REPORT FOR ACTION

Procurement of SAP SuccessFactors and SAP Cloud Analytics Implementation Services from SAP Canada

Date: January 25, 2021
To: Board of Directors, Toronto Parking Authority
From: President, Toronto Parking Authority
Wards: All

SUMMARY

On October 5, 2020, Toronto Parking Authority (TPA) successfully implemented SAP S/4 HANA (Phase One) (SAP) to replace its obsolete financial system which fully aligns with the mandated operating model of the City of Toronto and its' respective agencies. Management met its objective of deploying a modern, cloud-based, scalable, Enterprise Resource Planning (ERP) application which will drive organizational productivity, transparency, and efficacy. Total SAP implementation fees for Phase One were $4,616,587 which was favourable to budget by $28,636.

In 2021, management recommends proceeding, as planned, with our Phase Two SAP implementation strategy. Specifically, the launch of the postponed SAP Cloud Analytics, as well as SAP SuccessFactors Employee Central and SAP SuccessFactors Pay for Performance applications. These initiatives will provide the organization with the capability and fact-based insights necessary to elevate employee performance, drive business literacy, and ensure legislative compliance. Total forecasted costs for Phase Two are $722,440 and are fully reflected in TPA's 2021 financial budget.

As background, SAP Cloud Analytics is a business intelligence (BI) software-as-a-solution application that combines analytics functionalities in one intuitive user interface. This agile, self-service model enables greater user access to data and provides the ability to create and perform individualized reports and analytics to save time and effort while making improved business decisions.

Employee Central is a core human resource information system (HRIS), planned to be TPA's system of record for all employee data from hire, through organizational and position changes, to when the employee leaves TPA. The addition of the Pay for Performance applications (Performance & Goals, Compensation), provides real-time management of employee performance, including setting performance objectives, achievement tracking, continuous coaching and feedback, performance reviews and evaluations. The inclusion of the Compensation application provides the platform to tie

employees' compensation to performance, enabling effective compensation management and planning.

RECOMMENDATIONS

The President, Toronto Parking Authority recommends that:

1. The Board of Directors of the Toronto Parking Authority authorize the President, Toronto Parking Authority, to enter into a non-competitive agreement with SAP Canada for the implementation of SAP SuccessFactors and Cloud Analytics software professional services in the amount of $365,774, plus a contingency of $54,866 and Harmonized Sales Tax on terms and conditions satisfactory to the President and in a form satisfactory to the City Solicitor.

2. The Board of Directors of the Toronto Parking Authority authorize the President, Toronto Parking Authority, to enter into a non-competitive agreement with Addmore Group for additional project management and financial consulting services in the amount of $141,135 plus Harmonized Sales Tax on terms and conditions satisfactory to the President.

FINANCIAL IMPACT

Based on the projected service and scope requirements of TPA, the one-time SAP implementation fees are $365,774 plus Harmonized Sales Tax (HST). In addition, a fifteen percent contingency of $54,866 plus HST is recommended.

Estimated consulting fees required to implement the solution are $301,800 which will support project management, data integrations and business process solutions fit for a non-customized installation. Combined expenditures, including contingency is $722,440; funding is available in the 2021 Approved Operating and Capital Budget.

DECISION HISTORY

At its meeting of June 26, 2019, TPA Board of Directors authorized the President, Toronto Parking Authority, to negotiate and enter into a non-competitive agreement with SAP Canada for the provision of SAP S/4HANA Enterprise Resource Planning and Reporting Solution software licensing and related professional services for a five-year term in the amount of $4,645,223 plus Harmonized Sales Tax, on terms and conditions satisfactory to the President, Toronto Parking Authority, and in a form satisfactory to the City Solicitor.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PA7.6

COMMENTS

On October 5, 2020, TPA implemented SAP S/4 HANA to replace its dated and highly customized legacy financial system and leverage a platform consistent with the City of Toronto and its agencies. TPA met its objective to implement a modern, cloud-based, scalable, best practices ERP application which provides integration, automation and transparency across the organization in one system.

In order to safeguard the financial systems project's tight timeframe, the implementation of SAP Cloud Analytics was deferred, the design phase for implementation of SAP SuccessFactors for employee data was completed, but its integration with the core finance system was deferred to the next second phase. This report recommends proceeding to complete the delayed implementation of SAP Cloud Analytics, SAP SuccessFactors Employee Central, and the added implementation of the SAP SuccessFactors Pay for Performance applications.

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Proceeding to Phase Two to Implement the Human Resources System in 2021

The implementation of SAP SuccessFactors (Employee Central) to store employee data in a single homogenous landscape was included in the initial project scope. Additional Human Resources (HR) functionality to manage people performance, recruitment and learning activities were included in the software license acquisition, with implementation planned in a later phase.

