

Clause embodied in Report No. 7 of the Policy and Finance Committee, as adopted by the Council of the City of Toronto at its meeting held on May 21, 22 and 23, 2002.

2

SAP Implementation Final Report

(City Council on May 21, 22 and 23, 2002, amended this Clause by adding thereto the following:

“It is further recommended that:

- (1) the Chief Administrative Officer be requested to submit a report to Council, through the Administration Committee, on the status of the migration of SAP software to the City’s Agencies, Boards and Commissions; and*
- (2) the Chief Administrative Officer and the Chief Financial Officer and Treasurer be requested to submit a joint report to the Administration Committee on the history of any requests made to the Financial Advisory Board to use the system and the results thereof.”)*

(City Council on April 16, 17 and 18, 2002, deferred consideration of this Clause to the next regular meeting of City Council scheduled to be held on May 21, 2002.)

(Clause No. 2 of Report No. 5 of the Policy and Finance Committee entitled, “SAP Implementation Final Report”)

(City Council on February 13, 14 and 15, 2002, deferred consideration of this Clause to the next regular meeting of City Council scheduled to be held on April 16, 2002.)

(Clause No. 12 of Report No. 2 of the Policy and Finance Committee entitled, “SAP Implementation Final Report”)

The Policy and Finance Committee recommends the adoption of the joint report (November 22, 2001) from the Chief Administrative Officer and Acting Chief Financial Officer/Acting Treasurer and Director of Accounting Services, wherein it is recommended that:

- (1) authority be given for staff to make final payment for full SAP implementation, including the Toronto Police Services project; and**
- (2) the appropriate City officials be authorized to take the necessary action to give effect thereto.**

The Policy and Finance Committee submits the following communication (December 4, 2001) from the City Clerk:

Committee Action:

The Audit Committee refers the joint report (November 22, 2001) from the Chief Administrative Officer and Acting Chief Financial Officer/Acting Treasurer and Director of Accounting Services respecting SAP Implementation Final Report to the Policy and Finance Committee for consideration.

Background:

The Audit Committee, on November 29, 2001, had before it a report (November 22, 2001) from the Chief Administrative Officer and Acting Chief Financial Officer/Acting Treasurer and Director of Accounting Services respecting SAP Implementation Final Report, and recommending that:

- (1) authority be given for staff to make final payment for full SAP implementation, including the Toronto Police Services project; and
- (2) the appropriate City officials be authorized to take the necessary action to give effect thereto.

The Audit Committee's action is noted above.

(Joint Report dated November 22, 2001, addressed to
the Audit Committee from the Chief Administrative Officer and
Acting Chief Financial Officer and the Acting Treasurer and
Director of Accounting Services)

Purpose:

The purpose is to provide Audit Committee with a report on the SAP project and to report on the costs for the implementation of SAP at the Toronto Police Service. This report covers the initial implementation, the upgrade to version 4.6C and the implementation at Toronto Police Services.

Financial Implications and Impact Statement:

The implementation of SAP at the City was approved as a capital project in 1999 initially for \$26.3 million. An additional request for funding in 1999 increased the budget by \$7 million. Also, as part of the 2000 budget process, the Finance Department transferred \$950,000.00 to the SAP capital budget for a total project budget of \$34.25 million.

The total costs of the SAP project are \$34.06 million. Included in these costs is the \$550,000.00 incurred to implement SAP at Toronto Police Services. During the 2001 budget deliberations, Toronto Police Services had estimated an additional cost of \$1.1 million (TPS project budget of \$2.75 million). However, the City made a commitment to provide Finance staff to help reduce that cost and in addition agreed to fund up to half the estimated over-expenditure.

Recommendations:

It is recommended that:

- (1) authority be given for staff to make final payment for full SAP implementation, including the Toronto Police Services project.
- (2) the appropriate City officials be authorized to take the necessary action to give effect thereto.

Background:

The former municipalities each had their own systems managing financial and human resources information. These systems handled payroll, salary and benefit administration, position management, purchasing, materials management and accounting and budgeting information and transactions. In 1998, Council approved the implementation of SAP as the consolidated system. The recommendation to implement SAP was the result of a review process that included the issuance of RFI's, vendor demonstrations and reviews and consultation with an independent firm.

The project was approved in December of 1998. At that time, in addition to the need to amalgamate the systems of seven municipalities, the year 2000 was just twelve months away. Three of the existing systems were not Y2K compliant and the other four needed significant changes to address all of the Y2K or amalgamation issues. Therefore a solution was needed that could be implemented under tight timelines. The delivery of the software was made by December 29, 1998 and the project commenced in January 1999. Although the project had extremely tight deadlines, all deadlines were met on time and on budget.

