INFORMATION REPORT

Enterprise Resource Planning (Fusion) Program Update

ISSUE
The Administration has completed significant milestones in the first wave of the Enterprise Resource Planning (ERP) implementation program. The Fusion program is on budget and on track with an expected Wave 1 go-live date of January 4, 2021. This report provides an update on the program status and outline how the COVID-19 pandemic has impacted the project.

BACKGROUND
ERP is an integrated system used by organizations to manage day-to-day business activities and share information. An ERP system will make business tasks easier, reduce duplicate activities, provide better and timelier information, and allow employees more time to focus on activities that bring greater value to the organization and citizens.

The approved capital budget for the project is $27.9 million in which the benefits that were identified in the original business case completed in 2016 include:

- over $40.0 million in anticipated savings and efficiencies in the first six years following implementation; and

- ongoing savings and efficiencies of $9.7 million per year in 2027 over today's environment.

The Administration entered into an agreement with PricewaterhouseCoopers LLP (PwC) and SAP for the implementation of an enterprise resource planning system.

On August 30, 2019, the City entered into a five-year contract with SAP for ERP software modules and a five-year ERP master service agreement with a 24-month statement of work with PwC. PwC's contract provides two ERP implementation projects (Wave 1 and Wave 2) over 24 months. Wave 1 of the project was initiated on October 28, 2019.

The ERP project was named "Fusion" through an internal naming contest. This name represents the mission of the program which is "to fuse our many diverse processes, which will create a new energy and a unified approach across the City and its Boards and Controlled Corporations."

CURRENT STATUS
The Fusion program has onboarded a team of staff and consultants in the areas of finance, human capital management, supply chain management and enterprise asset management to deliver modern, industry best-practice processes.

The project schedule is divided into two waves. In Wave 1, the Administration will deliver finance, core human capital management, supply chain management and asset

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management functionality which will take about one year. In Wave 2, estimated to begin in early 2021, work will continue in human capital management and operations systems by adding additional work order management functionality, as well as project and activity management.

Each of the waves are divided into four phases:

1. Explore – Initiates the project wave and defines the future business processes, data and system needs for the implementation scope.
2. Realize – Configuration of the system and data structures are tested and documented by subject matter experts.
3. Deploy – Preparation and training to transition to the new processes.
4. Go-live and Run – Adoption of the new processes and establish ongoing operations and technical support.

Appendix 1 provides a summary of the project phases and timelines for Waves 1 and 2.

The Wave 1 implementation project is currently in the Realize phase which focuses on getting the required data from current systems and allowing subject matter experts to test the new SAP system and industry best practice processes.

In October, the Deploy phase will begin which includes employee training and cutover activities to transition data into the new systems in preparation of a planned go-live date of January 4, 2021.

DISCUSSION/ANALYSIS
The Explore phase (November 2019 – February 2020) of Wave 1 was completed within the planned schedule and budget. A key activity during this phase was a series of show-and-tell solution design workshops called Conference Room Pilots, as well as technical workshops. The goals of these sessions were to align with standard SAP practice, identify exceptions that may be required due to regulatory requirements, and to start the design of future processes and the supporting system. At the conclusion of the Explore phase, there was a refined understanding of what, when and how to implement process and system changes.

Managing project risks and prioritizing mitigation efforts are key to ensuring a successful outcome. In February 2020, KPMG was selected and contracted to be the program's auditor and advisor to provide independent, expert opinion, oversight of the project's risk management response and quality assurance for verification and validation of the implementation processes. The KPMG advisory team has been integrated into the Fusion team to help ensure the City, PwC and SAP are able to achieve project objectives.

Due to the COVID-19 pandemic, the Fusion team started working from home in March 2020 and will continue working remotely until it is deemed safe to return. Consultant

travel has been halted and all project communications were shifted to virtual meetings and collaboration spaces. The pandemic impact for the City's boards and controlled corporations caused subject matter expert availability concerns and a decision was made to reduce the scope for the Wave 1 implementation as follows:

- Saskatoon Police Service will receive the full Wave 1 scope for Finance, Supply Chain Management, Human Capital Management and Enterprise Asset Management.

- Saskatoon Public Library will receive Finance and Human Capital Management.

- Sasktel Centre, TCU Place and Remai Modern will receive Human Capital Management.

Through consultations with each of these entities, the scope reductions alleviated concerns for subject matter experts' availability during these uncertain times while still providing benefits and economy of scale for these entities to participate. These scope reductions will likely reduce the desired ERP efficiencies and savings due to limited Supply Chain Management modernization and a reduction of financial standardization across these entities. However, in future enhancements it is possible that implementation of additional modules could help reduce these gaps.

Another impact of the pandemic was the need to shift all system and process testing to a remote environment. Testing began in early June 2020 and will continue until October 2020. The successful transition to the remote testing format has had no adverse impacts to the project schedule or testing quality.

The next project phase will require all employees to receive training at various levels depending on their job roles. Due to the pandemic, the team is planning to deliver the training in a remote environment to ensure the safety of employees and trainers.

The pandemic also created an opportunity for cost reductions due to reduced consultant travel and by allowing more efficient use of technology for team and stakeholder meetings. There is also an increased desire by employees to reduce paper and manual processes to improve efficiencies. Adoption of technology solutions in areas that may have been hesitant to change has also increased which will assist with Fusion change management.

A significant percentage of the benefits expected to be realized from the project relies on employees embracing change and adopting new processes. An employee change readiness assessment survey was launched on July 27, 2020, in which the results will be used to prioritize organizational change management resources and activities before the January 2021 go-live date.

The Wave 1 scope includes modernizing the business processes and systems for employee time and payroll. The current legacy payroll systems are very complex due to

numerous manual processes that manage employee time and attendance and pay rules in 12 collective bargaining and association agreements across six separate entities (City of Saskatoon, Police, Library, TCU Place, SaskTel Centre, and Remai Modern).

The Fusion team and Steering Committee are actively working to mitigate the risks within the payroll area and has added additional test cycles and resources. The KPMG advisory services team has also provided expertise and guidance to prioritize quality assurance and mitigation efforts towards payroll functional areas.

FINANCIAL IMPLICATIONS
The project expenditures are within budget and no additional funds are required at this time. The schedule is on track to meet the Wave 1 implementation date of January 4, 2021.

OTHER IMPLICATIONS
There are no privacy, legal, environmental, or social implications identified.

NEXT STEPS
The Administration plans to keep the Governance and Priorities Committee and the public updated on the progress of the project through periodic reporting. It is expected that a report closer or at the time of implementation of Wave 1 in January 2021 will be provided.

APPENDICES
1.   Fusion Wave 1 and Wave 2 Timeline

REPORT APPROVAL
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