



## COUNCIL REPORT

Report Date: November 12, 2024  
Contact: Alexander Ralph  
Contact No.: 604.829.2092  
RTS No.: 16571  
VanRIMS No.: 08-2000-20  
Meeting Date: November 27, 2024  
[Submit comments to Council](#)

TO: Standing Committee on Policy and Strategic Priorities  
FROM: Deputy City Manager and Chief Procurement Officer  
SUBJECT: Change Order to Deloitte Inc. Consulting Services Agreement for SAP S/4HANA Conversion

### Recommendations

- A. THAT Council authorize City staff to negotiate a \$205,000 change order to an existing agreement with Deloitte Inc., resulting in an estimated new total contract value of \$3,320,667, such change order to be funded from the Technology Services Capital Projects budget.
- B. THAT Council delegate its authority to execute the change order to the City's Director of Legal Services, Chief Procurement Officer, and Deputy City Manager.
- C. THAT no legal rights or obligations will be created by Council's approval of Recommendations A and B unless and until the City executes and delivers the change order.

### Purpose and Executive Summary

This report seeks Council approval for a \$205,000 change order to the City's contract with Deloitte Inc, concerning their role as the City's contracted implementation partner for the City's Financial Planning Transformation Project, which leverages the recent implementation of SAP S/4HANA to advance business efficiencies and cost savings.

As this proposed change order will result in an estimated total contract value of approximately \$3.3 million, Council approval is required, per the City's Procurement Policy.

### Council Authority/Previous Decisions

The City's Procurement Policy (ADMIN-008) requires Council approve contracts with a total value greater \$3,000,000 following review and recommendations by the City's Bid Committee.

There is no applicable Council authority or previous decisions related to this report.

## **City Manager's Comments**

The City Manager concurs with the foregoing recommendations.

## **Context and Background**

### Leveraging the City's recent SAP enterprise system upgrade

The City of Vancouver uses SAP to manage various enterprise functions including financial planning and management. Following the City's 2022 technical conversion to the current SAP S/4HANA environment, the City has been embarking on business transformation projects to maximize the value of the SAP platform, enhance efficiencies, and boost organizational productivity in a number of areas, including financial management, human resources management, and asset management.

Deloitte was selected as an implementation partner for the SAP system upgrade, following a competitive bid process. The City's contract with Deloitte was structured to allow the City to engage Deloitte for additional future "service blocks" in support of SAP business transformation projects, including the Financial Planning Transformation project. Given the size of this procurement, Gartner Canada was engaged at the outset to ensure fair market value.

### Financial Planning Transformation Project

The objective of the Financial Planning Transformation Project currently underway is to enhance the internal administrative and decision-making processes used for capital and operating budget planning, management and reporting, as well as the underlying data accuracy. This work will result in substantial future efficiencies that will generate budget savings and offset the cost of the investment. Of note, the recommendations provided by the Mayor's Budget Task Force noted this potential for efficiencies in the City's budgeting practices and the opportunity to leverage technology to improve business processes.

### Phased gating approach

The Financial Planning Transformation Project is being undertaken using a phased project management approach. With this, each phase ("service block") is designed to deliver value to the City, and for each phase there is an approval gate for all associated deliverables/costs. With each gate, the City's contracted implementation partners (in the case of this current report, Deloitte) are engaged via a change order to their original contract.

This approach allows each engagement to be tailored to deliver maximum value. Because of the complex technical architecture, continued specialized support from Deloitte is essential to the success of the project and the realization of savings.

As the cumulative value of all work undertaken by Deloitte on the SAP Technical Conversion project and the Financial Planning Transformation project now exceeds \$3M, Council approval is required, per the City's Procurement Policy.

## Discussion

### Existing Deloitte contract

The City has an existing contract with Deloitte for consulting services to be provided for the SAP S/4HANA technical conversion that commenced on December 7, 2022. The upgrade from the City's previous SAP implementation to the modern S/4HANA platform was necessitated by the imminent discontinuation support from SAP for the previous product. The conversion to S/4HANA was an intensive and complicated undertaking, necessitating the procurement of supplemental technical expertise from Deloitte.

The estimated contract value for the initial contract period of December 7, 2022 to August 20, 2023 was \$1,195,240, plus applicable taxes.

### Change orders to Deloitte contract

Building on the implementation of S/4HANA, the first phase of the Financial Planning Transformation Project addressed the modernization of operational budget process in 2024. The next phase will address the capital budget process in 2025. Deloitte's support for this work has been funded via a series of change orders to the December 2022 contract.

