

SAP Ariba Subscription Single Source Request

Recommendation

That a single source agreement with SAP Canada Inc. for SAP Ariba, as set out in the Financial and Corporate Services Report CR_5255, be approved, and that the agreement be in form and content acceptable to the City Manager.

Executive Summary

As part of the Procure to Pay Transformation Program, Administration has developed a technology modernization business case for eProcurement to assess options in addressing the need to modernize technology to create efficiencies and improve process compliance of the City's procurement and contract management practices. In response to this detailed analysis, and with consideration for the additional benefits afforded by an opportunity to access best in class pricing, this report requests approval of a new single source license agreement with SAP Canada Inc., for the acquisition of SAP Ariba, in an amount not to exceed \$2,542,248 over five years. The operating amount will be funded through operating efficiencies generated within the Corporate Procurement and Supply Services Branch.

Report

Since January 2016, the Corporate Procurement and Supply Services Branch has been undergoing a modernization program aimed at improving the activities that enable the purchase of goods, services, construction and/or intellectual property rights to support the business outcomes and objectives of the organization.

Recently, the City has implemented revised administrative directives, processes and controls to better manage compliance of procurement and contracting across the City of Edmonton. To further this transformation, the City wishes to modernize the technology associated with procurement and contracting practices to improve process effectiveness and compliance to ensure a fair, open and transparent process that delivers value for money to the City of Edmonton and Edmontonians. At present, the systems used by the Corporate Procurement and Supply Services branch are largely manual. As a result, providing reporting and spend analytics that meets the needs of the City as well as Edmontonians is difficult and requires significant intervention.

A detailed business case was developed in 2017 (See [Attachment 1](#)) to review the options available to the City in this technology modernization effort. A high level

business requirements assessment found that several solutions are available in the market that meet the needs of a public procurement organization and are compatible with the SAP suite of software. These solutions were evaluated through a comprehensive business case. It was determined that these solutions are likely to be more costly to integrate when compared with SAP, which is already established in the City's environment. Advancing SAP Ariba as the technology solution avoids the likely implementation risks identified in evaluating other options available to the City, and gives Administration greater confidence in the integration costs and timelines to implement a technology solution. These integration costs will be additional to the SAP Ariba licensing and will be competitively procured in Q1 2018. Funding for the implementation of the eProcurement program will be provided through the Capital 2015-2018 budget.

After the completion of the business case, SAP Ariba (one of the solutions identified) approached the City of Edmonton with an offer of significant savings over pricing generated through the assessment of solutions. In reviewing comparable pricing available through independent channels, the City has found that the pricing offered by SAP Ariba represents "best in class pricing".

SAP Ariba - Background

SAP Ariba is a cloud subscription user licensing procurement service that will deliver the required technology capability to the City's Procure to Pay strategic transformation. SAP Ariba is a market leader in delivering best practice procurement and contract management technology services, and will transform the current manual processes by leveraging highly automated workflows allowing staff to focus on strategic and risk management activities rather than transactional tasks. Further, SAP Ariba will allow the City to adopt leading procurement and contracting practices such as spend analysis, proactive contract oversight, and supplier performance management to further modernize our procurement and contract management practices.

The cost of the new proposed agreement will not exceed \$2,542,248 over five years.

The acquisition of SAP Ariba aligns with the City's vision towards becoming a modern municipal organization, adopting best practices and leveraging integrated processes and reporting for evidence-based decision making. The innovations associated with the SAP Ariba platform will allow for flexible, scalable, dynamic and timely software solutions to the City's evolving business units.

Legal Implications

As per the City Administration Bylaw 16620, agreements over \$500,000 that do not arise from a competitive procurement process must be approved by the appropriate Committee of Council.

The New West Partnership Trade Agreement, Canadian Free Trade Agreement, and Canada and European Union (EU) Comprehensive Economic and Trade Agreement (CETA) require public tendering of agreements with a value of greater than \$75,000, \$100,000, and \$340,600, respectively, in the case of goods or services unless an exemption exists. In this situation, because there are other providers that offer comparable functionality, it is possible that no exemption exists. Approval of this single source may therefore result in non-compliance with the trade agreements. While the risk of legal challenge for non-compliance with the trade agreements is unlikely, there are potential legal, political, and reputational risks, and must be balanced against the anticipated additional costs of competitively procuring a similar procure to pay solution.

Budget / Financial Implications

The total subscription cost for SAP Ariba is approximately \$5.081 Million over the five years of the agreement. This is offset by a credit of \$2.261 Million for a total net cost of \$2.542 Million. The annual subscription fees will be funded within existing operating budgets.

Public Engagement

Citizen input would not have influenced the decision as the actual negotiations and terms, as well as final agreement that are agreed to between the City and the suppliers are all confidential and protected matters. We cannot release the terms of negotiations to the public at large, as it would break confidentiality provisions with suppliers.

Instead, we rely on review by accredited, capable third parties under a Non-Disclosure Agreement to gain an understanding as to whether we have adequately negotiated a fair and reasonable price representing good value for taxpayers dollars.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Conditions of Success			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Effective and efficient service delivery	\$ of City spending managed per procurement FTE	\$43.44 million (2016)	TBD

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
If Not Approved						
Financial	<p>Funding Request is denied Not proceeding with this single source request would still require the funding of an alternative solution and result in the potential for additional costs and increased integration risk.</p>	2 - Unlikely	4 - Severe	8 - Medium	N/A	Limit scope of solution to see cost efficiencies. This is not preferred, as the benefits of only adopting some of the functionality will be minimized.
Commercial	<p>Ongoing reliance on strictly manual contract oversight Poor supplier performance compromises the achievement of contract objectives negatively impacting City performance.</p>	3 - Possible	2 - Moderate	6 - Low	Reactive performance management for supplier performance issues identified through manual contract oversight.	Competitive procurement of a technology solution to enable advanced supplier performance management, including the ability to proactively manage City risk.
If Approved						
Employees	<p>Training Staff in new functionality System users would require additional training in new functionality</p>	5 - Almost Certain	1 - Minor	5 - Low	All procurement and contracting users will require training, however difference in functionality will be minimal	A phased migration to SAP Ariba will allow us to modify training, learning from initial users experiences.

Attachments

1. [eProcurement Business Case](#)

Others Reviewing this Report

C. Campbell, Deputy City Manager, Communications and Engagement

D. Jones, Deputy City Manager, City Operations

R. G. Klassen, Deputy City Manager, Regional and Economic Development

A. Laughlin, Deputy City Manager, Integrated Infrastructure Services

L. McCarthy, Deputy City Manager, Urban Form and Corporate Strategic Development

R. Smyth, Deputy City Manager, Citizen Services