Enterprise Resource Planning (ERP) Software Update

March 8th, 2024

Operations Committee

Presentation Overview

- ERP Overview
- ERP Evolution and Drivers for Modernization
- Business Case and ERP Options Analysis
- Summary & Next Steps

Enterprise Resource Planning Software - Overview

1. **Marin Water has used SAP as the District's ERP system since 2001**
   - Existing software supports operations across the organization
   - Over past 20+ years, staff has worked with SAP to implement various updates

2. **Current software version will be at 'end of life' by December 2027**
   - SAP will no longer provide support, updates or enhancements
   - The District will be vulnerable from an operations and cybersecurity standpoint

3. **The next version of SAP (S/4HANA) is essentially a new platform**
   - Cloud-based ERP solution, with a "composable" architecture
   - Improved speed, performance, analytics, ease of use and ease of integration

4. **Gartner Consulting conducted an independent review of ERP options**
   - Identified critical business capabilities and pain points with current solution
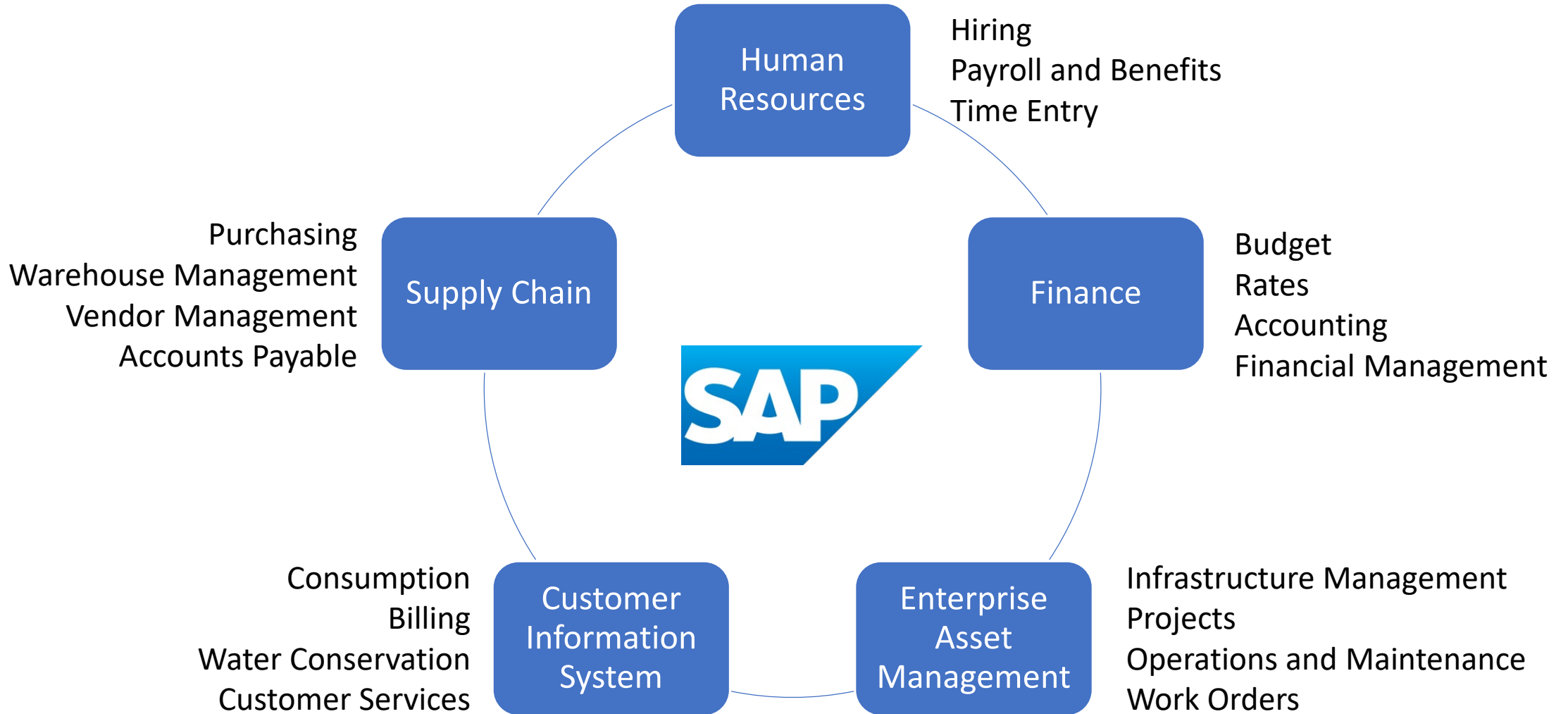   - Business justification with recommendations and options analysis

What is ERP?

