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2024-12-05-0956

Ordinance authorizing an agreement with Carahsoft Technology Corporation (Carahsoft) to procure SAP's Enterprise Resource Planning S4 Financials and Ariba Procurement software licenses to support the Financials and Procurement Phase of the City's Enterprise Resource Planning (ERP) modernization and transformation program. The contract has a seven-year base term with four optional one-year extensions for an estimated contract value of \$60,672,040.64 over the contract term including renewal periods. Funding for the implementation of the Financials and Procurement Phase of the ERP Project is included in the FY2025 – FY2030 Capital Improvement Program in the amount of \$13,549,829.04. Funding for subsequent years is contingent upon City Council approval of the annual budget. [Ben Gorzell Jr., Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer, Finance]



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 10

Agenda Date: December 5, 2024

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

SAP Enterprise Resource Planning Software Suite

SUMMARY:

An ordinance authorizing an agreement with Carahsoft Technology Corporation (Carahsoft) to procure SAP's Enterprise Resource Planning S4 Financials and Ariba Procurement software licenses to support the Financials and Procurement Phase of the City's Enterprise Resource Planning (ERP) modernization and transformation program. The contract has a seven-year base term with four optional one-year extensions for an estimated contract value of \$60,672,040.64 over the contract term including renewal periods. Funding for the implementation of the Financials and Procurement Phase of the ERP Project is included in the FY2025 – FY2030 Capital Improvement Program in the amount of \$13,549,829.04. Funding for subsequent years is contingent upon City Council approval of the annual budget. Implementation services for S4 Financials and Ariba Procurement will be procured separately through a Request for Proposal.

BACKGROUND INFORMATION:

The City has used SAP's ERP software since 2004. The version of the software the City uses is being phased out by SAP over the next three years and through a modernization and transformation program will be upgraded to the latest version. This upgrade represents the first significant change to the City's ERP system since it was installed and gives the City the opportunity to transform essential business processes across Finance, Procurement, Budget, and Human Resources for increased business value.

In Summer 2021, the City engaged with SAP for an ERP Value Discovery exercise across seven distinct process domains that represent the City's ERP landscape to include Hire to Retire; Procure to Pay; Budget to Report; Acquire to Retire; Plan to Project; Order to Cash; and Manage IT. Coming out of the Value Discovery engagement, SAP identified business capabilities in the newest software version that will address many current challenges and realize additional business benefits identified by the City's business stakeholders.

On September 29, 2022, City Council approved a contract with SAP Public Services, Inc. through Ordinance 2022-09-29-0725 for upgrade planning and support services to guide and assist the City in making key decisions on migration to their new technology solutions to facilitate the adoption of best-practices Financial and Procurement processes utilizing SAP's software. Through this engagement, the City was able to identify the business value proposition as well as the technical benefits of migrating existing ERP functions to S4 Financials and Ariba Procurement. This approach will allow the City to realize transformation benefits from leveraging SAP's Financial and Procurement cloud technologies.

The current program approach is to deliver functionality in three separate waves;

- 1) Human Resources with SAP Success Factors software which is currently underway with a planned implementation of May 2025,
- 2) Budget with Sherpa software which is currently in planning and has a tentative final implementation of May 2026, and
- 3) Finance/Procurement with SAP S4 Financials and Ariba Procurement software (which this ordinance procures) has a tentative implementation of October 2027. Implementation services for Finance/Procurement will be procured separately through a Request for Proposals, expected for release in March 2025, with an anticipated award in August 2025.

This contract with Carahsoft is procured through a federal supply schedule of the United States General Services Administration (GSA) Multiple Award Schedule 47QSWA18D008F authorized under Texas Local Government Code 271.103, which satisfies the legal requirements to seek competitive bids. The SAP software in this contract offering includes S4 Financials and Ariba Procurement, excludes Human Resources modules which were procured separately, and provides functionality including Order to Cash, Source to Pay, Budget to Report, Acquire to Retire, and Payroll Management.

The initial term of the contract shall begin upon approval of this ordinance and shall remain in full force and effect for a seven (7) year period. Four additional annual renewals shall also be authorized through this action.

ISSUE:

Approval of this Ordinance authorizes an agreement between Carahsoft Technology Corporation (Carahsoft) for SAP's ERP software suite including S4 Financials and Ariba Procurement software licenses for the City's Enterprise Resource Planning (ERP) modernization and transformation program for a seven-year base term with four optional one-year extensions.

