



STAFF REPORT ACTION REQUIRED

Provision of Proprietary Software Licenses from SAP Canada for the SAP HANA Solution of City's Enterprise Performance Management Project

Date:	April 25, 2016
To:	Government Management Committee
From:	Deputy City Manager & Chief Financial Officer Director, Purchasing and Materials Management
Wards:	All
Reference Number:	P:\2016\Internal Services\I&T\gm16005I&T (AFS23106)

SUMMARY

The purpose of this report is to seek City Council authority to enter into non-competitive contract with SAP Canada to procure SAP proprietary software licenses for the SAP HANA solution of the City's Enterprise Performance Management Project, in the amount of \$1,549,000 net of HST, and \$1,576,262 net of HST recoveries.

HANA (High Performance Analytic Appliance) is the database and application foundation for all future SAP products and development. It runs business processes faster and delivers smarter analytics applications. This platform enables development of intelligent and next-generation applications that are not possible on a traditional relational database management system (RDBMS) such as Oracle. It empowers business operations to be 10 to 1000 times faster than a standard database such as Oracle on the same hardware. HANA is SAP's strategic database and application platform for all future SAP products.

The HANA platform is required for the second phase of the Financial Planning Analysis Reporting System (FPARS) project: Enterprise Performance Management (EPM). The EPM phase's planned deliverables and requirements forms part of the approved FPARS Capital project budget of \$60.8 million.

City Council approval is required in accordance with Toronto Municipal Code, Chapter 71 Financial Control, Section 71-11A, where the total amount of \$1,549,000 net of HST, (\$1,576,262 net of HST recoveries) exceeds staff authority.

RECOMMENDATIONS

The Deputy City Manager & Chief Financial Officer, and the Director, Purchasing and Materials Management Division recommend that:

1. City Council authorize the Chief Information Officer and Executive Director, Financial Planning Division to negotiate and enter into a non-competitive agreement with SAP Canada to procure SAP proprietary software licenses for the SAP HANA solution for the Enterprise Performance Management phase of the Financial Planning, Analysis and Reporting System (FPARS) project, in the amount of \$1,549,000 net of HST, (\$1,576,262, net of HST recoveries), on terms and conditions satisfactory to the Chief Information Officer and Executive Director, Financial Planning Division and in a form satisfactory to the City Solicitor.

Financial Impact

The total cost to acquire the SAP HANA software license of \$1,549,000 net of HST, (\$1,576,262 net of HST recoveries) is available in the 2016 approved Capital Budget for Financial Services, in the FPARS Capital Project.

Funding details for the SAP non-competitive procurement cost net of HST recoveries is provided below:

TABLE 1

Year	Cost Centre/WBS Element	Cost Element	Net of HST Recoveries
2016	CFS012-07	3420 (SAP Software Licenses)	\$1,576,262

This contract will result in annual software operating costs of \$346,778 (refer to Table 2) beginning in 2017 through 2020 for SAP Software licenses, operational and maintenance support. In addition, the SAP HANA hardware will require annual maintenance of \$98,719 (refer to Table 3) for the years 2017 through 2020. These future years operating funding will be reviewed each year and considered as part of the annual Operating Budget process in the Information & Technology Operating Budget.

DECISION HISTORY

The City of Toronto has a long history with implementing SAP. City Council approved the original SAP Implementation back in 1998:

<http://www.toronto.ca/legdocs/1998/agendas/council/cc/cc980729/cs10rpt/cl001.htm>

<http://www.toronto.ca/legdocs/minutes/council/cc980729.htm>

The Auditor General performed an audit in 2003 on SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review which included amongst other things a recommendation for the Chief Administrative Officer to develop an SAP First Policy.

http://www.toronto.ca/audit/2003/sap_final_apr4_2003.pdf

City Council adopted staff's SAP First Policy in the report entitled "Moving Forward with SAP":

<http://www.toronto.ca/legdocs/2004/agendas/council/cc040518/admcl012b.pdf>

<http://www.toronto.ca/legdocs/2004/agendas/council/cc040518/cofa.pdf>

ISSUE BACKGROUND

The Financial Planning Analysis Reporting System (FPARS) project has two phases:

1. Multi-Year Service-Base Budgeting; and,
2. Enterprise Performance Management (EPM).

The Financial Planning Division, together with their corporate partners in Human Resources, Payroll, Pension and Employee Benefits, Accounting Services and Information and Technology, have implemented service-based budgeting utilizing SAP's Public Budget Formulation tool (PBF) in Phase 1 established and integrated complement and financial data to produce service-based multi-year budgets using one City-wide automated system. The clean, organized data, streamlined processes and PBF tools introduced in Phase 1 serve as the foundation for EPM's planned deliverables that begin in 2016.

The goal of the EPM phase of the FPARS project is to provide the City with the capability to modernize its service-based, planning, reporting and budgeting processes and systems. Part of the FPARS-EPM project scope is to provide the capability to integrate and automate the collection and reporting of complement, financial and performance measures data. Currently, City divisions use a wide range of manual processes to capture key information in their core systems. The systems and data are not integrated, and as a result, there is no capability to leverage the use of key data for analytical, monitoring and reporting purposes.