Enterprise Resource Planning (ERP) are comprised of a set of functional software programs that integrate various functions of an organization into a single user experience.

ERP can streamline processes, improve efficiency, and provide accurate real-time information. ERP solutions provide a centralized source of truth across an organization.

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Major SAP Functions

Human Resources
- Hiring
- Payroll and Benefits
- Time Entry

Finance
- Budget
- Rates
- Accounting
- Financial Management

Enterprise Asset Management
- Infrastructure Management
- Projects
- Operations and Maintenance
- Work Orders

Customer Information System
- Consumption
- Billing
- Water Conservation
- Customer Services

Supply Chain
- Purchasing
- Warehouse Management
- Vendor Management
- Accounts Payable
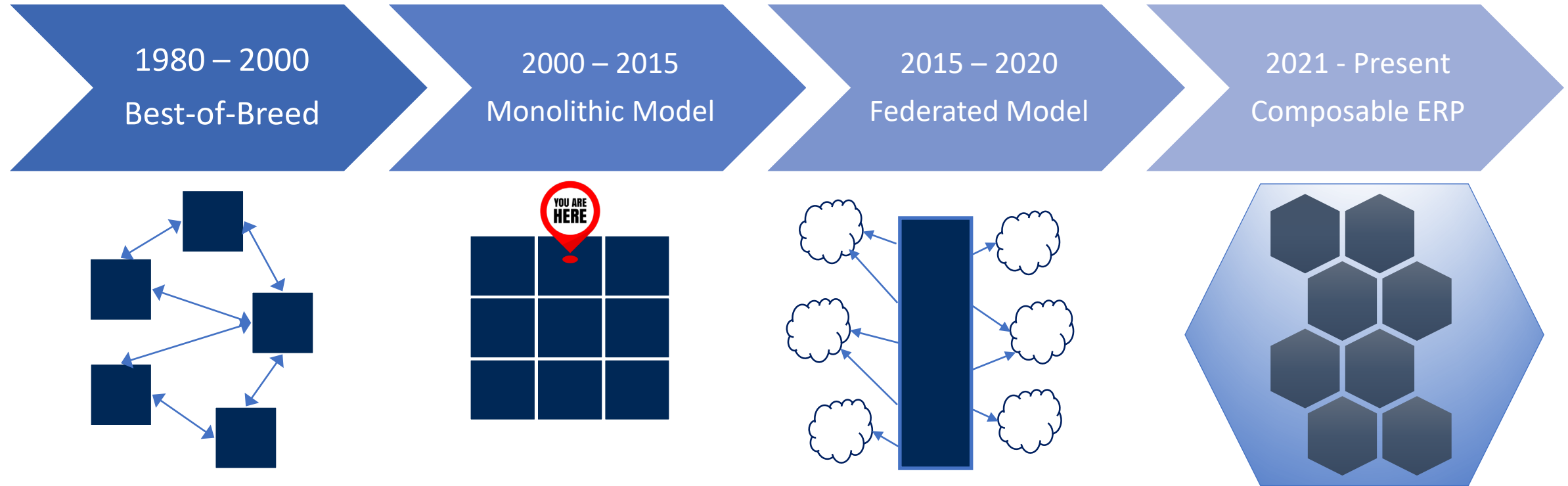
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Evolution of ERP Solutions

ERP solutions have evolved through "waves"; from best-of-breed to a composable model

The Past, Present, and Future of ERP

| 1980 – 2000 Best-of-Breed | 2000 – 2015 Monolithic Model | 2015 – 2020 Federated Model | 2021 - Present Composable ERP |

The modern ERP architecture is "composable" — defined by integrated applications and services with a common data fabric. Modular architecture allows services to be composed and recomposed to deliver customer-defined business capabilities.
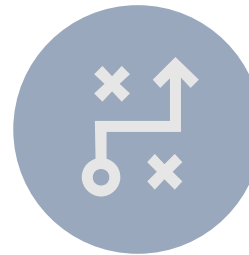
ERP Modernization Business Drivers for Success

A successful ERP strategy is put in place when organizations **focus on the key business drivers that best fit the organization's culture, mission critical priorities, and overarching goals.**

Risk

Reduce risk of operating on an unsupported platform as SAP sunsets the District's current solution. Exposure from both **operational risk** and **cybersecurity risk** standpoint.