- **Change Orders 1-10.** During the period from May 4, 2023 to September 6, 2024 inclusive, there have been a total of nine change orders (Change Orders 1 – 9, inclusive) having a total cumulative value of approximately \$1,800,427. Deloitte's services for Change Order 10 (valued at \$120,000 for 10 weeks of work) commenced mid-October 2024 to complete the Operating Budget Release 2 delivery in Q4 2024.
- **Change Order 11.** Change Order 11 proposed in Recommendation A of this current report would extend the contract term with Deloitte to March 31, 2025, at an incremental cost to the City of \$205,000. This engagement is to lead capital planning budgeting design workshops in January and February 2025, for the Financial Planning Transformation Project. The information gathered during these workshops will be used to build capabilities in SAP to support development of the 2027-2030 Capital Plan and the 2026 Capital Budget. The City's detailed list of deliverables for this work component, along with the key benefits and outcomes identified in the Statement of Work are in the attached Appendix A.

As shown in Table 1 below, Change Order 11 will result in the Deloitte contract having a total cumulative value of \$3,320,667, plus applicable taxes.

It is anticipated that as the Financial Planning Transformation work progresses, staff will bring further change orders to Council for approval, consistent with the phased project management approach described above.

**TABLE 1. ESTIMATED DELOITTE CONTRACT VALUE: DECEMBER 7, 2022 TO MARCH 31, 2025**

	<b>DATE</b>	<b>CONTRACT VALUE, EXCLUDING APPLICABLE TAXES</b>
Original contract value (SAP S/4HANA technical upgrade)	December 2022	\$1,195,240
Change Orders 1-9, inclusive – Financial planning transformation project blocks related to pre-planning, and the design and implementation of operating budget transformation	May 2023 to September 2024	\$1,800,427
Change Order 10 – Implementation of operating budget forecasting enhancements	October 2024	\$120,000
Change Order 11 – Design for capital planning and budgeting transformation (subject of current Council report)	December 2024	\$205,000
<b>Projected total contract value, to March 31, 2025</b>		<b>\$3,320,667</b>

**Financial Implications**

Financial Planning and Analysis has reviewed and confirmed that funding is available from the Technology Services capital budget. The costs of financial planning transformation investments will be recovered from future efficiencies and related budget savings and will support capital planning process improvements that will result in improved delivery of capital.

**Legal Implications**

The City’s Procurement Policy (ADMIN-008) requires the Director of Legal Services to execute all contracts value greater \$3,000,000 that have been awarded by the Bid Committee and Council.

\* \* \* \* \*

## APPENDIX A STATEMENT OF WORK FOR CHANGE ORDER 11 TO THE DELOITTE CONTRACT FOR THE CITY OF VANCOUVER’S FINANCIAL PLANNING TRANSFORMATION PROJECT

The following tables summarize the proposed 7-8 week Deloitte effort for Change Order 11:

	Element	Description and Activities	Key Benefits and Outcomes
Process Design	Management Reporting	<ul style="list-style-type: none"> <li>Development of core capital budget and capital plan table mock-ups to support internal and external reporting</li> <li>Identification and design of key management reports related to capital</li> </ul>	<ul style="list-style-type: none"> <li>Standardized creation of core capital budget &amp; capital plan tables and internal management reports in useable formats (PDF, .xls)</li> </ul>
	Capital Metrics & KPIs	<ul style="list-style-type: none"> <li>Explore the usage of service level metrics and identify areas where service level metrics can be used to enhance/monitor the capital budgeting/ planning processes</li> </ul>	<ul style="list-style-type: none"> <li>Establish a planning methodology for capital planning</li> <li>Enhance monitoring capabilities within the capital budgeting process</li> </ul>
	Core Planning (EPM)	<ul style="list-style-type: none"> <li>Follow-up on current state questions and decisions that came from the current state workshops previously conducted (Capital)</li> <li>Moving Capital Budgeting/Planning into the EPM system and leveraging core system functionality to aggregate, consolidate and calculate</li> <li>Define the capital budgeting/planning processes and methodology and key requirements</li> </ul>	<ul style="list-style-type: none"> <li>Moving effort of gathering and consolidation from people to the EPM system</li> <li>Future State Process Design</li> </ul>
	Approval Workflow	<ul style="list-style-type: none"> <li>Design reflecting the approval workflow for departmental and city-wide Capital Budget and Capital Planning processes</li> </ul>	<ul style="list-style-type: none"> <li>System driven approval processes reducing time and effort to move through planning cycles</li> </ul>
EPM Design	Design document	<ul style="list-style-type: none"> <li>Update existing technical specification document needed for EPM systems to include the new models for Capital</li> <li>Documenting new level of detail and data specifications (budget, forecast, actuals, number of years months) regarding capital</li> <li>Documenting Hierarchies (rationalized) and Dimensions for WBS.</li> <li>Documenting high-level* design for capital planning horizons which are not included in the R3 build phase.</li> </ul>	<ul style="list-style-type: none"> <li>Identifies functional and technical requirements of the EPM system</li> </ul>
	User stories and Model Page design	<ul style="list-style-type: none"> <li>High-level UX design views (input views)</li> <li>List of user stories that are required as pre-requisites for kicking off the build of the Capital budgeting and Capital Planning models in EPM</li> </ul>	<ul style="list-style-type: none"> <li>Informs pre-implementation User Experience</li> </ul>