**DATE:** June 26, 2023

**TO:** Mayor and Council

**FROM:** Candice Gartry, Director, Financial Services
Chris Zota, Chief Information Officer

**SUBJECT:** New Financial ERP System Background

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## RECOMMENDATION

THAT Council receive the corporate report dated June 26, 2023, from the Director of Financial Services and the Chief Information Officer, titled "New Financial ERP System Background" for information and consideration related to the presentation to Council by Mike Mucha, Deputy Executive Director with the Government Finance Officers Association on June 26, 2023.

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## EXECUTIVE SUMMARY

The purpose of this corporate report is to provide background information to Council on the city's operational need for a new Finance ERP (Enterprise Resource Planning) system. The secondary purpose is to provide context to Council with respect to the presentation by Mike Mucha, Deputy Executive Director with the Government Finance Officers Association, on the topic of implementing a new financial ERP system, scheduled for today's meeting (June 26, 2023).

## INTRODUCTION/BACKGROUND

The city's current financial system iCity, also known as Vadim, was implemented around the year 2002, approximately 21 years ago. Staff in Financial Services, Planning & Development Services, Human Resources, and Engineering & Operations all use the system. However, the system lacks modern-day functions and workflows of more up-to-date systems noting technology, workload, standard requirements, information and processing capability has significantly changed over the past 21 years. In current day standards, the system's reporting capacity is limited and basic in functionality, such as workflows, is not possible in many areas. Staff find the system very cumbersome, especially as they have had to develop many workarounds in order to use the system. This causes inefficiencies in multiple areas and functions around the city.

The city's financial management has been challenged by changes in public sector accounting standards, new federal/provincial requirements for asset management, and increasing complexity

and volume of accounts and transactions due to the lack of functionality in the current financial system. For example:

1. In 2009 Public Sector Accounting Standards changed and now require more detailed and formalized capital asset accounting. The existing system, iCity, was not able to fully meet these requirements. Today the city still struggles with acquiring and accounting for the correct information for assets improvements and the need for a fully integrated capital asset management system remains. Without this, it is difficult for the city to fully comply with the standard and accurate long-term financial planning for the city's infrastructure cannot be easily accomplished.

2. The acquisition of the city's water utility has led to more complex and voluminous accounts, surpassing iCity's capabilities. An upgrade intended to provide better reporting functionality has proven unsuccessful due to the system's inability to process large volumes of data.

3. Reporting requirements have increased over the years, including reporting to various levels of government, unions, and grant funders. The current system is not able to meet these requirements as the updating and creating of new reports would need to be outsourced outside of the city and iCity (iCity has stated that they can no longer assist us with reporting writing due to our general ledger complexities and the age of the system).

In summary, the city faces the challenge of meeting new standards and requirements with a system that is becoming increasingly inadequate for its growing needs.

Another significant challenge is that the city's financial planning and budgeting have become increasingly complex due to factors such as the acquisition of a water utility, increased development, intricate financing, and major capital projects. Key points include:

1. The current method of using multiple Excel spreadsheets for budgeting and financial planning is inefficient. Data has to be manually entered into iCity, the city's current management software, for budget management purposes, causing inefficiencies and greater potential for inaccuracies. Updating budget and financial plans becomes a monumental task due to how manual the current process is and the lack of a fully integrated budgeting system.

2. While iCity does offer the ability to import data from Excel, this feature is not user-friendly or efficient. There are multiple steps required to export any report, and then often the data needs to be copied into yet another file in order to work with the data.

3. iCity includes an integrated budgeting system, but it falls short in two critical areas: it cannot handle narrative descriptions essential for robust budget development, and it lacks the necessary security features for decentralized budget entry and reporting.

The city requires a more streamlined and integrated system that can incorporate and process these complexities more efficiently.

City administration has recognized a need to source, purchase, and upgrade its financial ERP system to maximize efficiencies, reduce duplication of work, reduce costs and better utilize resources. Key features necessary in a new system include:

1. Implementing electronic time reporting for city staff. Currently employees track their time manually and enter it on an Excel spreadsheet which then needs to be manually data entered into the current financial system.