Agility

Improve the user experience and the time to realize business value of technology driven projects. Improved **flexibility and adaptability** of tools drives value and enables the adoption of an agile approach to operations and performance.

Empowering People

Increase user effectiveness and **staff participation** by improving the standardization of business processes and leveraging more **self service** and **ease of use** to enable optimal processing time.

Digital

Enhance the organizational work environment and **increase employee productivity** through the optimization modern technologies, **encouragement of innovation**, and motivation to adopt a digital culture.

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ERP is mission critical...
and also a risky endeavor.

- According to Gartner's research, less than 25% of ERP projects are successful
  - The majority are either abandoned, late, over budget or otherwise compromised

- Key causes of ERP implementation failure include:
  - Lack of purpose and vision
  - Cultural resistance to change
  - Lack of collaboration between business units
  - Insufficient integration capability
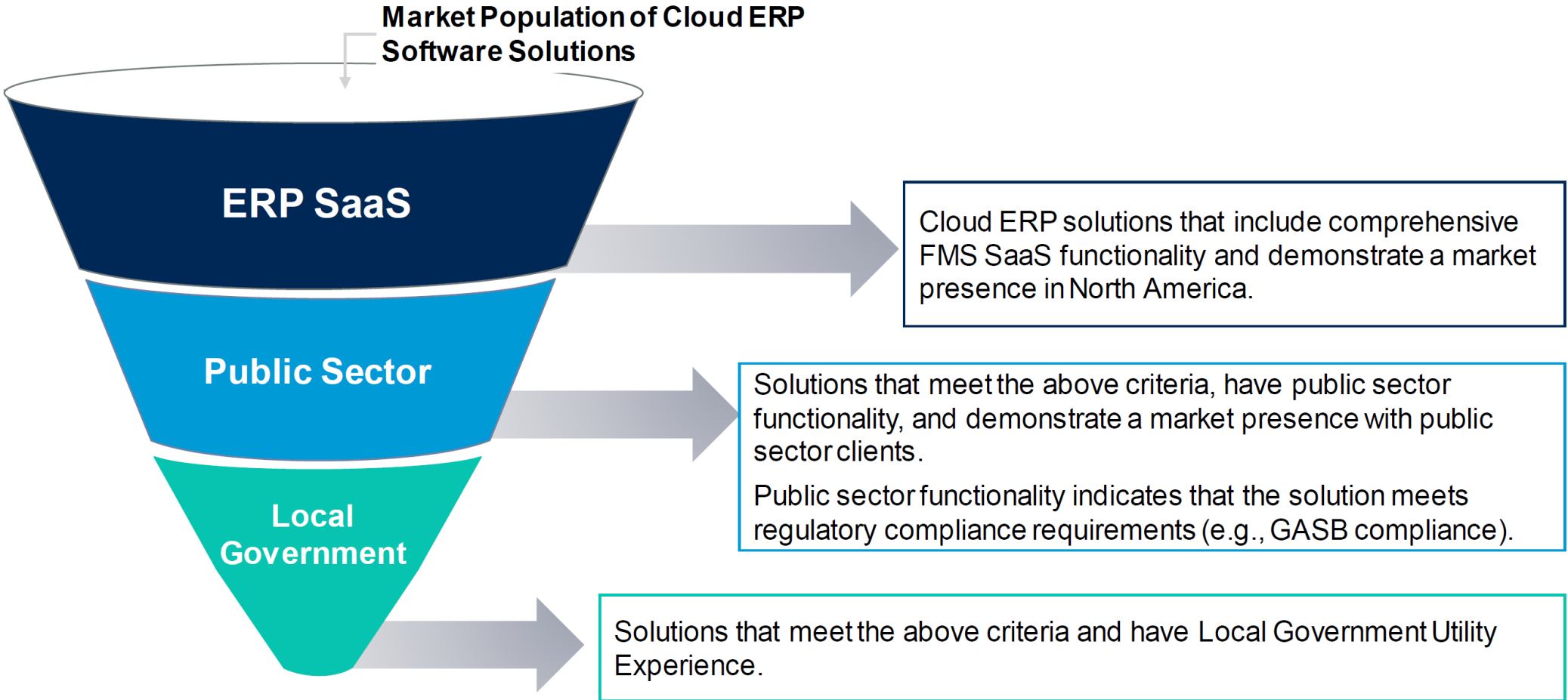 - Indifferent or unengaged workforce

