

## ENTERPRISE COMMONS STATUS UPDATE

### Budget, Scope and Timeline Pressures

#### RECOMMENDATION

1. That the budget adjustment for capital profile "19-18-1904 - Enterprise Systems Transformation Program", as outlined in Attachment 3 of the February 22, 2022, Financial and Corporate Services report FCS01050, be approved.
2. That Attachments 2 and 3 of the February 22, 2022, Financial and Corporate Services report FCS01050, remain private pursuant to sections 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

#### Report Purpose

##### Council decision required

Council is being asked to approve an increase in funding to facilitate Enterprise Commons implementation as a priority in support of ongoing enterprise systems transformation.

#### Executive Summary

- The Enterprise Systems Transformation Program (ESTP) is a major project for the City of Edmonton that will integrate business applications that support the areas of finance, human resources, and supply chain into a unified software application. These business applications will come together into a single Enterprise Resource Planning software to create what is referred to internally as Enterprise Commons.
- In June 2019, Executive Committee provided approval for work to begin on planning of an ESTP in June 2019 and committed \$30 million of the overall \$63.5 million of approved funding. During the 2020 Spring Capital Budget Adjustment, the remaining \$33.5 million of the original project budget was allocated to the project.
- By the end of 2021, \$36.2 million has been spent, while \$23.3 million is allocated to future system integration and other contractual obligations.

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- Administration is forecasting a shortfall and is seeking additional funding, as outlined in Attachment 3, to cover a revised project schedule that is proposed to shift the expected launch date into Q4 2022, along with additional risk mitigation strategies.

## REPORT

The Enterprise Systems Transformation Program (ESTP) represents a major corporate shift to integrate processes and technology for the core business functions of finance, human resources and supply chain management . Enterprise systems are large technology applications that support business processes, information flows, financial reporting and data analytics in complex organizations.

With the implementation of the SAP cloud solutions, the current programs of PeopleSoft, SAP Enterprise Central Component and other separate customized systems are planned to be decommissioned. Many of these existing systems are reaching the end of their technology lifecycle — this means that for many of the City's critical systems, the vendors will cease providing the necessary updates and support to keep the systems operational. At its June 10, 2019 meeting, Executive Committee considered these items and approved the release of \$30 million in funds held in abeyance to commence this work (CR\_6894rev Enterprise Systems Transformation Program - Project Delivery and Business Case). At that time, the cost of the ESTP was estimated to be \$63.9 million. The business case previously provided to Executive Committee to support this estimate is included as Attachment 1.

By adopting the SAP Cloud Platform as its primary enterprise solution, the City made a future-focused investment to better respond to changing needs and adapt to new technologies. The SAP Cloud Platform is expected to increase efficiency, process large amounts of data from connected systems and improve data-driven decision-making. The solution supports the City's outcome of ensuring that technology and data are leveraged to enable quality decision-making and enhance innovative service delivery for residents and employees.

At the May 25, 2020 City Council meeting, Administration provided the Financial and Corporate Services report CR\_7504, Enterprise Systems Transformation Program - Update. The report, about the program now referred to corporately as Enterprise Commons, explained that the initial phase of the project was anticipated to run from 2020 to 2022. The report outlined the implementation of cloud-based programs of SAP S/4HANA and SAP SuccessFactors, along with an integration of SAP Ariba, to migrate finance, human resources and supply chain business processes.

After concluding procurement activities, Administration entered into a contract with a systems integration partner, Deloitte LLP, who provided expertise that informed an updated estimate for the remaining costs required to deliver the 2020-2022 phases of the project. As part of the 2020 Spring Capital Budget Adjustment process, Council approved the reallocation of \$33.5 million of funding from CM-18-1514 Technology Implementation to the project, bringing the total funding to \$63.5 million to support the implementation of the enterprise systems implementation for finance, human resources and supply chain business processes. These funds were identified for

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internal and external project staff time, systems integration services and SAP Cloud Platform costs.

