



Staff Report for Council Meeting

Date of Meeting: May 26, 2021

Report Number: SRCFS.21.030

Department: Corporate and Financial Services

Division: Information Technology

Subject: SRCFS.21.030 - Sole Source Acquisition with SAP Canada Inc. to Sustain the City of Richmond Hill's Enterprise Resource Planning (ERP) Footprint

Purpose:

The Information Technology Division is seeking Council approval for a non-competitive acquisition greater than \$100,000, in accordance with the Procurement By-law 116-13.

Recommendation(s):

- a) That the sole source acquisition of SAP software licenses, maintenance and support be awarded non-competitively to SAP Canada Inc. for a contract duration of three (3) years and a cost not exceeding \$1,678,000, exclusive of taxes, pursuant to Appendix "B" Part I, Section (c) of the Procurement By-law No. 113-16 in order to ensure compatibility with existing SAP software used and maintained by the City of Richmond Hill staff.
- b) That the Commissioner of Corporate and Financial Services, and upon the recommendations of the Chief Information Officer, be authorized to execute any necessary documentation to effect the contract(s).

Contact Person:

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Report Approval:

Submitted by: Sherry Adams, Commissioner of Corporate and Financial Services

Approved by: Mary-Anne Dempster, City Manager

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All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

Background:

The City of Richmond Hill started its journey with SAP Canada Inc. in 2019, with the promise of running as a true intelligent enterprise and modernizing core aspects of its operations including Finance, Procurement, Human Resources, and Payroll. The selection and procurement of SAP (as an ERP platform) was conducted via a competitive process – whereby an SAP partner/vendor (Blue IT Group) was awarded the contract to implement and support the systems at Richmond Hill.

On February 9, 2021, the City received correspondence from SAP Canada Inc. outlining that it had terminated its partnership with Blue IT Group as a reseller of licenses and third party technical support provider as of January 17, 2021. The email indicated that Richmond Hill has two options to manage their software procurement, licensing and annual support: either seek another third party SAP partner (vendor) or engage directly with SAP Canada Inc.

Procurement By-law No. 113-16, Appendix “B”, Part I - Sole Source Acquisition clause (c) stipulates that sole source acquisitions may be made:

- to ensure compatibility with existing products, to recognize exclusive rights such as patent, copyright or license, or to maintain specialized products that must be maintained by the manufacturer or its representative;

Staff are recommending that the contract be awarded non-competitively pursuant to Appendix “B” Part I, Section (c) of the Procurement By-law No. 113-16 as a direct partnership with SAP Canada Inc., provides the following benefits:

- Receive direct and specialized support from SAP Canada Inc.
- Recognize annual cost savings while enabling more features

Keeps the capitably funded ERP Program on schedule through the implementation of Concur, an Account Payable automation solution

Financial/Staffing/Other Implications:

There is no 2021 operating impact as SAP support and maintenance fees are budgeted annually from the Information Technology Division’s Operating Budget. The City will recognize \$15,000 in annual savings beginning in 2022 even when enabling new Account Payable automation solution Concur.

The total of the proposed three-year award to SAP Canada Inc. in the amount of \$1,678,000, exclusive of taxes, breaks down in accordance with the following table:

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Module	Year 1	Year 2	Year 3
Success Factors	\$255,000	\$255,000	\$255,000
S4HANA	\$195,000	\$200,000	\$200,000
SAP SAC	\$2,000	\$2,000	\$2,000
SAP Concur	\$97,000	\$80,000	\$80,000
License Growth	\$5,000	\$25,000	\$25,000
Total	\$554,000	\$562,000	\$562,000

Relationship to Council's Strategic Priorities 2020-2022:

Working directly with SAP Canada Inc. allows the City to adhere to the notion of Balancing Growth and Green, and illustrating Fiscal Responsibility.

Maintaining transparent operational relationship with SAP Canada Inc. allows the City to run its Enterprise Resource Planning (ERP) system at an optimal capacity – adding supplementary products and services to strategically grow the City's ERP footprint. The sustainment of the ERP system enables staff to deliver adequate Finance, Procurement, Human Resources, and Payroll operations. Operations that are vital to run a truly intelligent municipal enterprise – all whilst maintaining a healthy balance between economic development, data consciousness and environmental protection in the long run. Additionally, by working directly with SAP, the City continues to follow industry best practice, maintains a proactive approach towards IT Software Maintenance, Capital Planning and Forecasting, and hence avoids unnecessary expenditures in order to emerge financially strong from the current pandemic.

Climate Change Considerations:

Climate change considerations are not applicable to this staff report.

Conclusion:

Staff are recommending that the sole source acquisition of SAP software licenses, maintenance and support be awarded non-competitively to SAP Canada Inc. for a contract duration of three (3) years and a cost not exceeding \$1,678,000, exclusive of taxes, pursuant to Appendix "B" Part I, Section (c) of the Procurement By-law No.113-16

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Report Approval Details

Document Title:	SRCFS.21.030 - Sole Source Acquisition with SAP Canada Inc.docx
Attachments:	- SRCFS.21.030 Sole Source Acquisition with SAP Canada Inc.docx
Final Approval Date:	May 6, 2021

This report and all of its attachments were approved and signed as outlined below:

Rob Jones - May 5, 2021 - 4:03 PM

Sherry Adams - May 5, 2021 - 7:37 PM

MaryAnne Dempster - May 6, 2021 - 1:16 PM