The FPARS-EPM project requires the use of the HANA platform to support SAP Business Warehouse data storage (including big data) and integration; data-sharing; data visualization, reporting and forecasting functionalities. This platform will provide staff the capability to establish the foundation for FPARS-EPM process modernizations, such as automated aggregation and integration of historical, present and future data related to service and performance measures, real-time data access, accelerated business analytics and predictive analytics, thereby improving fact-based decision-making within the organization.

The SAP HANA platform potential benefits is detailed below:

- Accelerate database processing, which improves response times of report and dashboard execution: Process transactions and analytics against a single copy of data in-memory for real-time data insights.

- Deliver intelligent data analytics, enabling faster business decisions: Use of advanced analytical processing for deeper insight into the past, present, and future.
- Create next-generation applications: Design and deploy intuitive applications to deliver the right information at the right time to business users.
- Integrate all types of data: Access large volumes of data from a variety of sources to unlock detailed data insights.
- Simplify Information Technology Environment: Reduce complexity with an unified, yet open, platform on premise or in the cloud.

The City has established a strategic direction for its Enterprise Resource Planning system in order to maximize its current investment in SAP, referred to as "the SAP Roadmap". The SAP Roadmap has taken into account the City's strategic goals of Shared Services, eCity, Open Government, and Business Transformation. The SAP Roadmap strategy focuses on transitioning to process and technology best practices for human resources, payroll, procurement, facilities, real estate, financial planning, accounting services and treasury. This strategic direction requires Information & Technology to address the rationalization of City's systems to improve, streamline and consolidate the City's SAP environment, enhance core capabilities and adopt technology that will lay the foundation to meet the City's strategic goals and requires HANA as the foundational database for these future requirements.

This requires the City to first migrate the SAP Business Warehouse product from the Oracle database to the SAP HANA Platform. This platform will also be used in the future for the SAP Suite on HANA that are required to deliver Simple Finance solution for finance processes and the solution for Human Capital Management/Payroll processes.

COMMENTS

The SAP HANA Software Licenses purchase will include the following software:

- SAP HANA, Runtime for SAP Applications and Business Warehouse
- SAP HANA Enterprise Edition, Full Use
- SAP Data Services, Enterprise Edition (4 Cores)
- SAP Software Maintenance for first year (2016)

The HANA platform implementation is a required stepping stone for the City's SAP Roadmap, as part of the City's strategic direction to improve, streamline and consolidate the City's SAP environment. The SAP roadmap includes a transition to instill best practices for human resources, payroll, procurement, facilities, real estate, financial planning, accounting services and treasury. As part of the SAP roadmap, Simple Finance solution for finance processes, solution for Human Capital Management/Payroll processes will be based on the HANA platform.

HANA is the foundational component in order to establish the path to achieving the City's SAP Roadmap. This will provide a learning opportunity for the SAP City staff to gain more knowledge with SAP products running their City business processes on the HANA platform,

which will put us in a better position to go to the Cloud. SAP HANA software licenses can only be purchased from SAP Canada as no other vendor resells this software on behalf of SAP.

SAP License Operating Costs:

TABLE 2

SAP HANA Software Operating Cost (Year 2 to Year 5) Net of HST recoveries				
Operational Term	2017	2018	2019	2020
SAP Software Operational/Maintenance Cost	\$346,778	\$346,778	\$346,778	\$346,778

SAP Software Licenses annual operating costs (Table 2, SAP HANA Software Operating Cost) from Year 2, 2017 onwards, will be covered under annual maintenance costs for SAP proprietary technology, as per GMC 8.8, which adopted Proprietary Information Technology Maintenance and Support Contracts 2016-2020 on November 2015. These annual maintenance costs will be requested to be added to the Information & Technology Division's future years operating budget as is the standard practise for all projects.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM8.8>

HANA Hardware Costs:

Procurement of hardware for SAP HANA solution will be performed through an Information & Technology Division Contract No. 47019536, issued to Onx Enterprise Solutions Ltd., through the Request for Quotation process. Total estimated capital cost for HANA hardware, including first year maintenance cost is \$435,428 net of HST and \$443,092 net of HST recoveries (Table 3, Comments Section). This capital cost was planned for in the FPARS-EPM capital project (Cost Centre/WBS Element: CFS012-07).

The hardware operating cost \$97,012 net of HST, from year 2 to year 5 (2017-2020) will be requested to be added to the Information & Technology Division's future years operating budget as is the standard practise for all projects. (Cost Centre/WBS Element: IT1010).

TABLE 3

Hardware Procurement Item	Procurement Year	Capital Cost + Year 1 Maintenance Net of HST Recoveries	Total Operating Cost (Year 2 to Year 5) Net of HST Recoveries
Hardware for 4 Business Warehouse Systems on HANA	2016	\$443,092	\$98,719

HANA Professional Services:

The procurement of professional services for the HANA implementation will be through a Request for Proposal. The estimated cost is \$300,000, net of HST. This was planned in the FPARS-EPM capital project.

The Fair Wage Office has reported that the recommended firm has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

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SIGNATURE

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