



Meeting 2007 November 05

## COUNCIL REPORT

**FINANCE AND CIVIC DEVELOPMENT COMMITTEE**

*HIS WORSHIP, THE MAYOR  
AND COUNCILLORS*

**SUBJECT: BUSINESS SYSTEMS REPLACEMENT PROJECT UPDATE**

**RECOMMENDATIONS:**

1. THAT this report be received for information.
2. THAT a Capital Works Reserve Bylaw, in the amount of \$3,600,000 be brought down to finance Phase 3 of the Business Systems Replacement Project.

**REPORT**

The Finance and Civic Development Committee, at its meeting held on 2007 October 25, received and adopted the attached report providing an update on the Business Systems Replacement Project and seeking funding approval to finance Phase 3 of this project.

From the discussion of the Committee and its review of the report, the conclusion was drawn that the funding decision is not related to the entire cost of the project, but given the implementation of Phase I has been a considerable success, and the base of the system is in place and operational, the focus must be on the justification for spending an additional \$3,600,000 for the increased system functionality. The Committee further concluded that the additional expenditure is reasonable and warranted to improve the ease and efficiency of the use of the system and advance the transformation toward increased value to Burnaby constituents.

Respectfully submitted,

Councillor D. Johnston  
Chair

Councillor N. Volkow  
Vice Chair

Councillor G. Begin  
Member

Copied to: City Manager Director Finance City Solicitor
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**TO:** CHAIR AND MEMBERS  
FINANCE AND CIVIC DEVELOPMENT  
COMMITTEE

**DATE:** 2007 October 18

**FROM:** DIRECTOR FINANCE

**FILE:** ERP  
*Reference:* ERP Update

**SUBJECT:** BUSINESS SYSTEMS REPLACEMENT PROJECT UPDATE

**PURPOSE:** To provide Council with an update on the Business System's Replacement Project and to request funding approval.

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**RECOMMENDATIONS:**

1. **THAT** this report be received for information, and that the recommendations of the Director Finance be adopted;
2. **THAT** a Capital Works reserve bylaw, in the amount of \$3,600,000 be brought down to finance Phase 3 of the Business Systems Replacement Project.

**REPORT**

**Background**

The *Business Systems Replacement Project* is the City's software implementation of a fully integrated Enterprise Resource Planning (ERP) system, as approved by Council in May 2005. Burnaby is one of several cities in Canada that have implemented mySAP ERP 2005, a world-class business software used in government settings.

This implementation is based on the recognition that common business processes in the City – such as accounting, purchasing, and payroll – affect multiple departments and ERP systems are designed to facilitate the integration of such processes, as well as the sharing of information to achieve efficiency, accuracy, economy, and ultimately, increased effectiveness in service delivery.

The scope of this project is significant; it will continue to transform the way in which the City conducts its business processes for many years to come. As the City continues to strive to be an outstanding example of excellence in the provision of municipal services, this Business Systems Replacement Project is laying a solid foundation for the City to take advantage of e-government initiatives and automation to successfully address unmet needs of the City, and to allow for future growth of the City in meeting its business needs.

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## **Current Status**

The “go-live” for Phase I January 01 2007 went well with the implementation of a significant base system (“footprint”) providing:

- replacement of five of the City’s largest aging systems: H/R Payroll, General Accounting, Purchasing, Inventory, and Accounts Payable. These systems used outdated technology, were disparate in nature, and difficult to maintain due to unique technical skills no longer readily found in the market place. They have been replaced with the latest technology running in a web environment.

Phase I continued into 2007 with the creation of reports and release of online information such as the payroll earnings statement to pilot staff groups. Phase II began in the second quarter and ran in parallel with Phase 1 for several months. Phase II will address the automation of the City’s business processes around budgeting and will enable Parks’ staff to begin to use maintenance work order processes to carry out their business. Some additional benefits realized:

- reduction in duplication of data entry through integration
- improved corporate information management
- more transparency of transactions
- improved customer service
- enhancement of financial system security
- improved availability of information for decision making

The following table provides more detailed information on Phase 1 items that are complete.