Since that funding approval, Administration has been working with the systems integration partner to implement the business transformation. Work completed to date includes:

- identification of business requirements
- majority of design and configuration required to facilitate the new working environment
- multiple rounds of system integration testing
- commencement of change management activities
- preparation for training activities

While significant progress has been made in implementation, the large project scope and the City's complexity, along with partners in the Edmonton Police Service and Edmonton Public Library, each with their own unique needs, have resulted in challenges navigating, designing and configuring the complex requirements across all the varied services. Complex functionality has also made it challenging to identify certain essential business requirements until advanced phases of the project, impacting ESTP budget and scope.

While Administration has simplified existing business processes to align with industry standard best practices, the City also has unique requirements (such as collective agreements or pension requirements) and practical considerations related to the functionality of its systems that limit simplification of some functions. Another complication to achieving the original project launch date has been the COVID-19 pandemic. Project team members for both the City and the systems integrator, have been required to work remotely over much of the project, and at times been unavailable due to medical absences. Details of negotiations to address some of the project pressures are found in Attachment 2 (Private).

In consideration of the factors above, Administration recommends the additional funding so that the project launch date can be postponed to Q4 2022 to provide for extended system integration testing cycles, increased preparation time and additional risk mitigation activities. While the schedule and budget impact is not ideal, the additional integration testing will ensure increased quality and reduce the risk of failure when Enterprise Commons launches.

### **Budget/Financial Implications**

Recommended budget amendments and associated financial implications are outlined in private Attachment 3. Financial implications for Edmonton Police Services and Edmonton Public Library are not included in the figures presented.

\$63.5 million of funding to implement Enterprise Commons has been approved for the implementation of enterprise software solutions for human resources, finance and supply chain components. Of the approved funding, \$36.2 million has been spent through the end of 2021. A further \$23.3 million is committed to future system integration and other contractual obligations. The remainder of the approved budget, approximately \$4 million, is forecasted to be insufficient for the revised launch date of Enterprise Commons recommended at this time.

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The revised launch date will result in additional licensing costs in 2022 and 2023 as a result of the licenses for both the legacy system and new licenses within the Open City and Technology Branch's operating budget, which are expected to cause budget variance. Ongoing licensing costs, estimated to increase from the current legacy license costs by \$3.75 million, are funded in the approved Fall 2021 Supplemental Operating Budget Adjustment. Administration continues to work to optimize licensing requirements, however this initial estimate is subject to change due to variables that include new license purchasing requirements, growth, and future decisions.

## **COMMUNITY INSIGHT**

The supporting programs, processes, information and services being modernized in the Enterprise Systems Transformation Program improve the City's capabilities, knowledge and skills to provide services to Edmontonians and employees. This important "back of house" work supports the City in meeting the evolving needs of the people it serves.

## **GBA+**

An enterprise system brings valuable automation that will free up employee time to focus on providing even better service to citizens. Standardized processes will help streamline work and create efficiencies and an integrated system will enable the City to further digitize citizen service and communications channels.

Key areas and opportunities to address equity for all age groups, abilities and diverse demographics include:

1. Accessibility: ensure accessibility requirements for people with disabilities; accessibility is considered at each stage of the project design.
2. Useability: consider how the system improves the useability for employees.
3. Equity: systems remove the likelihood of bias that may occur in manual processes; centralized data supports easy reporting on hiring results to assess our equity results against targets.

As the project transitions, GBA+ will be applied to ensure applications are inclusive, decisions are evidence-based, work is effective and the process contributes to equality of outcomes.

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## RISK ASSESSMENT

Risk Category	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
<b>If recommendation is not approved</b>						
Governance - Failure to implement project successfully	An incomplete system will need to be launched on an accelerated timeline. If the system does not function as expected, there may be additional costs to mitigate those issues.	5 - likely	4 - severe	20 - high	- all current budget is committed, compressed project timelines as much as possible - critical cut off dates and risks for existing applications are known (peoplesoft);	- accelerate the project and launch the system in an unfinished state - reduce scope of project and cut non-essential modules from release
Public Sphere - Risk of damage to City's reputation	City employees or external organizations may not be paid, leading to damaged relationships and detrimental reputational damage to the City as a large employer	5 - likely	4 - severe	20 - high	- add additional pay comparisons between existing data and new system data - additional testing cycles	- only launch modules essential to critical functions - prepare communications plan to respond internally to employees, council, and public

## ATTACHMENTS

1. ESTP Business Case
2. Deloitte Negotiation Details (Private)
3. Budget Motion (Private)