

CITY OF BURNABY

FINANCE AND CIVIC DEVELOPMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

SUBJECT: REPLACEMENT OF THE CITY'S CORE FINANCIAL SYSTEMS

RECOMMENDATIONS:

1. **THAT** Council approve an expenditure of \$2,316,440 (net of GST) for the purchase of mySAP ERP 2004-05 as the enterprise resource planning software solution for the City of Burnaby and related consulting services.
2. **THAT** Council authorize staff to enter into a software end-user license agreement with SAP Canada Inc. for annual licensing fees of \$343,130 (net of GST).
3. **THAT** Council approve the expenditure of \$385,000 (net of GST) for the purchase of Oracle Database Software to run the new enterprise resource planning system.
4. **THAT** Council approve the expenditure of \$253,000 (net of GST) for the purchase of Adobe software to support the enterprise resource planning system.
5. **THAT** Council approve a contract for \$3,925,000 (net of GST) for the purchase of implementation services from TELUS for the installation of enterprise resource planning software as outlined in this report.
6. **THAT** Council enact a bylaw in the amount of \$9,817,745 (including GST of \$578,950) to fund the enterprise resource planning system expenditures as outlined in this report.

COPY: City Manager Deputy City Manager Director Engineering Director Planning and Building Director Finance Dir. Parks, Recreation & Cultural Services Fire Chief OIC, RCMP Deputy Treasurer Director Information Services Director Human Resources Chief Librarian City Solicitor
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REPORT

The Finance and Civic Development Committee, at its Open meeting held on 2005 May 12, received and adopted the *attached* report seeking Council approval to fund software and implementation services for a fully integrated web-based enterprise resource planning system for the City of Burnaby. This project is budgeted in the 5 Year Provisional Capital Program, and sufficient Capital Reserves are available to fund this Project. A bylaw to authorize the expenditure appears elsewhere on this agenda for Council's consideration.

Respectfully submitted,

Mayor Derek R. Corrigan
Chair

Councillor Dan Johnston
Vice Chair

Councillor Nick Volkow
Member

TO: CHAIR AND MEMBERS OF THE FINANCE AND
CIVIC DEVELOPMENT COMMITTEE

May 6, 2005
File: I53-1-1

FROM: DIRECTOR FINANCE

SUBJECT: REPLACEMENT OF THE CITY'S CORE FINANCIAL SYSTEMS

PURPOSE: To recommend software and implementation services for a fully integrated web-based enterprise resource planning system for the City of Burnaby.

RECOMMENDATIONS:

- THAT** Council be requested to approve an expenditure of \$2,316,440 (net of GST) for the purchase of mySAP ERP 2004-05 as the enterprise resource planning software solution for the City of Burnaby and related consulting services.
- THAT** Council be requested to authorize staff to enter into a software end-user license agreement with SAP Canada Inc. for annual licensing fees of \$343,130 (net of GST).
- THAT** Council be requested to approve the expenditure of \$385,000 (net of GST) for the purchase of Oracle Database Software to run the new enterprise resource planning system.
- THAT** Council be requested to approve the expenditure of \$253,000 (net of GST) for the purchase of Adobe software to support the enterprise resource planning system.
- THAT** Council be requested to approve a contract for \$3,925,000 (net of GST) for the purchase of implementation services from TELUS for the installation of enterprise resource planning software as outline in this report.
- THAT** Council be requested to draw a bylaw in the amount of \$9,817,745 (including GST of \$578,950) to fund the enterprise resource planning system expenditures as outlined in this report.

REPORT

Background

In April 2003 Council adopted a staff recommendation to investigate the need for the replacement of the City's legacy mainframe financial systems. In the Fall of 2003 the City contracted with the Government Finance Officers Association (GFOA) Research & Consulting Division to undertake a review of the City's legacy systems and report their findings back to Council.

The GFOA worked with staff across the organization to prepare an assessment of the City's business systems. Their report concluded that there was a viable business case for the City to proceed with the replacement of its core legacy business systems with an enterprise resource planning (ERP) system. The GFOA findings were presented to Council on April 19, 2004 in a Business Needs Assessment Report. Council received the report for information and adopted staff's recommendation to proceed with the development of the City's business system requirements and request for proposal document leading to a contract proposal for the replacement of the City's core financial systems.

The GFOA Consulting Team was retained to assist with finding an ERP system for Burnaby. Staff from all departments participated in the development of detailed user requirements for the system. A Request for Proposal was issued in July 2004, and at its close on September 15, 2004, nine proposals were received. The proposals were evaluated using a highly participative and rigorous process of elevation. Representatives of all City departments attended software demonstrations and presentations to learn more about the proposed systems and the implementation plans. On February 14, 2005, a status update report to Council identified the finalists in the selection process as being SAP Canada, the proposed software vendor, and TELUS, the proposed implementation partner.

SAP is the global leader in enterprise business software with the largest number of installations and broadest product offering of any vendor in the ERP market place. TELUS has over ten years' experience in implementing and supporting SAP solution engagements, and is one of Canada's largest SAP customers.

