Enterprise Systems Transformation Program - Update

Recommendation

1. That the May 25, 2020, Financial and Corporate Services report CR_7504, be received for information.

2. That Attachment 1 of the May 25, 2020, Financial and Corporate Services report CR_7504 remain private pursuant to section 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

Previous Council/Committee Action

At the June 10, 2019, Executive Committee meeting, the following motion was passed:

> That Administration provide an update to Committee on the Enterprise Systems Transformation Program, with a subsequent reporting schedule to be recommended at that time.

Executive Summary

The Enterprise Systems Transformation Program (ESTP) is a major corporate shift to integrate corporate processes and technology for core business functions (finance, human resources, and supply chain) and manage assets and workflow in a standardized way. Executive Committee approved the release of funds held in abeyance for this work through the June 10, 2019, Financial and Corporate Services report CR_6894rev Enterprise Systems Transformation Program - Project Delivery and Business Case.

Enterprise systems are large technology applications that support business processes, information flows, financial reporting and data analytics in complex organizations. By adopting the SAP Cloud Platform as its primary enterprise solution, the City will be better able to respond to changing needs and adapt to new technologies. The SAP Cloud Platform will increase automation, process large amounts of data from connected systems and aid data-driven decision-making. This solution supports the City's outcome of ensuring the City of Edmonton's technology and data are leveraged to enable quality decision making and enhance innovative service delivery for both residents and employees.

Report

Procurement Updates

Administration entered into license agreements with SAP Canada Inc. for licensing and solution hosting for the SAP Cloud Platform including S/4HANA and SuccessFactors applications. This SAP single source agreement was approved by Executive Committee on July 12, 2019 (Financial and Corporate Services CR_7270).

Administration entered into a contract with Deloitte LLP as the systems integration partner to configure the SAP Cloud Platform to the City's needs. Deloitte LLP will start work on June 1, 2020 on their discovery phase of their contract deliverables.

Enterprise Systems Transformation Program Initial Phases

Since the update on the program presented to Council in June 2019, Administration has prepared a program organizational structure and a program charter that outlines the governance structure for ESTP decision making.

The phases of the ESTP will be finalized once the systems integration partner has started their work. However, the initial phases from 2020 to 2022 will include an enterprise systems implementation of SAP S/4HANA and SAP SuccessFactors, along with an integration of SAP Ariba, to migrate finance, human resources, and supply chain business processes. The SAP cloud solutions will see the retirement of PeopleSoft, SAP Enterprise Central Component and other separate systems. Many of the existing systems are outdated and some will not be supported by vendors in the near future.

During these initial phases from 2020 to 2022, the ESTP will also review and assess the City's existing asset management and workflow management processes. These exercises will determine the path forward for future unfunded phases of the ESTP.

Full implementation of the ESTP will help mitigate security risks with some of the City's current systems. These risks are outlined in Attachment 1.

Internal Research and Stakeholder Consultation

In February 2020, Administration formed a Program Steering Committee with cross-departmental representatives. This Steering Committee will make recommendations on program activities to ensure an inclusive corporate perspective throughout the ESTP. Additionally, key stakeholders accountable for finance, human resources, and supply chain services are involved in the program activities. As the new technology and processes replace the existing ones, engagement and training will continue with stakeholders and front-line employees.

Budget Updates

In the June 10, 2019 ESTP report CR_6894rev, Enterprise Systems Transformation Program - Project Delivery and Business Case, Administration estimated the cost of the ESTP at $63.9 million. The business case is included again in this report as Attachment 2. At the time, $30 million of funds was released from abeyance for the project, and Administration committed to returning to Executive Committee after completing procurement activities to provide an updated estimate for the remaining funds required.

Now that Administration has entered into a contract with a systems integration partner, Administration estimates that the total cost for the 2020 - 2022 phases is $63.5 million.

The below table outlines the required funding for the ESTP:

Funding Status	Funding Required
Approved	$30.0 Million
Not approved:	$33.5 Million
Reallocation from CM-18-1514 Technology Implementation - Growth	*$3.5 Million*
Remaining unfunded	*$30.0 Million*

Administration has brought this item forward for City Council consideration as a part of the Spring 2020 Supplemental Capital Budget Adjustment process.

This will ensure adequate funding until the end of 2022 for the enterprise systems implementation for finance, human resources and supply chain business processes. These additional funds will be used for internal and external project labour, systems integration partner consulting services, and SAP Cloud Platform costs (excluding licensing and solution hosting).

Any additional costs related to the implementation of asset or workflow management technologies will be managed through future phases of the ESTP.

Future Reporting

Reporting on progress will occur through the Capital Financial Updates. Additionally, upon awarding the systems integration partner contract, Administration will provide annual updates on the program's progress and items for Council awareness, starting in Spring 2021.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position.			
Outcome(s)	**Measure(s)**	**Result(s)**	**Target(s)**
IT-based infrastructure and systems are flexible, reliable and sustainable	SAP SuccessFactors and S/4HANA implemented by end of 2022	The program is on track with existing timelines.	Systems Implemented

Attachment

1. Enterprise Systems Transformation Security Risk Assessment - PRIVATE
2. Enterprise Systems Transformation Program - Business Case

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- K. Armstrong, Deputy City Manager, Employee Services