Phase	System	Functionality
I	Payroll	<ul style="list-style-type: none"> <li>• Streamlined the weekly payroll processing cycle to a bi-weekly pay-cycle, paying 3,000 employees on the same day</li> <li>• Access to online Earnings Statement for 300 staff, reducing paper distribution</li> <li>• Employee record changes including hires, promotions, pay changes</li> <li>• Retro active calculation for payment of contracts settled in August</li> </ul>
I	Human Resources	<ul style="list-style-type: none"> <li>• Visible online organization structures including reporting relationships, salary, date and contact information; that is automatically updated and secure</li> <li>• Personnel administration, benefits and organizational management implemented for employee records</li> <li>• Replacement of paper based increment processing, with automated notifications</li> </ul>
I	Purchasing	<ul style="list-style-type: none"> <li>• Access by over 500 employees to Shopping Carts, including automated linkage to Grand &amp; Toy catalogue</li> <li>• Using the City’s integrated organization structure, automated workflow is in place for purchase orders, shopping approvals and contracts</li> <li>• Automated goods receipt and confirmations that allow for system reconciliation of order and receipts resulting in automated payments</li> </ul>
I	Financials (General Ledger)	<ul style="list-style-type: none"> <li>• Enterprise structure to align Cost Centres and organizational units to support reporting, workflow and security</li> <li>• Improved drill down capabilities and better tracking of financial history</li> <li>• Vendor invoice/payment processing and improved vendor record management</li> <li>• Integration of the City’s Benefit Society transaction processing</li> <li>• Automation of the City’s numerous bank reconciliations re processing of payments and receipts</li> </ul>
I	Accounts Payable	<ul style="list-style-type: none"> <li>• Integrated to the purchasing system to facilitate a single data base for vendor information allowing transactions to be initiated and reflected throughout the system in real-time, significantly reducing duplicate data entry and opportunity for error</li> <li>• Reduces the need for paper</li> <li>• Allows for online approval for improved control and transparency</li> </ul>

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I	Materials Management	<ul style="list-style-type: none"> <li>• Inventory requisitioning and replenishment</li> <li>• Internal catalogue, specific to City requirements</li> </ul>
I	Portal	<ul style="list-style-type: none"> <li>• Established a gateway to City's business information systems, including access to reporting, reference and support, and collaboration</li> </ul>
I	Business Intelligence	<ul style="list-style-type: none"> <li>• A data repository to provide payroll, human resource and financial information access online by staff</li> </ul>
I	Collaboration Rooms	This is the establishment and format of an area in the Portal for departments and teams to exchange information. It also serves as a business process for maintaining and categorizing the information in the collaboration rooms, also known as virtual project rooms.
I	System Infrastructure	Commissioned over twenty systems into production to support the prototyping, development, testing, training and utilization of the functionality.

Phase 2 items that are currently a 2007 work in progress and Phase 3 items that are scheduled to start in 2007 and continue into 2008 are listed in the chart below. Phase 3 continues the implementation of the City's "core" system functionality – functionality to automate standard business processes – and will begin work to enhance the Phase 1 functionality to improve staffs' "ease of use" and to increase efficiencies through further automation and integration of business processes.

Phase	System	Functionality
III	City Asset Land Registry and Property Rentals	Accommodates the establishment of the City's land asset registry to meet the requirements of Public Sector Accounting Board (PSAB); forms the foundation for address management used within the SAP system, and provides property management tools for the management of rental/leased property.
II	Budget & Financial Planning <i>Go-live January 2008</i>	<ul style="list-style-type: none"> <li>• Performance of what-if scenarios, using historical data for forecasting</li> <li>• Full integration with Business Intelligence and analytics services</li> <li>• Salary Projection Reports, assisting departments in preparation of the 2008 budget</li> </ul>
II	Capital Project Accounting <i>Go-live January 2008</i>	<ul style="list-style-type: none"> <li>• Centralized master data for capital projects</li> <li>• Uses integrated planning for capital budget integration</li> <li>• Consolidated data for Business Intelligence</li> </ul>
II & III	Work Order Management (Parks and Fire) <i>Go-live January 2008</i>	<ul style="list-style-type: none"> <li>• Automated business processes for the management of Fire Vehicle inventory use to maintain the City's fire vehicles</li> <li>• Work order management to support the Parks business processes enabling the capture of information regarding the equipment and facilities managed by the Parks Department</li> </ul>
III	e-Learning UPerform <i>Go-live April 2008</i>	<ul style="list-style-type: none"> <li>• This software application automates the creation of documentation and training materials to support staff in the change of their business processes; it generates/consolidates information, and exercise simulations to reinforce the learning of the information presented.</li> </ul>
II	Year-end Payroll	<ul style="list-style-type: none"> <li>• Implementation of automated year end processing such as: T4 processing, tax updates, pension reporting, accruals, and sick rebates as the City completes its first year of operation in the new system.</li> </ul>
II	Year-end Financials	<ul style="list-style-type: none"> <li>• Development of City Financial Statements using SAP, and the preparation of required reports and working papers for year end audit.</li> </ul>

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### **Going Forward - 2008**

There are still many challenges as departments work to adapt new day-to-day business processes, however departments have diligently strived to adopt the new system and as they increase their proficiency in using mySAP 2005 they begin the process of “optimizing” the way they do their work. The Phase 2 – Budget and Financial Planning project is the first opportunity the Project Team have had to use modeling to assist staff in envisioning different design approaches. Once a concept is conceived and agreed upon, the Team model, test and validate the concept. This approach is helpful as it fosters collaboration, validates concepts and helps to gain the commitment of staff to the pending changes in business processes. Future phases will rely more heavily on this approach.