Since February staff has worked with the GFOA and the proponents to develop final contract recommendations for the consideration of Council.

City of Burnaby as a Leader in Business Processes

The scope of this project is significant and it will transform the way in which the City conducts business. The implementation of ERP software will set the direction for financial and administrative business systems for City of Burnaby for the future. The effectiveness of City staff in meeting the 24/7 operations of City facilities such as community centers, fire halls, libraries and police centers is directly affected by the quality of the business tools available to them in doing their work. Integrated on-line business processes will provide vital financial, human resource, and work management information utilizing single source data. This will result in more consistent, timely and accurate operational information. Analytical tools will provide online reports that will aid in the decision

making process.

For our citizens, an ERP System will lead to more opportunity for online access to services. Integrated business systems will allow for automated payments and improved record updating capabilities providing a seamless and personalized service to our constituents. "Self Service" functionality will enable authorized users, such as employees, vendors, Burnaby residents and businesses to readily access information that is relevant and useful at any time. The ERP Project is focused on the need to improve business processes and customer services both outside and inside the organization. Improved customer service is one of the key business drivers for the new system.

Over the past five months the ERP Project Team, Selection Team and Steering Committee have concentrated on selecting the best software and implementation proposal for the City. Discussions have also centered on the major training initiatives. These initiatives will ultimately determine the organizations ability to transform and effectively utilize a fully integrated cross departmental business system. A comprehensive Training Strategy has been developed as the first step in preparing for this transformation. Cost of the corporate strategy is approximately \$750,000 annually for the two year term of the project. Proposed funding is from General Revenue funds should Council approve the recommendations to proceed with this project.

Burnaby will be the first City in Canada to implement mySAP ERP 2004-05. SAP Canada has therefore committed to work in partnership with Burnaby to develop Burnaby as a leader in municipal technology. Burnaby will become an outstanding example of excellence in municipal business solutions and will help other mid-sized local government organizations see the full potential of this SAP software solution in a similar environment. Burnaby will become a "Presentation City" for SAP, demonstrating world class business software, working in a City setting. This collaboration will add value to both organizations.

Project Scope & Timeline

The proposed ERP Project is planned to take two years to complete and will begin June 2005. The project will have three phases: Phase 1 Financials, Phase 2 Logistics and Phase 3 Human Resources/Payroll. Within each phase several different software modules will be implemented. In the Fall of 2005 the ERP 2004 software solution will be upgraded to ERP 2005. It is anticipated that three months will be required to stabilize the software environment after the "go live" date January 2007.

The City Project Team will be comprised primarily of seconded staff from City Departments who are subject experts in the business processes that will be changed. Funding for the Team, which is estimated at 1.7 million dollars annually for the term of the project is budgeted to be provided from General Revenue Stabilization Funds should Council approve the recommendations in this report.

The TELUS initial plan will be modified, refined and developed into a Project Charter during a preparation phase. This document will clearly define the scope, budget, timeline and management

framework for the Project. Table 1 shows the initial plan for the implementation of software for a number of the City's key business areas. Phase 1 will begin in early June with the Project Kickoff.

TABLE 1 – Initial Implementation Plan

PHASE 1 – FINANCIALS	PHASE 2 - LOGISTICS	PHASE 3 - HUMAN RESOURCES
General Ledger	Asset / Property Management	Time Entry
Chart of Accounts	Depreciation Track	Shift Planning (Part 2)
Fund Accounting	Assets under Construction	Interfaces to related systems
Budget	Accounts Receivable	Recruitment
Initial Setup –Opening Balances	Customer Invoices & Receivables	Applicant Tracking & Reporting
	Cash Receipts	Central Repository
		Applicant Status
Accounts Payable	Work Order Management	Payroll
Vendor Invoices & Payments	Maintenance Orders	Earnings & Deductions
Cheque Reconciliations	Service Orders	Processing
Public Accounts Report Design	Interfaces to related systems	Third Party Remittances
Purchasing	Project Accounting	Benefits
Materials & Services	Work Breakdown Structure	Enrollment & Admissions
Contract Management	Project Controlling	
Online Requisitioning & Receipting		
Inventory Management	Budget and Controlling	Training and Events
Goods Receipts / Goods Issues	Cost Object Controlling	Planning & Administration
Stock Management	Planning and Budgeting	Training Attendance
Human Resources		Self Service
Organizational Management		Employee, Manager, Vendor
Personnel Administration		
Time Configuration (Part 1)		

The timeline for the Project will be adjusted during the blueprint stage of the project. The Project Team will work closely with the consultants to develop a detailed plan of how the software is to be configured, the business process changes required, reporting and forms requirements and ways to address the change management and training requirements of the organization. The following is a high level view of the implementation timeline.

