



STAFF REPORT

Meeting Type: Finance & Administration Committee/Board of Directors
Title: Enterprise Resource Planning (ERP) Software Modernization
From: Bret Uppendahl, Finance Director *BU*
Through: Paul Sellier for Ben Horenstein, General Manager *PS*
Meeting Date: October 24, 2024

TYPE OF ACTION: Action Information X Review and Refer

RECOMMENDATION: Review and refer to a future regularly scheduled Board meeting the proposed Subscription Agreement with SAP SuccessFactors for software entitlements required to modernize the District’s Enterprise Resource Planning software

SUMMARY: At the March 8th Operations Committee meeting, staff presented an update on efforts to modernize the District’s Enterprise Resource Planning (ERP) platform. The recommended approach – which ensured the best possible outcome with the least amount of risk and disruption to District operations – was to upgrade and modernize the current SAP software solution as opposed to replacement with a completely new platform.

Since that March meeting, planning has been underway to identify phases of this multi-year effort and the team is ready to begin “Phase Zero” of the ERP Modernization program. Phase Zero is focused on particular pain points with the current ERP system around ongoing Human Resources (HR) and Payroll functions. Future phases will address upgrades to finance, procurement, asset management and billing modules within the SAP cloud framework. This report provides a summary of the proposed Subscription Agreement between the District and SAP/SuccessFactors for software entitlements required as part of this initial project phase.

The proposed agreement marks the beginning of a multi-year ERP Modernization effort and is an important first step towards a complete migration to cloud based services and software as a service (SaaS) solutions. This transition is expected to streamline District operations, reduce dependency on outdated software, and provide District staff with modern tools to enhance productivity and collaboration. Staff will be returning to the Board in coming months to award a contract with a systems integrator to help guide the implementation and configuration of the SAP/SuccessFactors software. The proposed agreement is structured as a five-year

commitment with annual payments due at the commencement and on each anniversary date through the term.

DISCUSSION: This staff report details the SaaS subscription required to implement core Human Resources, time-entry, employee self-service, and payroll functions on SAP's SuccessFactors platform. It also includes the SAP Integration suite, which is required to integrate these new cloud services with the District's legacy SAP installation. Lastly, as a SaaS subscription agreement, SAP Support is also included and is key to reducing the overall management and systems administration burden on District staff.

There are several benefits to the District in adopting this phased approach:

Minimal Disruption: Implementation during Phase Zero will be done in parallel with the current SAP system and daily operations will not be adversely impacted. With the exception of a very short "cutover" window, which will include training, staff will be largely unaffected by any changes.

Addresses Current Pain Points: The processes addressed in Phase Zero (HR and Payroll) currently pose significant challenges on the current system – creating a great deal of extra work every cycle and involving a great deal of manual entry, which introduces further work and a greater likelihood of errors.

Introduces Self-Service Capabilities for All Employees: A key benefit of this phase will be the introduction of self-service capabilities found in the SuccessFactors Employee Central solution. This will empower staff to perform a variety of HR related functions, including viewing pay stubs and accrual balances, without the need for paper forms or manual processes.

Generates Momentum: The implementation of Phase Zero provides the opportunity to create momentum around the ERP Modernization program. Since this new functionality will impact the entire organization, it will set the stage for all subsequent phases. The modern web based user interface and dramatically improved self-service capabilities will provide an initial example of additional upgrades in the coming months.

Manageable Scope: Lastly, the scope of this phase was specifically chosen as it can be easily managed and allows the ERP Modernization team to develop the skills and acquire the knowledge necessary for success in the phases to follow.

Entering into this subscription agreement with SAP aligns with District's strategic goals of modernization, enhanced security, and operational efficiency. The ERP Modernization team is committed to ensuring a smooth transition and leveraging the full potential of SAP/SuccessFactors cloud services to benefit the District. The proposed SAP Cloud Services subscription includes the following:

- Employee Central: Core HR, benefits administration and self-service portal
- Employee Central Payroll: Payroll pre-processing and processing
- Payroll Tax Calculations: Tax updates and tax rate table management

- Time Tracking: Time entry and time tracking, both via the web and mobile
- Integration Suite: SAP’s integration platform for interoperability and automation

ENVIRONMENTAL REVIEW: Not Applicable.

FISCAL IMPACT: As shown in the table below, the proposed agreement is projected to cost \$200,646 in FY 2024/25 for all HR and Payroll modules along with professional services for tenant onboarding in the first year. The annual charges will increase by 3.3 percent each year, and over the five years of the agreement, the total cost is expected to be \$1,026,300. Final costs in future years are dependent on the total number of users and cloud services utilization. Funds for the SAP modernization project are included in the current Information Technology budget.

Agreement Year	Subscriptions Included	Annual Payment
Year 1	Core HR, EC, EC Payroll, Tax Calculation, Time Tracking, Integration Suite, SAP Preferred Success, Tenant Onboarding Services	\$200,646
Year 2	Core HR, EC, EC Payroll, Tax Calculation, Time Tracking, Integration Suite, SAP Preferred Success	\$196,742
Year 3	Core HR, EC, EC Payroll, Tax Calculation, Time Tracking, Integration Suite, SAP Preferred Success	\$202,956
Year 4	Core HR, EC, EC Payroll, Tax Calculation, Time Tracking, Integration Suite, SAP Preferred Success	\$209,654
Year 5	Core HR, EC, EC Payroll, Tax Calculation, Time Tracking, Integration Suite, SAP Preferred Success	\$216,572

Total Projected SAP/SuccessFactors Agreement (5 Years)	\$ 1,026,300
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ATTACHMENT(S): None.