The ERP Project consists of several discrete sub-projects, each with its own business objectives and delivered functionality. The intent of this methodology is to better manage the impact on individual business units (while moving forward with significant increases in ease of use and functionality as the core business systems are implemented). Phase 3 is scheduled to begin in early November 2007 and will continue throughout 2008. Phase 4 would then start in mid 2008 and continue on into 2009. Phase 4 funding will be presented to Council in detail during 2008 when additional options, including tendering for all or part of the work in Phase 4, will be explored and discussed. Phase 4 is noted here as it will form part of the 2008 budget submission to be considered by Council shortly.

The City’s business processes will be substantially impacted by recently enacted government financial reporting requirements for 2009. These requirements will be met with the roll-out of the Asset Module during 2008 in Phase 3.

The following table provides more detailed information on Phase 3 & Phase 4 Projects that will form part of the 2008 Budget. Phase 4 will extend to 2009 however Phase 4 projects to be initiated in 2009 are not discussed at this time.

Project		Functionality
III	Online Benefits Statements <i>Go-live July 2008</i>	This functionality allows employees to access a statement of their current benefits and will help ensure the accuracy of data through individual input and employee queries. Staff training and security of access to personal data will be the most significant challenges to be managed.
III	Electronic Funds Transfer Advice	This functionality automates the generation of reports to vendors, notifying them of the details of funds that have been transferred to their accounts to pay for goods and services.
III	Staff On-line Time Entry	Allowing staff who work on computers to input their time online for the processing of the payroll. This will speed up the payroll processing time, eliminate duplicate data entry and reduce the chance of error through the entry of time through multiple processes.
III	Employee Self Service	Using the Portal over internet, staff will be able to update their own personal information such as a change in address or update personal information such as adding a new spouse, or a new dependent.
IV	Purchase Order Confirmations	The electronic confirmation of purchase orders sent by the City to users/vendors and electronic order status sent to users will eliminate existing labour intensive processes. This can be automated by the use of (return) e-mails/electronic correspondence, thus eliminating manual and time consuming efforts.
IV	Purchasing Bidding Engine	This functionality will formalize and standardize the bidding process to facilitate the comparison between bids and link the successful bid to the ultimate contract with the successful supplier.



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(Continued Phase 3 & Phase 4 Projects that will form part of the 2008 Budget)

III	Structural Authorizations Pilot	This functionality is to improve security and facilitate access to sensitive information at the departmental level. This will be done one department at a time to minimize the impact on the departmental operations and individual users.
IV	Expense Management	This functionality is to improve the ease of use of the portion of the system that tracks the employee expenses required to be accounted for in the annual "Schedule of Remuneration and Payments" report.
III	Third Party Billing	This functionality links work orders billed to third parties (ICBC, developers, private individuals, etc.) to the City's receivable and revenue receipt system and provides automated tracking abilities.
III	Management Reports	The creation of user-friendly, specific reports providing information to departmental managers for budget control and development, project management and information required in day-to-day operations (a simple and easy way of getting the most out of the information in the business system).
IV	Portal Alerts	This is a portion of management reporting/notification that alerts managers when self-defined limits are reached on individual accounts or project budgets.
III	Portal Standards & Knowledge Management	Standards will be established for the use and maintenance of the Portal. The continuation of the use of Knowledge Management (practice used to identify, create, represent, and distribute knowledge for reuse, awareness and learning) for the purpose of storing and tracking a broad range of documents, including version control.
III	Infrastructure Maintenance	Support upgrades to improve system stability and introduce new functionality that can be leveraged by the Team and ensure continued maintenance support.
III	SRM Cube Validation & Query Development	Standard SRM and MM information cubes in the Business Intelligence system will be activated to provide strategic sourcing information for more effective purchasing and management of materials.
III	Contract Prices in Catalogue	Adds the price to items in the City's internal catalogue, so that the departments see the price they will be charged when they complete shopping carts for materials and services.
III	Fuel System Batch Interface	This is to reduce the administration effort and reduce errors for Inventory Management through the use of a simple interface to accept data in a file format and upload it in to the SAP system to relieve fuel inventory in the SAP system.
III	Notifications for Finance Ledger & Invoices	Implementation of workflow for Finance Invoices and Journal Entries to automatically send a notification to the approver indicating that a posting is required. Eliminates the running of reports and checking of posting queues.
III	Evaluated Receipt Settlement (ERS) for Other Vendors and/or Services	ERS has been implemented for Grand & Toy in Release 1 for goods. This will be expanded to include the capability to use this functionality for services as well. Expansion to other vendors for materials will also alleviate workload on buyers.
III	Assessment of the HR Administrator Business Package Reports in Portal	The HR Administrator Business package does not provide for New Hire, New Job and Rehire actions where new employee IDs are needed. Options on whether to do this later must be explored.  In 2006 these transactions which provide employee management reports were not sufficiently user friendly to justify the implementation. This will be re-assessed based on the latest version.  This project will take the form of an Assessment and if viable within the annual budget allocation it may proceed. Alternatively the implementation will proceed in the following budget year or when the functionality is mature.