In order to safeguard the financial systems project's tight timeframe in 2020, the design phase for implementation of SuccessFactors for employee data was completed, but its integration with the core finance system was deferred to a second phase.

Currently, TPA does not have a core HRIS system that provides full functionality with regards to employee data, position and organization management. The existing payroll system, provided by a third party, has limited functionality relating to employee data, compensation and analytics. Existing challenges include: highly manual transactional processes, limited workforce analysis and planning ability, limited self-service options for employees and managers, extensive manual interventions for HR metrics reporting and compliance risk. Manual business processes currently in place are fragmented, lack audit controls and do not align with industry best practices. An integrated HR system will enable TPA in making informed business decisions through real time assessment of its workforce and the organization.

With the 2020 implementation of the SAP ERP system and the implementation of SAP SuccessFactors Employee Central and Pay for Performance in 2021, TPA can establish a system of record for all employees over their career, integrating in real time, allowing for seamless workflows between HR, Finance and Plant Maintenance processes, supporting quicker business decision making. Integration with SuccessFactors Pay for Performance applications, Performance & Goals and Compensation, will support the achievement of TPA's employee engagement objectives; attracting, motivating and retaining a highly skilled and diverse workforce. The new system will introduce a seamless end to end workflow for the employee from hiring to leaving the organization while utilizing position, compensation and organizational data. It will also deliver several reporting and future integration capabilities. The result will improve governance and create efficiencies for TPA staff in managing the employee lifecycle.

SAP S/4HANA Phase One Financial Systems Replacement Objectives and Results

The implementation project team considered the mandate to provide a robust, scalable, non-customized, out-of-the-box solution in all of its scope and design decisions and delivered finance, procurement and asset management functions to realize the following business goals:

- Accurate and timely reporting to support fact-based decision making; achieved via daily revenue data through an automated, single-integrated software application across all TPA business processes and standard-delivered reports across finance and operations
- Reduced cost of administration; automated integration and reconciliation of revenue; achieved via elimination of manual reconciliation and multiple ledgers
- Work order and asset management applications will support project prioritization and efficient deployment of staffing; achieved via enablement of maintenance activities planning and labour forecasting, workflow on field technicians' mobile devices, time capture for maintenance of all assets and visibility to asset location and disposition
- Provide visibility to compliance risk areas, such as contract management, procurement, asset management and revenue control; achieved via automation of procurement approvals via workflow, single repository for procure-to-pay, introduction of the three (3)-way match concept for procurement and inventory control
- Assessment of a solution focused on outcomes and maximizing value to our customers and the City.

The implementation of SAP S/4HANA also meets the City's platform of choice by following the "SAP first" approach to management systems adopted by the City in 2004, which establishes an SAP governance model and an SAP Competency Centre. This

City arrangement also provides for the potential ability to tie into City reporting and shared services initiatives, for other agencies to benefit from TPA's model company design, or to participate in procurement initiatives such as Ariba. TPA will be sharing its implementation learnings to further support this initiative. At this time, the shared services model does not offer post go-live support and therefore TPA is recommending to award third-party support services.

TPA's total phase one SAP fees of $4,616,587, comprised of SAP consulting services and licensing fees for a five-year period, are as follows:

SAP Implementation Fees	Actual Spend	Board Report	Variance
SAP consulting	$ 1,787,030	$ 1,648,491	$ (138,539)
SuccessFactors employee central	103,068	223,481	120,413
Contingency	-	280,796	280,796
Other one-time expenses	169,504	-	(169,504)
Sub-total implementation fees	**2,059,602**	**2,152,768**	**93,166**
License fees			
Annual license fees	511,397	498,491	(12,906)
Total license fees - 5 years	**2,556,985**	**2,492,455**	**(64,530)**
Total SAP fees	**$ 4,616,587**	**$ 4,645,223**	**$ 28,636**

Upon completion of the detailed explore and discovery phase, the statement of work was increased to reflect the increased number and complexity of revenue and collection integrations. All required functionality came out-of-the-box, with no customization. The implementation scope was limited to configuration only, and only 'must have' functionality. In order to safeguard the financial systems project’s tight timeframe, the implementation of SAP Cloud Analytics was deferred, the design phase for implementation of SAP SuccessFactors for employee data was completed, but its integration with the core finance system was deferred to the next second phase. Due to the pandemic, the implementation was performed fully remotely which increased the complexity, efficiency and therefore cost of the implementation.

