



**For Action
with Confidential Attachment**

Procurement Authorization – SAP Managed Infrastructure Services and Software Subscriptions

Date: December 3, 2024
To: TTC Board
From: Chief Financial Officer

Reason for Confidential Information

This report contains information related to the security of the property of the city or local board.

Summary

The SAP - Enterprise Resource Planning (ERP) Program, launched as part of the TTC's previous Five-Year Corporate Plan, is designed to modernize and transform legacy systems that have been in use for more than 40 years. The program aims to re-engineer outdated, paper-based processes and establish a modern platform using the SAP ERP platform as a foundation to support the transformation.

The SAP infrastructure implemented in 2018 is nearing the end of its life and vendor support. The TTC must migrate to a supported platform to ensure stability and procure additional software solutions for the upcoming procurement, warehouse, and materials management transformation project.

The purpose of this report is to obtain the TTC Board's authorization to award a contract on a sole source basis to SAP Canada Inc. for SAP Managed Infrastructure Services and Software Subscriptions with a total contract value of \$20.498 million, inclusive of HST, for a duration of five years commencing January 1, 2025. These expenditures are funded from the TTC's Operating Budget and 10-Year Capital Plan. TTC Board approval is required as this contract award exceeds the Chief Executive Officer's delegated authority threshold of \$5 million.

The contract provides authority to secure managed infrastructure services for the SAP environment, covering information technology infrastructure and platform administration, system updates, platform support, and annual maintenance. It also provides software subscriptions to support the implementation of SAP Procurement, Warehouse Management, and Materials Management functionality.

Recommendations

It is recommended that the TTC Board:

1. Authorize the award of a contract for SAP Managed Infrastructure Services and Software Subscriptions to SAP Canada Inc. in the amount of \$20.498 million, inclusive of HST, for a five-year term, commencing January 1, 2025.
2. Receive the Confidential Attachment and authorize that the information contained in the Confidential Attachment remain confidential in its entirety as it contains information related to the security of the property of the city or local board.

Financial Summary

The total value of this contract award for the supply of SAP Managed Infrastructure Services and Software Subscriptions for the five-year term, commencing January 1, 2025, is \$20,498 million inclusive of HST, which reflects both capital and operating expenditures. Table 1 below, summarizes the total capital and operating contract values of the five-year term:

Table 1: Contract Value of the Five-year Term (\$000s)

Contract Value	2025	2026	2027	2028	2029	Total 5-Year Term
Capital	1,175	1,682	838	-	-	3,695
Operating	574	1,658	3,713	5,300	5,558	16,803
Total	1,749	3,340	4,552	5,300	5,558	20,498

The capital and operating expenditures of this award for the five-year term are summarized and presented below:

Capital Expenditures

The capital expenditures associated with the contract amount to \$3.328 million, is net of HST rebate. These costs encompass the additional licenses and software subscriptions 204980 required for the Procurement, Materials, and Warehouse Management Project as part of the TTC's SAP Enterprise Resource Planning (ERP) Implementation Program.

The capital expenditures for each year of the contract term are outlined in Table 2 below:

Table 2: Capital Expenditures by Year (\$000s)

Contract Value	2025	2026	2027	2028	2029	Total
Managed Infrastructure Services (Licenses)	44	43	22	-	-	109
Software Subscriptions	996	1,445	720			3,161
Total (not including HST)	1,040	1,488	742	-	-	3,270
HST Non-Rebatable (1.76%)	18	27	13	-	-	57
Total Contract Expense	1,058	1,515	755	-	-	3,328
Rebatable HST	117	167	83	-	-	367
Total Authority (including HST)	1,175	1,682	838	-	-	3,695

Operating Expenditures

The operating expenditures projected over the term of the contract represent the annual fees for managed infrastructure services and software subscriptions required to maintain the SAP environment. The costs for 2025 and 2026 will be lower, aligning with the TTC's planned migration timeline to the newer platform. From 2027 onward, the additional costs reflect the ongoing sustainment expenses resulting from the implementation of the Procurement, Materials, and Warehouse Management Project. The forecasted operating expenditures for the next five years of the contract are outlined in Table 3 below:

Table 3: Operating Expenditures by Year (\$000s)

Contract Value	2025	2026	2027	2028	2029	Total
Managed Infrastructure Services	508	1,467	2,123	2,366	2,594	9,058
Software Subscriptions	-	-	1,162	2,325	2,325	5,811
Total (not including HST)	508	1,467	3,285	4,691	4,918	14,869
HST Non-Rebatable (1.76%)	9	26	58	83	87	262
Total Contract Expense	517	1,493	3,343	4,774	5,005	15,132
Rebatable HST	57	165	370	526	553	1,671
Total Authority (including HST)	574	1,658	3,713	5,300	5,558	16,803

Funding

Capital Funding

Funds for this capital expenditure are included in the TTC's 2024-2033 Capital Budget and Plan Program 7.11 SAP – ERP Program Implementation, which was approved by the TTC Board at its meeting on December 20, 2023, and by City Council at its meeting on February 14, 2024.