This purchase is exempt from the Local Preference Program and the Small Business Economic Development Advocacy (SBEDA) Ordinance requirements were waived for this contract.

The Small Business Economic Development Advocacy (SBEDA) Ordinance requirements were waived as ITSD will be utilizing a GSA Multiple Award Schedule contract with a non-SBEDA eligible firm.

The Veteran-Owned Small Business Preference Program does not apply to non-professional services, so no preference was applied to this contract.

ALTERNATIVES:

Should this contract not be approved, the City's Information Technology Services, Finance and Human Resources Departments would not be able to continue the upgrade of the City's Enterprise Resource Planning (ERP) modernization and transformation program which began in October 2024 with the Human Resources modules. The current ERP system will not be supported past 2030 and it is imperative that the effort to upgrade the ERP system begin immediately.

FISCAL IMPACT:

This ordinance authorizes an agreement with Carahsoft Technology Corporation (Carahsoft) to procure SAP's Enterprise Resource Planning S4 Financials and Ariba Procurement software licenses to support the Financials and Procurement Phase of the City's Enterprise Resource Planning (ERP) modernization and transformation program. The contract has a seven-year base term with four optional one-year extensions for an estimated contract value of \$60,672,040.64 over the contract term including renewal periods. Funding for the implementation of the Financial and Procurement Phase of the ERP Project is included in the FY2025 – FY2030 Capital Improvement Program in the amount of \$13,549,829.04. Funding for subsequent years is contingent upon City Council approval of the annual budget. Implementation services for S4 Financials and Ariba Procurement will be procured separately through a Request for Proposal.

RECOMMENDATION:

Staff recommends approval of this agreement with Carahsoft Technology Corporation for SAP's ERP software suite including S4 Financials and Ariba Procurement for the continuation of the City's Enterprise Resource Planning (ERP) modernization and transformation program for a total

cost of \$60,672,040.64 over the term of the contract to include renewal periods and relevant Innovation Credits.

This contract was procured by means of a cooperative agreement and a Contracts Disclosure Form is not required.

City of San Antonio
Tabulation

| Opened: November 7, 2024 For: Licensing for S4 & Ariba 47QSWA18D008F | | | GSA Carahsoft Technology Corp. 11493 Sunset Hills Road, Suite 100 Reston, Virginia 20190 (571) 662-3375 | |
|--|---|----------|---|----------------|
| Item | Description | Quantity | | |
| 1A | Year One Annual Licensing: 3/17/2025 - 3/16/2026 S4 Annual Licenses Costs Annual Price | 1 | \$ | 2,871,726.56 |
| 1B | Year One Annual Licensing: 3/17/2025 - 3/16/2026 Ariba Annual Licenses Costs Annual Price | 1 | \$ | 1,517,946.36 |
| 1C | Year One Innovation Credit | 1 | \$ | (1,108,700.00) |
| | Year One Total Cost | | \$ | 3,280,972.92 |
| 2A | Year Two Annual Licensing: 3/17/2026 - 3/16/2027 S4 Annual Licenses Costs Annual Price | 1 | \$ | 4,209,302.39 |
| 2B | Year Two Annual Licensing: 3/17/2026 - 3/16/2027 Ariba Annual Licenses Costs Annual Price | 1 | \$ | 1,517,946.36 |
| 2C | Year Two Innovation Credit | 1 | \$ | (1,108,700.00) |
| | Year Two Total Cost | | \$ | 4,618,548.75 |
| 3A | Year Three Annual Licensing: 3/17/2027 - 3/16/2028 S4 Annual Licenses Costs Annual Price | 1 | \$ | 4,132,361.01 |
| 3B | Year Three Annual Licensing: 3/17/2027 - 3/16/2028 Ariba Annual Licenses Costs Annual Price | 1 | \$ | 1,517,946.36 |
| | Year Three Total Costs | | \$ | 5,650,307.37 |
| 4A | Year Four Annual Licensing: 3/17/2028 - 3/16/2029 S4 Annual Licenses Costs Annual Price | 1 | \$ | 4,132,361.01 |
| 4B | Year Four Annual Licensing: 3/17/2028 - 3/16/2029 Ariba Annual Licenses Costs Annual Price | 1 | \$ | 1,517,946.36 |
| | Year Four Total Costs | | \$ | 5,650,307.37 |
| 5A | Year Five Annual Licensing: 3/17/2029 - 3/16/2030 S4 Annual Licenses Costs Annual Price | 1 | \$ | 4,132,361.01 |
| 5B | Year Five Annual Licensing: 3/17/2029 - 3/16/2030 Ariba Annual Licenses Costs Annual Price | 1 | \$ | 1,517,946.36 |