The scope of the project was kept narrow in order to be able to meet the aggressive timelines. This means that the base or critical functionality was implemented and those modules that were less critical were excluded. The modules included in the City's implementation, the Police implementation and those not implemented but licensed, are included in Schedule 1.

Financial Information System (FIS):

The original plan was for the financial information system to be implemented in two stages. Due to the pressure imposed on the City by the year 2000, it was necessary to fast track the implementation of SAP. The former City of Etobicoke had implemented SAP prior to amalgamation. Although the complexity of processes was greater in the new amalgamated City, it was assumed that 80 percent of the Etobicoke configuration could be used in implementing SAP at the City of Toronto. Therefore, the first stage was to include only the functionality used by the former City of Etobicoke with minor system and master data changes being made. As the project progressed it was obvious more changes were required than anticipated.

The change management issues involved in moving from seven systems into a single unified system required extensive training and communication. It was determined that implementation should be phased so that the former municipalities of East York, York, North York, Etobicoke

and Scarborough would convert to SAP at the end of June 1999, and the former Toronto and Metro at the end of August 1999.

The second stage included enhancements such as the further rollout of requisitions and purchase order processing to departments. In addition, accounts receivable functionality was included at the request of the departments. This was also considered a change in the scope of the project. This stage was completed in December 1999.

A third stage was added to the FIS project during 2000 that also affected the HR/Payroll development. The scope of this third stage originally included only the cost centre planning functionality but in order to improve budget development, a salary cost-planning component was added. The purpose of the functionality was to address salary budgeting. This was the final stage for the FIS project with a go-live in September 2000.

Human Resources/Payroll (HRP):

The Human Resources/Payroll functionality was implemented over three stages.

The first stage consisted of four phases with 9,000 East York, North York, and York employees converted in August 1999; 16,000 former Metro and Scarborough employees converted in November 1999; 5,000 employees from the former City of Etobicoke converted in February 2000 and the final phase converted 12,000 employees of the former City of Toronto in May 2000. The completion of this phase consolidated the four payroll systems into a single system while at the same time providing fundamental human resources functionality.

The second and third stages completed in February 2001 provided additional payroll functionality in areas such as time entry, automation of mass terminations for recreation workers, and paycheque redesign.

Functionality in the Human Resources components included enhanced position management, personnel development and training, compensation administration and recruitment administration.

Upgrade to Release 4.6C:

Throughout 2000 the Production Support Group and the Advisory Committee considered the timing of the implementation of release 4.6 of the SAP software. Initially, it was planned to complete the upgrade over the July 1, weekend. However, upon consulting with the Toronto Police Service (TPS) implementation team in January, it was agreed that the completion of both the TPS implementation and the City's upgrade to 4.6 would be delayed until the fall. SAP Canada agreed to continue to support the HR/Payroll modules to the September go-live date. The City's upgrade project was completed on the Labour Day weekend with TPS going live four weeks later. Co-ordination of the upgrade and the Police implementation was the responsibility of the SAP Project Manager and the Production Support Group. The success of this effort is reflected in the result that both the upgrade and TPS projects were completed on time.

The focus of the upgrade was on making SAP more user friendly. This gave frontline staff a more efficient method of entering financial transactions through the use of one screen instead of three. In addition, reports are now easily downloaded to Excel worksheets for analysis and projections. Other improvements were made in the areas of system maintenance and technical support tools.

Toronto Police Service:

In December 1999, \$1 million was approved for the payment of software license fees for Toronto Police Service under the terms of the City's licensing agreement with SAP.

An amount of \$2.75 million was included in the 2000 Capital Budget for the implementation of SAP Financials on release 4.0B at Toronto Police Service during 2000 and 2001. Concurrent with TPS planning of its implementation plan, City staff was developing plans for the upgrading of SAP software to the latest release. In January 2001, after the award of the contract to Deloitte Consulting for implementing SAP release 4.0B at TPS, it was determined that it would be more efficient for TPS to change their implementation strategy and go-live with the latest version shortly after the completion of the City's upgrade.

In a report to Council in July 2001, the Acting Chief Administrative Officer and Acting Chief Financial Officer reported to Council that this change was estimated to increase the costs of the project by \$1,165,000.00. However, it was indicated in the report that TPS would work closely with City staff to reduce these costs. As a result of the assignment of additional City staff from Accounting Services the need for consultants was decreased resulting in lower costs. The final projected cost of the TPS project is now \$3.3 million or an increase of \$550,000.00. The funding of the \$550,000.00 is recommended to come from the available funds in the original SAP implementation project.