The total project cost for the SAP – ERP Program Implementation is \$272.84 million, of which \$119.61 million has been spent to the end of 2023 and annual cash flow funding from 2024-2027 totalling \$153.23 million, as presented in Table 4 below. This available funding will support the acquisition of the additional licenses and software subscriptions required for the Procurement, Materials, and Warehouse Management Project as part of TTC's SAP-ERP Implementation Program.

Table 4: SAP – ERP Implementation - 2024-2033 Capital Budget and Plan (000s)

2024-2033 Capital Budget and Plan	LTD Actuals to 2023	2024 Budget	2025	2026	2027	2028	2029-2033	10-Year Total	Total Project Cost
SAP ERP Implementation	119,608	20,056	41,619	37,707	53,850	-	-	153,232	272,840

Operating Funding

Sufficient funds are included in the TTC's 2024 Operating Budget, as approved by the TTC Board on December 20, 2023, and by City Council on February 14, 2024. The 2024 base funding is sufficient to cover the 2025 expenditures. Additional funds will be included in future budget submissions based on each year's anticipated usage requirements and are subject to annual budget approvals, as noted in Table 3 above.

Savings and Cost Avoidance

By transitioning to a managed infrastructure services model for its SAP platform, the TTC will avoid approximately \$2 million in capital costs every five years. Additionally, from 2027 onward, the TTC will realize annual operating budget savings of \$0.13 million, stemming from the reduction in hardware maintenance costs. Further details regarding these savings and the managed infrastructure services model can be found in the Confidential Attachment.

Equity/Accessibility Matters

As highlighted in the TTC's current Corporate Plan, the TTC is dedicated to promoting and supporting diversity, accessibility, and inclusion in all its corporate policies, programs, and services. As a proud leader in providing accessible public transit in the city of Toronto, we are committed to ensuring reliable, safe, respectful, and inclusive transit services for customers.

The TTC's SAP – ERP implementation program will streamline and modernize processes in ways that ensure equitable access for all employees. Additionally, the SAP – ERP platform incorporates accessibility features and compliance with accessibility standards, ensuring that employees of all abilities can navigate and utilize the system effectively.

Decision History

At its meeting on November 20, 2013, the Board approved the SAP Program as part of the 2014-2023 TTC Capital Budget. Subsequently, at its June 22, 2015, and March 23, 2016 meeting, the Board authorized two key awards for the first phase of the program: Program Management Services to Comtech Group Inc. for \$5,700,000 million over five years and System Integrator Services to IBM Canada for \$9,095,370 (inclusive of HST). [Contract Award for Program Management Services](#) | [Contract Award for System Integrator Services](#)

At its meeting on March 22, 2017, the TTC Board authorized the award for SAP Managed Services to IBM Canada Limited in the total upset limit of \$15,000,000, with a duration of five years. [Contract Award for SAP Managed Services](#)

On June 16, 2021, the TTC Board received a presentation titled [SAP Program Update](#), providing the program's progress and status ahead of the SAP Time and Attendance Solution and Implementation Services contract award. Subsequently, at its July 7, 2021 meeting, the Board authorized the award to IBM Canada Limited for a five-year term at a total cost of \$29,123,241 (inclusive of HST non-refundable tax), with three optional extensions for hardware and software maintenance. [Contract Award for SAP Time and Attendance](#)

On June 12, 2023, the TTC Board received a presentation titled [SAP Program Update](#), providing the program's progress and status ahead of the Transit Operations Workforce Management Solution and Implementation Services contract award. Subsequently, at its July 12, 2023 meeting, the Board authorized the award to GIRO Inc., for a term of nine years, with the total sum of \$19,444,838 (inclusive of HST non-refundable tax), with two optional four-year extension terms. [Contract Award for Transit Operations Workforce Management Solution and Implementation Services](#)

Issue Background

Launched in 2015 as part of TTC's Five-Year Corporate Plan, the SAP Program aims to modernize and transform outdated back-office processes across key areas, including finance, human resources, payroll, procurement, and materials management. By replacing 40-year-old legacy systems that rely on manual, paper-based workflows, the program establishes a modern enterprise resource planning (ERP) platform designed to enhance operational efficiency and oversight.

The program is divided into four phases. The completion of the first phase in late 2018 marked a significant milestone, addressing critical business processes, such as

