REPORT FOR ACTION

SAP Enterprise Resource Planning Implementation Status Update

Date: October 18, 2021
To: Board of Directors, Toronto Parking Authority
From: President, Toronto Parking Authority
Wards: All

SUMMARY

This report provides an update of Toronto Parking Authority's (TPA) SAP Enterprise Resource Planning software (ERP) implementation strategy.

Phase One implementation is substantially complete with all basic functionality implemented, including all basic finance, purchasing, asset maintenance (work orders) and material management (inventory) functionality. The remaining work for this phase is primarily the integration of the system via establishment of new business processes and standard operating procedures for daily operations.

Phase Two implementation is underway with the Human Resources Functionality and final Business Analytics component to commence in December 2021.

Total SAP costs for the Phase Two implementation of the programme remain on budget. As project implementation nears completion, focus will shift to operationalizing standardized business processes, accelerating staff literacy, driving productivity and reducing enterprise risk.

RECOMMENDATIONS

The President, Toronto Parking Authority recommends that:

1. The Board of Directors of the Toronto Parking Authority receive this report for information.

FINANCIAL IMPACT

There is no financial impact from this report.

DECISION HISTORY

The City of Toronto has a long history with implementing SAP dating back to amalgamation. 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

In an April 4, 2003 report to Audit Committee, the Auditor General delivered the results of an audit on the "SAP Financial and Human Resources/Payroll Information Systems – Post Implementation Review", which included among other things, a recommendation for the Chief Administrative Officer to develop a "SAP First" Policy. http://www.toronto.ca/audit/2003/sap_final_apr4_2003.pdf

City Council, at its meeting of May 18, 19 and 20, 2004 adopted Clause 12 b) of the Administration Committee entitled "Moving Forward with SAP", and in doing so, among other things, endorsed the strategic direction, governance structure and continuous service improvement framework and process for the future of the SAP information system as described in the "Moving Forward with SAP at the City of Toronto" report: http://www.toronto.ca/legdocs/2004/agendas/council/cc040518/admcl012b.pdf

City Council, at its meeting of June 11, 12 and 13, 2013, adopted Item EX32.3, "Results of the Shared Services Study – City Agencies" which, in part, directed City staff to work on "rationalizing information technology applications". This, in turn is consistent with Council's earlier direction regarding the "SAP First Policy", to leverage existing technology to the extent possible before adding new software applications. http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX32.3

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

At its meeting of February 8, 2021, TPA Board of Directors authorized the President, Toronto Parking Authority, to begin implementation of SAP SuccessFactors and Cloud Analytics software, along with procuring Level 2 post go-live support: http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PA21.4 http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.PA21.5

COMMENTS

Background

As management assessed our enterprise management capabilities in 2019, it was clearly evident that the TPA's accounting system was obsolete. Our 20-year-old systems had significant limitations and was impairing the ability of the business to meet its financial mandate. Critically, our systems lacked the capacity to provide real time data and exception reporting to effectively manage day to day operations including contract management, vendor performance and revenue management. Specific examples included:

- Automation of parking and bike share revenue integrations, reconciliation and daily reporting to analyze trends, or test to ensure completeness of revenue,
- Adequate documentation of purchases, demonstrating adherence to procurement policies,
- Visibility of vendor and customer contractual terms, milestones, spend history and deliverables to ensure contractual obligations and project outcomes met,
- Ability to use automation for three-way matching of purchase orders, invoicing and receiving slips to ensure completeness, validity and accuracy of purchases,
- Ability to record and track basic inventory items or establish standard materials and tools to manage costs, reduce travel and maintenance times,
- Preventative maintenance scheduling tools or programs; ability to track and manage asset maintenance plans to ensure assets are properly maintained in good working order,
- Basic financial reporting and metrics to inform decisions and assess results,
- Tools to track and manage staff positions, budgets, compensation and organizational structure; increasing risk of payroll and compensation errors,
- Tools to document and communicate goals and objectives and manage staff performance against expectations,
- Robust standard operating procedures; processes were designed to accommodate a limited, outdated system, rather than maximize outcomes, and
- A system to support standardized, documented business processes and procedures, resulting in staff doing things differently and escalating overtime costs as staff were not effectively deployed.

In light of the foregoing, management executed a phased approach to the launch and implementation of an out-of-the box, scalable system designed to address our current performance gaps whilst future proofing our financial sustainability and reduce overall enterprise risk.

Implementation of SAP in Two Phases

In 2020, due to the capacity constraints exacerbated by the pandemic, SAP implementation was divided into two phases. Phase One scope included all basic finance, purchasing, asset maintenance (work orders) and material management (inventory) functionality. Presently, the following Phase One initiatives have been completed:

- Daily automated and reconciled revenue integrations for parking and bike share transactions,
- Automation of purchasing work flows including documentation support, authority approvals and three-way matching for completeness and accuracy of payments,
- Creation of basic stock and inventory item tracking,
- Corrective and preventative maintenance scheduling, providing work orders and a workflow application for field technicians' mobile devices,
- Basic monthly financial reporting, and
- Conducting the discovery phase of the human capital management (HR) module.

The following Phase One initiatives are being completed balance of year:

- Development and automation of standardized profit centre reporting with budget and prior year variances,
- Completion of on-boarding and procedural materials to support employees with connecting business needs with how to best use the software,
- Definition and documentation of adapt-to-standard business processes and standard operating procedures to support the evolving business, and
- Automation of the banking interface integration; the current manual integration process is planned for automation in 2022.

Phase Two is focused on two deliverables: implementation of the Human Resources SAP SuccessFactors Employee Central and Pay for Performance module and SAP's Business intelligence tool.

The Phase Two Human Resources scope includes:

- Basic employee, position and organizational data to ensure payroll accuracy, facilitate position, organization management and workforce analysis including compensation and employee movement, and
- Deployment will be for administrative functions in 2021 with the December launch, with gradual self-serve access rolling out to managers and employees planned to commence in 2022.

Concurrently, SAP's Business Intelligence tool is planned to be deployed by year end subject to a review and certification of our standardized reporting templates.

SAP Phase Two Project Budget

TPA's SAP Phase Two Human Resources software implementation is nearing completion and is expected to remain on budget. See Table 1 for budget status.

Table 1: *SAP Phase Two Budget Tracking*

Implementation Fees	Budget	Forecast	Variance
SAP Consulting - SF	$ 365,774	$ 365,774	$ -
TPA Contract Staffing - SF	241,800	238,542	3,259
TPA Contract Staffing - BI	60,000	60,000	-
Contingency	54,866	46,640	8,226
Phase 2 Project Cost Total	**$ 722,440**	**$ 710,956**	**$ 11,485**

In 2021, TPA engaged a third-party for SAP post go-live support. As of September 2021, services fees remain on track to achieve full year budget. The 2021 Budget and forecasted expenditures are outlined in Table 2.

Table 2: *SAP Level 2 Monthly Operating Support*

	2021 Budget	2021 Forecast	Variance
SAP Level 2 Support	**$ 292,525**	**$ 271,508**	**$ 21,018**

SAP Future Project Plans

In the near term, no major enhancements are currently planned for 2022 and 2023. Our focus will be to drive organizational capability to ensure staff are fully leveraging the power of the SAP platform to maximize productivity and financial rigour.

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SIGNATURE

W. Scott Collier, President
Toronto Parking Authority

ATTACHMENTS

Attachment 1: SAP Implementation Phase Details
Attachment 2: Toronto Parking Authority Enterprise Resource Planning (ERP) - SAP
Recommendation Background Summary