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## MEMORANDUM OF INFORMATION

**TO:** CHAIR AND MEMBERS **DATE:** 2015 November 18  
FINANCIAL MANAGEMENT COMMITTEE

**FROM:** CHIEF INFORMATION OFFICER **FILE:**

**SUBJECT: SAP SOFTWARE ANNUAL SUPPORT AND MAINTENANCE  
AGREEMENT RENEWAL**

**PURPOSE:** To provide a status update regarding the annual SAP Software and Enterprise Maintenance Support contract.

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In 2005, the City purchased an Enterprise Resource Planning (ERP) system from SAP Canada Inc. This ERP platform includes an extensive footprint of various modules across several key business operations including financials, payroll, human resources, purchasing, inventory, etc. At the time of purchase, the City also negotiated a 10-year software and maintenance support agreement which expired earlier this year. The annual maintenance provisions include the following services:

- New releases of the licensed software, tools and procedures for upgrades (including legal and regulatory changes for payroll and etc.)
- Remote support services and global 24/7 support to maintain and optimize SAP operations
- New product development to address solution lifecycle management
- Support for City staff during the process of implementing new SAP functionality as they continue to leverage the SAP platform.

A Notice of Intent was posted on BC Bid on 2015 Nov 13 outlining the reasons the City wishes to extend its existing enterprise software support contract with SAP Canada Inc. for a period of seven years from June 2015 to May 2022. These reasons include:

- SAP software supports the City's core business processes; it is essential that this software is fully maintained and regularly updated to ensure continuous operations in an effective and efficient manner
- The vendor has unique knowledge and has demonstrated experience with the development, implementation and support of the City's ERP platform, having provided these services to the City for the past 10 years.
- The City continues to develop and evolve its SAP platform (e.g., as replacement software for aging legacy systems) to fully leverage the City's initial investment; vendor support during the course of these projects reduces risk and ensures effective delivery.

Once the posting period for the Notice of Intent is closed, the City will review any further submissions and will proceed with a contract award recommendation to Council for approval.

City staff has worked diligently with SAP to negotiate a framework for the next several years, with stepped increments to bring the City in line with industry standard for annual support and maintenance contracts, while minimizing annual increases. This is largely a continuation of the existing agreement with SAP, with a total increase of 5% over the seven year term which is consistent with industry standards and annual Consumer Price Index increases. The increase applies only to SAP software licensed prior to July 2008. All software purchased since then has been licensed at the prevailing increased rates. The annual amount for the first year of the contract is \$614,432 which represents an increase of 1.36% over the prior year. The total value of the contract over the seven year term is \$4,639,960 (including applicable taxes), with a total increase of 5% over the 2015 cost by 2021.

It is anticipated that a contract recommendation will be brought forward to Council in December 2015.

A handwritten signature in black ink, appearing to read "Shari Wallace", with a horizontal line extending from the end of the signature.

Shari Wallace,  
Chief Information Officer.

Copied to: City Manager  
Deputy City Managers  
Director Finance  
Purchasing Manager