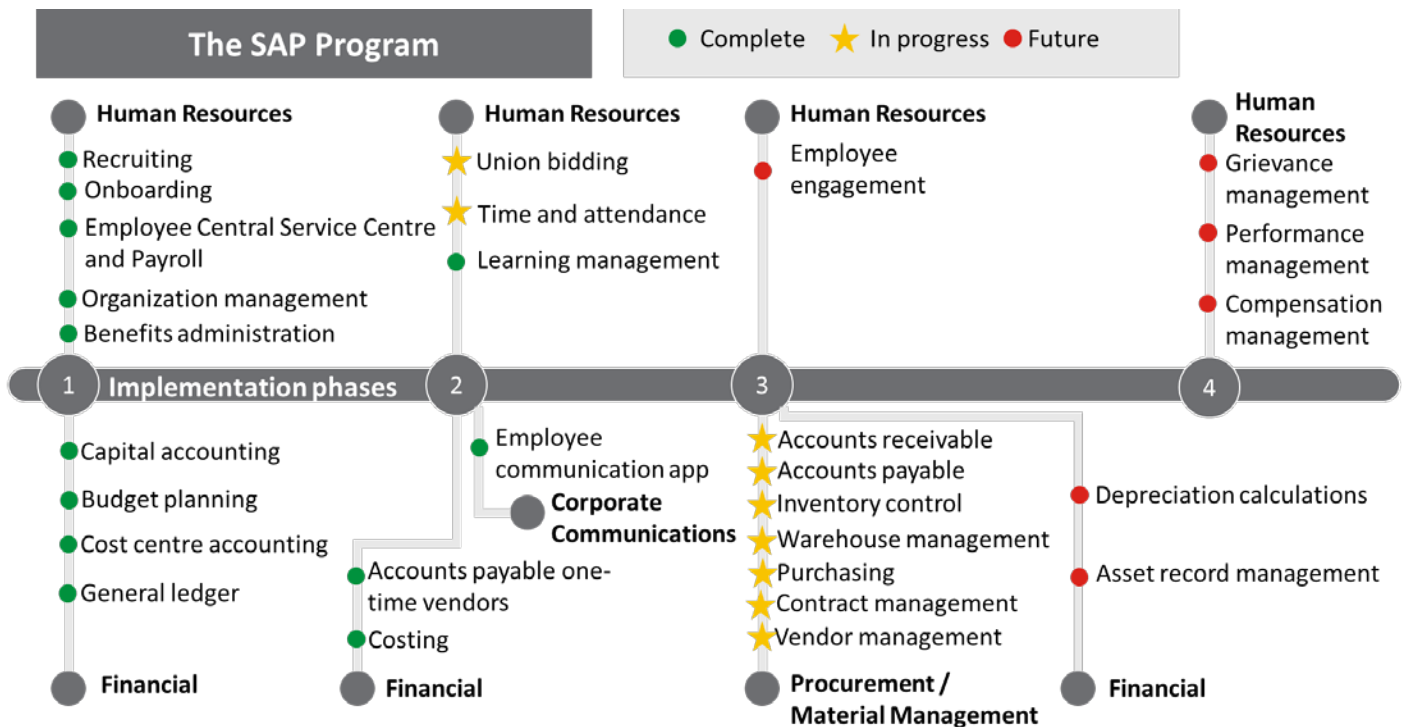
recruitment, onboarding, payroll and benefits administration, and general ledger and accounting. This phase established the core SAP technology infrastructure that serves as the foundation for future phases and further back-office transformations.

Following this, the second and third phases were initiated. The second phase introduced several key projects, including an employee mobile communication app, a learning management system, and a maintenance activity-based costing solution. The Time and Attendance Project also went live in its first release, covering 6,000 staff members, with future releases planned for Maintenance employees and Transit Operators.

Currently underway, the third phase focuses on transforming the TTC's procurement, warehouse management, and materials management processes. The TTC is actively procuring a Solution Integrator to implement these changes, which will be brought forward to the TTC Board for approval in Q1 2025.

Figure 1 below illustrates the roadmap for the SAP – ERP implementation program, detailing the four phases and the progress of the initiatives within each phase.

Figure 1. SAP – ERP Program Roadmap



The SAP infrastructure implemented in 2018 is nearing its end of life and vendor support. To ensure stability, the TTC must migrate to a fully supported platform. Additionally, as the TTC prepares to bring on a Solution Integrator in early 2025, the TTC will need to procure the necessary software solutions to support the upcoming transformation in procurement, warehouse, and materials management processes.

Comments

To ensure both the continuity and supportability of the current SAP – ERP system, as it nears the end of its support lifecycle, and to acquire additional subscriptions required for the Procurement, Warehouse Management, and Materials Management Project, the TTC initiated direct negotiations with SAP Canada Inc., the developer of the proprietary SAP – ERP software, to procure the latest version of the platform and the necessary software subscriptions.

Through these negotiations, the TTC secured favourable terms, successfully negotiating multiple discounts on the required products and services. This resulted in a reduction in the overall cost of the award.

Contract Scope

The proposed contract will allow the TTC to maintain its SAP environment on a fully supported platform for the next five years and beyond.

Additionally, the contract includes the following key provisions:

- **Managed Infrastructure Services:** Comprehensive information technology infrastructure and SAP platform management, covering application updates, platform support, version upgrades, licenses, and annual maintenance required to operate the platform and its modules.
- **Software Subscriptions:** Access to the necessary software products to support the TTC's Procurement, Warehouse Management, and Materials Management transformation initiatives.

Contact

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Signature

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Attachments

Confidential Attachment 1 – SAP Managed Infrastructure Services Update