



City of Tacoma

Resolution No.:

Meeting Date: December 19, 2023

**Contract and Award Letter
Purchase Resolution —Exhibit "A"**

TO: Board of Contracts and Awards
FROM: Daniel Key, Director, Information Technology Department
 Grace Brosnon, Assistant Director, Information Technology Department
COPY: City Council, City Manager, City Clerk, EIC Coordinator, LEAP Coordinator, and
 Tina Eide, Finance/Purchasing
SUBJECT: SAP S/4HANA RISE and Cloud Service Software Purchase
 Direct Negotiation Waiver Contract No. CW2262384 – December 19, 2023 City
 Council
DATE: December 5, 2023

RECOMMENDATION SUMMARY:

Information Technology Department requests a waiver of competitive procurement procedures and recommends that a contract be awarded to SAP Public Services, Inc., Washington, DC, in the amount of \$12,500,000, plus applicable taxes, budgeted from 5800 Information Systems, for an initial contract term of seven years with the option to renew, for the purchase of S/4HANA RISE Cloud Service and Service Cloud software and licenses.

STRATEGIC POLICY PRIORITY:

- Ensure all Tacoma residents are valued and have access to resources to meet their needs.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

The City's Enterprise Resource Planning (ERP) tool, SAP ECC, is reaching end of life and requires an upgrade or replacement. SAP ECC is broadly used across the majority of the City's business processes and daily operations. SAP is the financial system of record for the City as well as the solution used for utility billing and invoicing, and payroll processing. To ensure the City has a sustainable and supported platform through 2040 and beyond, the City will migrate the current SAP ECC to S/4HANA and replace the discontinued Customer Interaction Center with SAP Service Cloud to continue providing support to the City's citizens and taxpayers.

ISSUE: SAP has announced that it will end standard support and maintenance of the City's current SAP ECC system at the end of 2027. Without migration to a new system, there will be higher costs and greater risks in managing and sustaining the backbone of the City's business operations.

ALTERNATIVES: The following options were evaluated: 1) Stay on the existing SAP ECC platform and expose the City to multiple risks associated with an unsupported application; 2) Implement a new ERP solution which requires significantly higher cost, additional resources, and a longer implementation timeline; 3) Migrate to SAP S/4HANA with Service Cloud which is more cost-effective for the City requiring less resources, a shorter implementation timeline, and minimal impact to the City's daily operations.

COMPETITIVE ANALYSIS: SAP ECC is broadly used across the City for most of its business processes and daily operations. It would be impossible to replace this system with an entirely different ERP solution at a lower cost and without disruption of the City's business operations.



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Migrating to SAP S/4HANA with Service Cloud minimizes the impacts to business operations and is the most fiscally responsible option. SAP S/4HANA is Software as a Service (Saas) and as such is being purchased using a Direct Negotiation Waiver.

CONTRACT HISTORY: New Contract

SUSTAINABILITY: SAP is a leading worldwide provider of enterprise resource planning software that meets the demands of businesses and agencies like City of Tacoma through a stable platform. The City has run SAP as their ERP system since 2003.

EQUITY IN CONTRACTING (EIC) COMPLIANCE: Not applicable

LOCAL EMPLOYMENT AND APPRENTICESHIP TRAINING PROGRAM (LEAP) COMPLIANCE: Not applicable

FISCAL IMPACT:

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
5800 Information Systems	596920	5412170	\$12,500,000
TOTAL			Up to \$12,500,000

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Internal Cost Allocation	Various	Various	(\$12,500,000)
TOTAL			Up to (\$12,500,000)

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$500,000

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Cost for this biennium is budgeted. Cost for future bienniums will be budgeted in future budget processes.

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED. Cost for future bienniums will be budgeted in future budget processes.