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(Continued Phase 3 & Phase 4 Projects that will form part of the 2008 Budget)

III	Accounts Receivable	This implementation will be limited to receivables for rental properties and third party billing to lay the foundation for managing business partner functionality which will be used more extensively in 2009.
III	Bills of Material to Manage Parts Lists	Primarily an exercise in populating parts lists for vehicles and equipment components. It improves the ability to select the correct material for jobs and reduces the number of requests by grouping them into assemblies saving time and errors in processing.

### **Funding**

The Director Finance recommends drawing a Capital Reserves bylaw for Phase 3 at this time to fund Phase 3 projects that will begin in 2007 and continue into 2008. Phase 3 will run parallel with Phase 2 projects for the last quarter of the year.

Approved Plan for Implementation Services:

Project Plan		Funding in Place
Phase 1	→ \$7.3	Phase 1 & Phase 2 \$9,425,000
Phase 2	→ \$1.7	
Phase 3	→ \$3.0	Funding Required
Phase 4	→ \$1.8	Phase 3 + Contingency @ 8%
Phase 5	→ \$4.5	Bylaw Required \$3.6 million
Sub-Total	\$18.3	
Contingency	\$1.5	
Total	\$19.8	

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## **Bylaw Funding**

Business Systems Replacement Project Update Consulting Services			Funding Allocation	Expenditures
	Funding Allocation	8% Contingency	with Contingency	to Period 9
Phase I 2005/2006/2007	7,334,193	586,735	7,921,000	7,580,865
Phase II 2006/2007	1,683,184	134,655	1,818,000	589,896
Subtotal			9,739,000	8,170,761
Phase III 2007/2008/2009	3,023,888	228,866	3,253,000	
Funding Requirement			12,992,000	
<b>Funding in Place</b>				
Initial Funding 2005 June			3,925,000	
Bylaw #12206 2006 November			5,500,000	
			9,425,000	
<b>Funding Bylaw Required</b>			<b>\$3,567,000</b>	

## **Staff Funding**

Phase 1 funding for City resources and a corporate ERP training program was provided from GRF. Phase 2 and Phase 3 funding for City resources and training is outstanding for 2007. The amount of required funding is \$950,000 for internal staff costs and training of \$550,000.

The Director Finance recommends that these capital expenditures continue to be funded from General Revenue Funds.

## **Summary**

The implementation of this highly integrated business system is a long term investment for the City. The implementation to date has been a success and has created a significant base from which to re-build the other outdated City systems such as the property tax billing system and the land development and licensing systems. The much needed re-development of our systems on a single integrated base will increase service levels, provide one source of consistent information and ultimately reduce processing times.

The systems being implemented will continue to be built into City business processes as corporate experience increases and the power and potential of the new systems are further exploited. Phases 3 and 4 of the project are essential to this process and are specifically intended to further the functionality, understanding and ease of use to hasten its incorporation into current business processes.

The project is closely managed and on target. Council's approval of this funding for the continuing development of additional functionality will allow for quick realization of the benefits of an integrated business system consistent with the original project mandate.

It is recommended that Council adopt the recommendations as set out in this report and that a Capital Reserve bylaw, in the amount of \$3,600,000 be brought forward to provide continued funding of the Business Systems Replacement Project.

Rick Earle  
 DIRECTOR FINANCE



Copied to: City Manager