City of San Antonio
Tabulation

| Opened: November 7, 2024 For: Licensing for S4 & Ariba 47QSWA18D008F | | | GSA Carahsoft Technology Corp. 11493 Sunset Hills Road, Suite 100 Reston, Virginia 20190 (571) 662-3375 |
|--|---|----------|---|
| Item | Description | Quantity | |
| | Year Five Total Costs | | \$ 5,650,307.37 |
| 6A | Year Six Annual Licensing: 3/17/2030 - 3/16/2031 S4 Annual Licenses Costs Annual Price | 1 | \$ 4,132,361.01 |
| 6B | Year Six Annual Licensing: 3/17/2030 - 3/16/2031 Ariba Annual Licenses Costs Annual Price | 1 | \$ 1,517,946.36 |
| | Year Six Total Costs | | \$ 5,650,307.37 |
| 7A | Year Seven Annual Licensing: 3/17/2031 - 3/16/2032 S4 Annual Licenses Costs Annual Price | 1 | \$ 4,132,361.01 |
| 7B | Year Seven Annual Licensing: 3/17/2031 - 3/16/2032 Ariba Annual Licenses Costs Annual Price | 1 | \$ 1,517,946.36 |
| | Year Seven Total Costs | | \$ 5,650,307.37 |
| 8A | Year Eight Annual Licensing: 3/17/2032 - 3/16/2033 S4 Annual Licenses Costs Annual Price | 1 | \$ 4,268,569.69 |
| 8B | Year Eight Annual Licensing: 3/17/2032 - 3/16/2033 Ariba Annual Licenses Costs Annual Price | 1 | \$ 1,568,038.44 |
| | Year Eight Total Costs | | \$ 5,836,608.13 |
| 9A | Year Nine Annual Licensing: 3/17/2033 - 3/16/2034 S4 Annual Licenses Costs Annual Price | 1 | \$ 4,409,655.39 |
| 9B | Year Nine Annual Licensing: 3/17/2033 - 3/16/2034 Ariba Annual Licenses Costs Annual Price | 1 | \$ 1,619,783.23 |
| | Year Nine Total Costs | | \$ 6,029,438.62 |
| 10A | Year Ten Annual Licensing: 3/17/2034 - 3/16/2035 S4 Annual Licenses Costs Annual Price | 1 | \$ 4,553,350.92 |
| 10B | Year Ten Annual Licensing: 3/17/2034 - 3/16/2035 Ariba Annual Licenses Costs Annual Price | 1 | \$ 1,673,236.64 |
| | Year Ten Total Costs | | \$ 6,226,587.56 |

City of San Antonio
Tabulation

| Opened: November 7, 2024 | | | GSA | |
|-------------------------------|--|----------|------------------------------------|-----------------|
| For: Licensing for S4 & Ariba | | | Carahsoft Technology Corp. | |
| 47QSWA18D008F | | | 11493 Sunset Hills Road, Suite 100 | |
| | | | Reston, Virginia 20190 | |
| | | | (571) 662-3375 | |
| Item | Description | Quantity | | |
| 11A | Year Eleven Annual Licensing: 3/17/2035 - 3/16/2036 S4 Annual Licenses Costs Annual Price | 1 | \$ | 4,699,894.29 |
| 11B | Year Eleven Annual Licensing: 3/17/2035 - 3/16/2036 Ariba Annual Licenses Costs Annual Price | 1 | \$ | 1,728,453.12 |
| | Year Eleven Total Costs | | \$ | 6,428,347.41 |
| | Payment Terms | | | Net 30 |
| | Estimated Total Contract Value | | | \$60,672,040.24 |