Agencies, Boards and Commissions (ABCs):

During the budget discussions and approval of the implementation of SAP, Council directed that in the future as ABCs need to replace their existing Financial and HR/Payroll systems, that SAP should become the corporate standard. It has been decided to delay the implementation of SAP for other ABCs for a year in order to allow the evaluation of the system, and other enhancements or increased functionality that have been requested from City Departments. A list of the City's Agencies, Boards and Commissions, which are included as entities covered by the license agreement with SAP, is included in Schedule 3.

Conclusions:

The goal of the City's implementation of the SAP Financial Information and Human Resources/Payroll System was to amalgamate seven (7) Financial systems and 7 HR/Payroll systems into one system. The project, including the upgrade and TPS implementation in 2001, was completed within a three-year time period, and although the deadlines were tight, these deadlines were met with only slight changes in the implementation plans.

The costs included in this report reflect direct SAP project costs. During 1999, departments identified some SAP costs that are Y2K related, such as the acquisition of hardware that were charged to the Y2K project budget. These would have been charged to the Y2K budget with the approval of the Y2K Steering Committee. All Y2K project costs will be reviewed as part of a future audit.

The City of Toronto is left with a system that, through regular upgrades, will be able to handle the additional requirements and opportunities that lie ahead. City staff have been trained through the transfer of knowledge over the three years to become experts themselves. With ongoing training of City staff on other functionality and system improvements, the City will continue to be able to reduce the dependency and requirements for outside consulting support.

Contact:

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Schedule 1
SAP Final Report
Original Modules Licensed

- (1) ***Financial Accounting/Asset Accounting***
- (2) ***Cash and Funds Management***
- (3) Investment Management
- (4) ***Controlling***
- (5) Enterprise Controlling
- (6) ***Project System***
- (7) ***Materials Management***
- (8) Plant Maintenance
- (9) ***Sales and Distribution***
- (10) Production Planning
- (11) ***ABAP/4 Development Workbench***
- (12) ***Basis***
- (13) *Personnel Administration and Payroll*
- (14) *Personnel Planning and Development*

Note: Modules in *bold italics* are implemented at both the City and TPS
Modules in *italics* are implemented at the City only
Modules in bold are implemented at TPS only

Schedule 2
 SAP Final Report
 SAP Implementation Project

SAP Budget

December 1998 (1999 Budget)	SAP Project	\$26.30 M
January 2000 (2000 Budget)	Additional Costs	7.00 M
Budget Adjustment required	1999 Transfer of Funds from Finance	0.95 M
Total Budget Available		\$34.25M

Expenditure	\$	\$
Software License Fees	10,307,688	
FI Milestones	3,346,880	
HRP Milestones	10,991,120	
Change Requests	2,067,838	
Sustainment	2,071,737	
Total SAP Costs		28,785,263
First Year Maintenance		476,534
Project Office Expense		3,568,133
Salaries		854,599
TPS Licenses and Blueprint		1,106,400
GST Rebate		(1,277,949)
Sub-Total		33,512,980
Additional TSP Costs		550,000
Total Project Costs		\$34,062,980

Schedule 3
SAP Final Report
Entities Covered by License Agreement with SAP

- (1) Canadian National Exhibition Association
- (2) City of Toronto Non-Profit Housing Corporation
- (3) Exhibition Place
- (4) Hummingbird Centre for the Performing Arts
- (5) Metropolitan Toronto Housing company Limited
- (6) St Lawrence Centre for the Arts
- (7) The North York Performing Arts Centre
- (8) Toronto district heating Corporation
- (9) Toronto Economic Development Corporation
- (10) Toronto Historical Board
- (11) Toronto Humane Society
- (12) Toronto Licensing Commission
- (13) Toronto Hydro-Electric Commission
- (14) Toronto Parking Authority
- (15) Toronto Police Services Board
- (16) Toronto Public Library Board
- (17) Toronto Transit Commission
- (18) Toronto Zoo
- (19) Tradelink

Councillor Gloria Lindsay Luby declared an interest in the foregoing matter in that her husband is now employed by SAP.

(Councillor Lindsay Luby, at the meeting of Council held on February 13, 14 and 15, 2002, declared an interest in the foregoing Clause, in that her husband is an employee of the company named therein.)

(Councillor Lindsay Luby, at the meeting of Council held on April 16, 17 and 18, 2002, declared an interest in the foregoing Clause, in that her husband is an employee of the company named therein.)

(Councillor Lindsay Luby, at the meeting of Council held on May 21, 22 and 23, 2002, declared an interest in the foregoing Clause, in that her husband is an employee of the company named therein.)