



STAFF REPORT

Meeting Type: Operations Committee/Board of Directors
Title: Enterprise Resource Planning Software Update
From: Bret Uppendahl, Finance Director
Through: Ben Horenstein, General Manager
Meeting Date: March 8, 2024

BH *BU*

TYPE OF ACTION: Action X Information Review and Refer

RECOMMENDATION: Receive update on status of the District’s Enterprise Resource Planning (ERP) software update

SUMMARY: The District has used SAP for its Enterprise Resource Program (ERP) software since the early 2000’s. The existing SAP software currently supports a highly integrated environment that includes over fifteen separate modules to facilitate day-to-day business activities such as accounting, human resources, procurement, inventory and customer billing.

The District’s current software versions will be at “end of life” by December 2027, at which point SAP will no longer provide support, updates or enhancements. The next version of SAP, known as SAP S/4HANA, is a composable, cloud-based platform that provides improved speed, performance, analytics and adaptability.

In preparation for the upcoming migration to SAP S4/HANA product, staff executed a professional services contract with Gartner Consulting to perform an independent evaluation of the District’s existing business practices and alternative software options. Staff will present the results of their evaluation.

DISCUSSION: The District selected SAP in 2001 to modernize software applications and to integrate the core functions of Customer Service, Utility Billing, Maintenance Management, Accounting, Human Resources and Payroll. Over the past 20 years, the District has relied on dedicated staff and a network of consultants to perform regular maintenance and required periodic upgrades. In addition to ongoing ERP application maintenance and the network of servers required to support SAP, the District also maintains a complex integration with our geographical information system (GIS) in order to provide field crews with local access of critical assets.

SAP has notified the District that the product has reached its end of life and will no longer be supported after December 2027. In an effort to better plan, implement and understand the risks associated with a major upgrade, the District contracted with Gartner Consulting to provide an independent analysis of business capabilities and alternative software options. Gartner conducted interviews with staff members for each of the District's existing business processes and worked with the executive leadership team to outline key business drivers that reflect the District's mission critical priorities and overarching goals.

Through these interviews with District staff, Gartner identified the top four business drivers as reducing risk, improving agility, empowering staff and increasing productivity. Gartner also used information from the interviews to determine which software solutions would be sufficient to meet the operational needs of the District and which could provide the ideal functional fit for current business practices. Finally, Gartner analyzed the cost effectiveness of SAP and other leading ERP software solutions.

In addition to analyzing the District's current business practices and software needs, Gartner provided guidance to staff with respect to trends in the ERP market, the risks associated with ERP implementations, and a recommended roadmap for a successful project.

Gartner concluded that the District's day to day business needs require a complex ERP software solution and that the SAP S/4HANA product would meet the functional requirements of the District. They further concluded that there are no other software solutions that offer superior functionality for the District's core business processes, and that the benefits of continuing to use SAP minimizes the risks of implementing an entirely new software platform.

ENVIRONMENTAL REVIEW: Not applicable.

FISCAL IMPACT: Funds to upgrade SAP have been included in the FY 2024-25 Budget. Final costs for system integration and annual licensing will be determined over the coming months and will be incorporated in the FY 2025-27 recommended budget.

ATTACHMENT(S): None.