

SUMMARY STATEMENT

ITEM NO.: DRPA-18-025

SUBJECT: Upgrades to Enterprise Resource Planning System

COMMITTEE:

Finance

COMMITTEE MEETING DATE:

February 7, 2018

BOARD ACTION DATE:

February 21, 2018

PROPOSAL: That the Board authorizes staff to negotiate a contract with SAP Public Services, Inc. and its relevant service affiliates (collectively, "SAP Public Services") for an amount not to exceed \$25,800,292 to implement an upgrade of the existing Enterprise Resource Planning (ERP) system that serves as the system of record for both the DRPA and PATCO. The system upgrade services include software enhancements, hosting and database services, implementation services, staff training, technical support, and support of the existing ERP environment during the implementation of the system upgrades. A break-down of the total upgrade costs is as follows:

Upgraded Software and Database Set Up Fees (one-time): **\$501,350.00**

Implementation of System Upgrades (through 2021): **\$12,417,452.00**

In addition to all existing ERP System financial commitments:

Recurring Software License Fees: **\$3,976,208.00**
(\$994,052 annually x 4 years)

Upgraded Hosting Fees:

2018:	\$596,082.00
2019:	\$312,980.00
2020:	\$302,028.00
2021:	\$302,028.00
2022:	\$302,028.00
2023:	<u>\$302,028.00</u>
Total:	2,117,174.00

Upgraded System Support/Training:

Upgraded Testing & QA: **\$3,034,743.00**

Upgraded AMS Support: **\$1,445,600.00**
(\$361,400 annually x 4 years)

Upgraded Training & Enablement: **\$1,057,765.00**

Total: **\$5,538,108.00**

Existing ERP System Support/Training: **\$1,250,000.00**

PURPOSE: To provide DRPA and PATCO with much needed upgrades to the existing ERP System. These upgrades will address systemic and operational challenges DRPA and PATCO have encountered since the January 4, 2016 initiation of the ERP System. The proposed system upgrades will also position the Authority to take advantage of the latest technological upgrades to the ERP System database and software applications (the S4/HANA database and new procurement, human resources and project budget finance software programs) that cater to the DRPA and PATCO's evolving business and operational needs.

BACKGROUND: In 2009, the Authority began a process to explore the replacement of its two legacy systems at the DRPA and PATCO. The legacy systems supported all financial, human resource, purchasing, and asset management functions at both organizations.

A consultant was selected to review DRPA and PATCO's then existing platforms to determine if the Authority should keep what was already in place, or if a new system should be designed and implemented.

The consultant and DRPA staff spent a year meeting with departmental representatives to understand each departments' processes. It was determined that the existing systems could no longer support the agencies' needs and a new system needed to be implemented. After the completion of a public procurement process, staff, with the consultant's support, recommended (1) an ERP System utilizing the SAP ECC database and related software applications and (2) an integrator to implement the ERP System to the Finance Committee and the Board at their respective May 2014 meetings. These recommendations were subsequently approved. In August 2014, the Authority executed a contract with the recommended system integrator to provide the Authority with an ERP System.

For 16 months, the Authority and the consultants proceeded through various project phases. The ERP System went "live" on January 4, 2016.

Since going live, both DRPA and PATCO have experienced many challenges with the ERP System. At the direction of the Board, the Authority commenced an initiative focused upon finding the best means of addressing these issues. The initiative was focused on efforts that would result in both DRPA and PATCO being able to take full advantage of the processes and efficiencies an SAP ERP System offers, as well as to properly position DRPA and PATCO for the future and their respective evolving business and operational needs.

Pursuant to this initiative, the Finance Committee and the Board at their respective July 2016 meetings approved the DRPA entering into an agreement with SAP Public Services wherein DRPA and PATCO migrated to SAP Public Services the management of Application Management Services (AMS) Support as well as the cloud hosting of the ERP System. In addition, Authority staff conducted a 16-month due diligence initiative wherein the Authority engaged outside resources, including SAP Public Services, to assess the current state of the ERP System to identify any areas for upgrade and/or repair as well as engaging other governmental agencies operating upgraded SAP ERP Systems to provide insight on the operational benefits of an upgraded SAP database and related software applications. At the conclusion of this due diligence effort, Authority staff concluded that an upgraded ERP System would fully address the system challenges that DRPA and PATCO are currently experiencing as well as providing enhanced functionality that best positions DRPA and PATCO to address current and future business and operational needs. In addition, as the manufacturer of the SAP database and related software applications, SAP Public Services and its consultants are uniquely situated to provide the requisite implementation services to effectuate this system upgrade.

As such, Authority staff recommends negotiating a contract with SAP Public Services, Inc. for an amount not to exceed \$25,800,292 for an upgrade of the existing ERP System that serves as the system of record for both the DRPA and PATCO.

SUMMARY:	Amount:	\$25,800,292
	Source of Funds:	Revenue Fund and General Fund
	Capital Project #:	2018 DRPA TEP.01812 & TEP.01703
	Operating Budget:	2018 DRPA and 2018 PATCO Budgets
	Master Plan Status:	N/A
	Other Fund Sources:	N/A
	Duration of Contract:	Up to Five (5) years
	Other Parties Involved:	N/A

DRPA-18-025
Finance Committee: January 10, 2018
Board: January 17, 2018
Upgrades to Enterprise Resource Planning
(ERP) System

RESOLUTION

RESOLVED: That the Board authorizes staff to negotiate a contract with SAP Public Services, Inc. and its relevant service affiliates (collectively, “SAP Public Services”) for an amount not to exceed \$25,800,292 to upgrade the existing ERP System that serves as the system of record for both the DRPA and PATCO.

RESOLVED: The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer and if thereafter either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of DRPA.

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