TABLE 2 – Implementation Timeline

		2005				2006				2007			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		◆ SAP Go Live											
Phase 1 Financials	General Ledger / Funds					Released January 2006							
	Budget & Controlling									Released March 2007			
	Accounts Payable					Released January 2006							
	Purchasing / Vendor Self Service					Released May 2006							
	Inventory Management					Released January 2006							
										Human Resources / Employee Self Service			
										Released January 2007			
Phase 2 Logistics	Asset / Property Management									Released January 2007			
	Project Accounting									Released January 2007			
	Work Order Management									Released January 2007			
	Public Sector Collections / Disbursements									Released January 2007			
Phase 3 Human Resources	Electronic Time Entry / Scheduling									Released January 2007			
	Recruitment									Released January 2007			
	Human Resources and Payroll									Released January 2007			
	Benefits									Released January 2007			
										Training and Events (Learning Solution)			
										Released January 2007			

Contracts

The costs and description of the proposed contracted services to be funded by capital reserve funds are outlined in the remainder of this report. A detailed ERP Project Report is attached under separate cover for the information of Council. Table 3 summarizes the ERP capital project hardware, software and implementation services expenditures to be funded by bylaw from Capital Reserves.

TABLE 3 – Expenditures Funded By Capital Reserves

Name of Product or Services	Total Amount
mySAP ERP 2004-05 Software & Services	\$2,316,440
Oracle Database Software	385,000
Adobe Smart Forms Software	253,000
Crystal Reports Software	132,000
OrgChart Publishing	23,000
Software Sub Total	\$ 3,109,440
SAP System Hardware	1,070,000
Mobile Device Hardware & Services	450,000
Hardware Sub Total	\$ 1,520,000
TELUS Implementation Services	\$ 3,925,000
GST	\$ 578,950
8% Contingency	\$ 684,355
Total Capital Reserves Bylaw Funding	\$ 9,817,745
GST Rebate	\$ -578,950
Total ERP Expenditures Funded by Capital Reserves	\$9,238,795

Hardware

The mySAP ERP 2004-05 software will enable authorized users to access City' business systems through a web browser; there is no requirement for SAP software to be loaded on individual desktop PC's. The hardware to support the SAP software system configuration is complex, composed of separate computers to support the design, development, testing, and production versions of the SAP application. Each of these computers will contain a version of the software to provide for systematic quality assurance by not affecting any of the other versions of the software. The hardware will support the integrated applications including: Financials, Logistics, HR and Payroll, Time Entry, and Employee and Manager Self Service; an Enterprise Portal which will allow staff to access both SAP and other City software; SAP Solution Manager, a software package used to manage the operation and update of the SAP software systems; and SAP Mobile Infrastructure which will allow the SAP application to be used on remote computers such as laptops, PDAs (for example, a Blackberry) and cellular telephones using Interactive Voice Response. The hardware configuration is designed to provide high availability, if one system should fail for any internal reason, the application will automatically resume processing with the remaining hardware.

The hardware architecture has been planned to meet current needs and to be expandable for future needs. Business functions (Financials, Payroll etc.) will be operated on highly reliable and powerful mid-frame Unix computers, which have the ability to support multiple CPUs and large amounts of main memory, whereas Web and remote access will be housed on less expensive and smaller Intel based Windows computers, which are lower cost and easily replaced or duplicated if volumes of web transactions increase. The proposed architecture maximizes the use of the qualities of the different hardware platforms. The proposed hardware cost is approximately \$1,520,000. Upon approval of

the project by Council staff will, in a separate report to Council, recommend a vendor for the hardware purchase and detail the proposed expenditures.

Return on Investment

The project officially started in the Spring 2004. As indicated in the Finance and Civic Development Committee Report to Council, there is a positive business case for this proposal. The business case is more fully discussed in the ERP Project Proposal Report, however the savings Burnaby can expect by undertaking process re-engineering through the implementation of an ERP system shows that the City will realize a pay back of direct costs within twelve years.

Final Recommendations

With the support of the Government Finance Officer's Association Consulting & Research Division, City staff has completed the RFP process for an Enterprise Resource Planning System (ERP). This project is budgeted in the 5 Year Provisional Capital Program, and sufficient Capital Reserves are available to fund this Project. Council is requested to bring down a bylaw in the amount of \$9,817,745 (including GST of \$578,950) to fund the ERP expenditures as outlined in this report. Council is also requested to authorize the following bylaw fund expenditures from bylaw funds:

Expenditures From Bylaw Funds Requiring Council Approval	Net of GST
Purchase of mySAP ERP 2004-05 Software & Services	\$2,316,440
Purchase of Oracle Database Software	\$ 385,000
Purchase of Adobe Software	\$ 253,000
Purchase of TELUS Implementation Services	\$3,925,000

Council is also request to authorize a contract with SAP Canada for annual software licensing in the amount of \$343,130 (net of GST).



for Rick Earle
Project Director – ERP, Director Finance

ERP Steering Committee Members:

cc: Executive Sponsor, City Manager, Bob Moncur
Deputy City Manager, Chad Turpin
Director Engineering, Craig Sinclair
Director Planning & Building, Jack Belhouse
Director Parks, Recreation & Cultural Services, Kate Friars
Fire Chief, John Stewart
Officer-In-Charge, Carl Schmietenknop
Project Manager, Deputy Treasurer, Denise Jorgenson
Director Information Services, Brian Sameshima
Director Human Resources, Kim Munro
Chief Librarian, Edel Toner-Rogala

