Hardware - $93,452 – Additional funds were spent to make sure hardware would have the capacity to operate SAP now and as we expand the use of it in the future. The hardware purchased also supports the system redundancy features in SAP, which provide better backups and significantly decreases the amount of time the system would be offline in the case of a critical system error.

- Software and Software Maintenance - $46,206 and $82,095 respectively – After the project began we found that additional software licenses and subscriptions were required to enhance the reporting tools and features of the Human Resources Information System.

Phase Two and Three

With the successful conclusion of Phase One City staff recommend proceeding with Phase Two of the SAP Implementation Project. While the primary goal of Phase One was to replace our current functionality, Phase Two and Three are about on building on that foundation. The projects that fall under these phases are about implementing new functionality that will improve staff efficiency by:
- Replacing manual processes with electronic ones; and
- Reducing our software footprint by consolidating out of date software tools into a few key enterprise software systems.

Phase Two and Three are structured differently than Phase One. In Phase One work on all components had to be completed and activated at the same time. In Phase Two and Three work components are not dependant on each other. If one component is ready after a few months, it can be activated immediately. This will allow the organization to take advantage of new functionality as it comes ready instead of having to wait until everything in the phase is complete.

Phase Two would include the following:

- Implementation of Advertising and Sponsorship Management in SAP including tracking of advertising assets and contract management;
- Explore the integration of SAP to the corporate Geographic Information System (GIS) to improve information sharing across software systems;
- Replacement of the Road Inspection Tracking System;
- Implementation of the Employee Recruiting and Onboarding modules in the Human Resources Information System;
- Expanding the use of SAP Maintenance Management in areas such as the Wastewater Treatment Plant and Traffic Division; and
- Implementing Point of Sale at the Airport, Parking Division, and Provincial Offences Office; and
- Planning for Phase 3 projects.

It is anticipated Phase Three would include the following:

- Implementation of the Performance Management, Succession Planning, Staff Training, and Compensation Modeling modules in the Human Resources Information System;
- Implementation of Health and Safety and Labor Relations Case Tracking in SAP;
- Expanded Asset Management Reporting;
- Replacement and integration of Property Tax Software System;
- Electronic tracking of customer requests using the Customer Relationship Management module of SAP;
- Further expansion of Point of Sale.

It is anticipated that Phase Two and Three projects could begin in late 2020 and be completed by mid 2022. Phase Two and Three projects could be worked on concurrently in the order that best meets the needs of the organization.

Summary

With the successful completion of the first phase of the SAP implementation work can proceed on Phases Two and Three within approved budgets as recommended in this report.

Submitted by,

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