Business Capability Modeling (BCM)

Scope of interviews with Marin Water functional areas:

Financial Administration	General Ledger	Accounts Receivable	Accounts Payable	Grant Management	Fixed Assets / Asset Accounting	Travel and Expense	Project Accounting

Human Capital Management	Core HR	Talent Acquisition	Talent Management	Work Force Management	Compensation	Employee & Labor Relations	HR Service Delivery	Payroll Administration

Procurement	Strategic Sourcing	Solicitations	Purchasing	Inventory Management

Budget Management	Budget Planning and Forecasting	Budget Development & Allocations	Budget Validation & Approval	Budget Publishing	Budget Adjustment & Review	Capital Improvements

Asset & Maintenance Management	Fleet Management	Facilities Management	Linear Assets	Equipment Management	Parts & Tools Management	Work Order Management	MRO Inventory

Customer Services	Customer Information Management	Billing	Customer Payment	Complaint Management	Customer Communication

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Filtering ERP Cloud Solutions by Relevant Functionality

Market Population of Cloud ERP Software Solutions

ERP SaaS

Cloud ERP solutions that include comprehensive FMS SaaS functionality and demonstrate a market presence in North America.

Public Sector

Solutions that meet the above criteria, have public sector functionality, and demonstrate a market presence with public sector clients.

Public sector functionality indicates that the solution meets regulatory compliance requirements (e.g., GASB compliance).

Local Government

Solutions that meet the above criteria and have Local Government Utility Experience.

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Each of the vendor solutions with Local Government functionality were categorized across four components that align with the District's needs for an ERP solution: **1) Minimizes Operational Impact / Compatibility, 2) Incorporation of Emerging Technologies, 3) Interoperable Data Flow, 4) Functional Fit, and 5) Cost Effectiveness – Implementation Cost and Total Cost of Ownership (TCO).**

Components	SAP	Oracle	Workday	Infor	Tyler
Minimizes Operational Impact / Compatibility	●	◐	◔	◔	◔
Incorporation of Emerging Technologies	●	●	◔	◐	◐
Interoperable Data Flow	◔	●	◔	●	◐
Functional Fit	◔	◔	◐	◔	◐
Cost Effectiveness – Implementation Cost and Total Cost of Ownership	◔	◔	◔	●	●

Key

○ Does Not Meet   ◖ Meets Some Requirements   ◑ Meets Requirements   ◕ Meets all and exceeds some requirements   ● Significantly exceeds requirements

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Gartner Recommendation

Recommendation to **upgrade the current SAP solution** to the cloud based S/4HANA solution.

Conclusion: there is **no significant benefit to replacing SAP with a different solution**.

Components	SAP	Oracle	Workday
Minimizes Operational Impact / Compatibility	●	◐	◔
Incorporation of Emerging Technologies	●	●	◔
Interoperable Data Flow	◔	●	◔
Functional Fit	◔	◔	◐
Cost Effectiveness – Implementation Cost and Total Cost of Ownership	◔	◔	◔

SAP S/4HANA is a "best-in-class" solution and Gartner Magic Quadrant Leader that provides functionality that meets or exceed the District's functional and technical needs.

There will be a **lower organizational change impact to upgrading** instead of replacing the current systems.

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Summary and Next Steps

- Marin Water's current ERP system will be at 'end of life' in 2027
- Gartner Consulting conducted an independent review of the District's business capabilities, business requirements and software options
  - Business Capability Model workshops
    - Interviewed staff from all key business units
    - Assessed current processes and pain points
  - Analyzed ERP software options suitable for public sector utilities
- Gartner concluded that there is **no significant benefit to replacing SAP with a different system**, and recommended that the District **upgrade our current solution** to the cloud based S/4HANA solution.
  - SAP S/4 HANA is a 'best in class' solution that meets the District's functional needs
  - Lower organizational change impact to upgrading instead of replacing
- Next Steps:
  - Develop transformation roadmap (July 2024)
  - Identify integration partner and implementation approach (October 2024)
  - Projected "Go-Live" (July 2026)

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