**THIS IS A DRAFT AND WILL BE REPLACED BY THE FINAL,
SIGNED ORDINANCE ADOPTED BY THE CITY COUNCIL.**

ORDINANCE

AUTHORIZING AN AGREEMENT WITH CARAHSOFT TECHNOLOGY CORPORATION TO PROCURE SAP'S ENTERPRISE RESOURCE PLANNING S4 FINANCIALS AND Ariba PROCUREMENT SOFTWARE LICENSES TO SUPPORT THE FINANCIALS AND PROCUREMENT PHASE OF THE CITY'S ENTERPRISE RESOURCE PLANNING (ERP) MODERNIZATION AND TRANSFORMATION PROGRAM FOR AN INITIAL TERM OF SEVEN YEARS WITH FOUR OPTIONAL ONE-YEAR EXTENSIONS FOR AN ESTIMATED CONTRACT VALUE OF \$60,672,041 OVER THE CONTRACT TERM INCLUDING RENEWALS. THE FIRST-YEAR COSTS FOR THE SOFTWARE LICENSING WILL BE \$3,280,973 AND IS AVAILABLE FROM CERTIFICATES OF OBLIGATION INCLUDED IN THE FY2025 CAPITAL BUDGET. FUNDING FOR SUBSEQUENT YEARS IS CONTINGENT UPON CITY COUNCIL APPROVAL OF THE ANNUAL BUDGET.

* * * * *

WHEREAS, an offer was submitted by Carahsoft Technology Corporation (Carahsoft) for SAP's Enterprise Resource Planning (ERP) software suite to support the next phase of the City's ERP modernization and transformation program; and

WHEREAS, the SAP ERP software suite includes S4 Financials and Ariba Procurement and provides functionality including Hire to Retire, Procure to Pay, Budget to Report, Acquire to Retire, Plan to Project, Order to Cash, and Manage IT, for an estimated cost of \$60,672,041.00, for a seven-year base term with the option for the City to renew for four additional, one-year periods; and

WHEREAS, this contract is procured through a federal supply schedule of the United States General Services Administration (GSA) Multiple Award Schedule 47QSWA18D008F; and

WHEREAS, pursuant to Texas Local Government Code §271.103, this purchase satisfies any state law requiring the City to seek competitive bids for the purchase of the goods or services; and

WHEREAS, the first-year costs for the software licensing in the amount of \$3,280,973.00, including the application of an Innovation Credit in the amount of \$1,108,700, is available from Certificates of Obligation and is available from Certificates of Obligation and included in the FY 2025 Capital Budget; and

WHEREAS, all expenditures will be in accordance with the applicable fiscal year's budget approved by City Council; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The offer submitted by Carahsoft Technology Corporation, using the GSA Federal Supply Schedule contract, Multiple Award Schedule 47QSWA18D008F, to provide the City of San Antonio with SAP's Enterprise Resource Planning (ERP) software suite, including S4 Financials and Ariba Procurement, to support the next phase of the City's ERP modernization and transformation program for a seven-year base term with the option for the City to renew for four additional, one-year periods for an estimated total cost of \$60,672,041.00, is hereby accepted, subject to and contingent upon the deposit of all required bonds, performance deposits, insurance certificates and endorsements. The price tabulation is attached hereto and incorporated herein for all purposes as **Exhibit I**. The City Manager or designee, Director of Finance or designee, or the Chief Information Officer or designee is hereby authorized to execute contracts and any documents necessary to carry out the purposes of this ordinance.

SECTION 2. Funds for this ordinance in the amount of \$3,280,973.00 is available in Fund 43099000, Project 09-00137, WBS Element 09-00137-02 and GL Account 5203080.

SECTION 3. Additional funds for this ordinance for the initial term of seven years and possible four one-year extensions options in the estimated amount of \$57,391,068.00 is contingent upon City Council approval of the annual budget.

SECTION 4. Payment not to exceed the estimated contract value of \$60,672,041.00 is authorized to be encumbered with purchase orders and made payable to Carahsoft Technology Corporation. Funding is provided by Certificates of Obligation bond funds. Payment is limited to the availability of funds at the time of invoice delivery.

SECTION 5. The financial allocations in this ordinance are subject to approval by the Director of Finance, City of San Antonio. The Director of Finance may, subject to concurrence by the City Manager, or the City Manager's designee, correct allocation to specific SAP Fund Numbers, SAP Project Definitions, SAP WBS Elements, SAP Internal Orders, SAP Fund Centers, SAP Cost Centers, SAP Functional Areas, SAP Funds Reservation Document Numbers, and SAP GL Accounts as necessary to carry out the purpose of this ordinance.

SECTION 6. This ordinance is effective immediately upon passage by eight or more affirmative votes; otherwise, it is effective on the tenth day after passage.

PASSED and APPROVED this ___ day of _____, 2024.

M A Y O R
Ron Nirenberg

ATTEST:

APPROVED AS TO FORM:

Debbie Racca-Sittre, City Clerk

Andrew Segovia, City Attorney