SAP S/4HANA Full Implementation Business Case

Upon completion of phase one and phase two implementations, TPA will have an ERP which:

- Leverages City of Toronto’s SAP contract to ensure preferred pricing and potentially participate in the City’s shared services opportunities
- Fully out-sources a non-customized, robust, scalable, financial and operational platform to maximize value and ensure solution remains current with the latest features
- Provides effective, efficient, transparent, exception management focused back-office administration to support growth and transformation
- Provides accurate and timely business information and metrics to support decision making, daily management and oversight of operations to employees, managers and

senior management, including analysis and relevant feedback on the impact of decisions made
- Drives operational efficiency to support customer service focus
- Provides visibility to monitor and manage governance and compliance risk
- Provides effective, efficient contract management and procurement tools
- Provides customer relationship management, work order and asset management capabilities to align resources and staff activities
- Provides HR functionality supporting centralized employee data and effective workforce management - planning and budgeting, employee turnover and retention, employee development and performance management.

The cost-benefit analysis of the full implementation is as follows:

	Budget	Forecast	Variance
Legacy system savings	$ 120,613	$ 107,013	$ (13,600)
Operational cost avoidance	422,096	624,595	202,499
Finance cost avoidance	370,500	370,500	-
Projected annual benefits	$ 913,209	$ 1,102,107	$ 188,899
Annual license fees	498,491	511,397	(12,906)
Projected annual savings rate	**$ 414,718**	**$ 590,710**	**$ 175,993**
Implementation fees			
Phase 1			
TPA consulting support	$ 550,000	$ 1,515,973	$ (965,973)
SAP consulting - finance	1,871,972	1,890,098	(18,126)
Contingency - 15%	280,796	169,504	111,292
Phase 1	$ 2,702,768	$ 3,575,575	$ (872,807)
Phase 2			
SAP consulting - SF	-	365,774	(365,774)
TPA contract staffing - SF	-	241,800	(241,800)
TPA contract staffing - BI	-	60,000	(60,000)
Contingency - 15%	-	54,866	(54,866)
Phase 2	$ -	$ 722,440	$ (722,440)
Implementation fees	**$ 2,702,768**	**$ 4,298,015**	**$ (1,595,247)**
Break-even (years)	**6.5**	**7.3**	**(0.8)**

TPA Consulting Support for Phase One Implementation

While certain challenges of delivering such a significant enterprise-wide system are anticipated, TPA experienced a number of additional challenges including:

- The timing of the SAP implementation coinciding with a number of other critical strategic projects, requiring competing priorities to be balanced, and limiting available time of qualified staff to support projects and daily activities
- Implementing during a pandemic, resulting in the first major fully-remote SAP implementation
- Incomplete test scenarios leading to a high number of defects upon go-live, requiring TPA to extend contract resources to cover the hyper-care period
- Phase 1 scope changes to include Plant Maintenance/Work Orders and the SAP Software Asset Management (SAM) mobile app to improve overall implementation efficiency, reducing overall project implementation costs
- Encountering first generation SAM mobile app defects, and
- Turnover of key roles which increased the project duration from 23 weeks (July-December 2019) to 38 weeks (January – October 2020).

A number of these challenges were effectively managed by lengthening the implementation timeline to allow for additional training of TPA project resources and more robust testing of the software. The project was paused with SAP for nine weeks to allow TPA staff to complete discovery, modifying the future processes, business rules and train on the system. Additional planned project support was required as a result. The project manager and finance consultant were required to be extended, incurring an additional spend commitment of $101,375 and $39,760 respectively. Accordingly, a recommendation is made to increase the non-competitive agreement with Addmore Group for these additional project management and financial consulting services in the amount of $141,135 plus HST in accordance with TPA policy resolution 5-10 'Delegation of Authority'.

The breakdown of TPA implementation consulting expenses for phase one are as follows:

Position	**Agency**		**Amount**
Project Manager	Addmore	$	351,375
Project Manager	Addmore		111,483
Finance Consultant	Addmore		289,760
Finance Consultant	Illumiti		103,870
Planned project support			**856,488**
Additional consulting support required			
Technical Lead	Illumiti		190,550
Plant Maintenance Consultant	Independent		166,530
Basis Consultant	itconnex		112,010
Security Consultant	Illumiti		88,315
Technical Lead	Addmore		102,080
Additional consulting support			**659,485**
Total implementation consulting support		**$**	**1,515,973**

Lessons Learned

A lessons-learned exercise is being scheduled as part of the project close-out. However, there are several observable lessons, which can be incorporated now into future projects:

- A thorough examination of TPA capabilities, project roles and deliverables are needed to ensure adequate resourcing of future projects
- Adequate time, availability of documentation and training of key stakeholders is essential to ensuring final design of the solution and how new processes will impact the organization are fully understood, and
- Create emphasis on business readiness, ensuring that the role of change agents and leadership within the organization are fully aligned with the solution.

CONTACT

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SIGNATURE

Scott Collier, President
Toronto Parking Authority

ATTACHMENT

Attachment 1: SAP - Addition of the SuccessFactors Talent Modules
Attachment 2: ERP - SAP Recommendation Background Summary: Objectives, Requirements, Assessment and Recommendation