2. Transitioning to Electronic Funds Transfer (EFT) payments for vendors to save on resources associated with paper cheques, such as staff time, envelopes, postage, and to speed up the payment process.

3. Digitizing Business Process workflows, such as routing of journal entries, purchase orders or invoices for approvals, and having an accessible digital backup of all transactions within the financial system. Currently all of this is paper based and done manually.

4. Introducing electronic purchase card coding and approval to replace the current manual spreadsheet-based system, aiming to streamline the Accounts Payable process and reduce coding errors.

5. Improving Management and Financial reporting capabilities to include detailed transaction viewing, backup access, and dashboard creation for tracking financial metrics. The current system requires multiple steps to export any report, and not all of the reports are up to date (which would require external consultants to develop and test). The city was advised by iCity that they can no longer support the city in report writing given the complexities of our General Ledger (account structure) and the age of our system.

6. Upgrading the Human Resources and Payroll management system to be better integrated, make use of workflows, and be more user-friendly and customizable to the needs of the city's diverse employee groups such as fire, CUPE, and exempt staff.

Moving to an ERP system offers a variety of benefits to organizations. Key advantages include:

1. **Improved Efficiency**: An ERP system eliminates repetitive processes and reduces the need to manually enter information and potential for errors. This can lead to significant improvements in the efficiency of business processes, freeing up employees to work on more mission-critical tasks.

2. **Integrated Information**: ERP systems centralize data in one place, which can eliminate the problem of synchronizing changes between multiple systems and provides a single source of truth.  This allows for real-time, cross-functional reporting and analytics, enhancing decision-making processes.

3. **Enhanced Collaboration and Workflow**: Because an ERP uses a single, unified database, departments can work more collaboratively. This can improve workflow and increase efficiency by enabling different departments to easily share information and collaborate on projects.

Additionally, a modern financial management system can bring several key benefits to an organization, including:

1. Efficient Process Automation: Modern financial systems automate routine tasks such as data entry, invoice generation, and report creation, allowing staff to focus on more strategic responsibilities. This automation can lead to significant time savings and reduced human error.

2. Real-Time Financial Insights: Modern financial systems provide real-time visibility into financial data, enabling faster, more informed decision-making. They offer detailed analytics and reporting tools, making it easier to monitor performance, identify trends, and forecast future financial scenarios.

3. Improved Compliance and Control: These systems are designed to adhere to the latest regulatory standards, reducing the risk of non-compliance. They also offer better control over finances through features like role-based access, audit trails, and integrated approval processes, which can significantly improve financial governance and reduce fraud.

The city has established a capital budget for sourcing and implementing a new financial system. However, exact costs are not yet known.

The city has established a Steering Committee charged with sourcing out such a system and to coordinate the vast amounts of process review to ensure it is included in a new system capability. This Committee currently comprises the Director, Financial Services, the Chief Information Officer, the Director, Human Resources, plus two additional city staff familiar with IT and system needs.

## FINANCIAL IMPLICATIONS

A preliminary capital (asset improvement) budget has been established for the replacement of the city's financial ERP system. No additional funds are needed at this time.

## INTERDEPARTMENTAL INVOLVEMENT/IMPLICATIONS

At this early stage of the process, there is interdepartmental involvement from Financial Services, Human Resources, and Information Technology. As this project moves further along, participation from all departments at all levels will be required for successful implementation.

## ALIGNMENT WITH STRATEGIC PRIORITIES

This project meets objective three of the Organization & Governance priority area, 'Realize service deliver efficiencies via digital transformation and aligning existing processes with best practices".  This project specifically identifies items 3.a., 3.c., and 3.d. of this priority area.

## CONCLUSION

The city's antiquated financial system is in need of updating in order to be able to better meet the needs of the city, including budgeting and reporting, as well as better integration and efficiency with departments across the city.

Respectfully submitted,


Candice Gartry
Director, Financial Services

Chris Zota
Chief Information Officer


**Comments from the Chief Administrative Officer**

This corporate report is for information purposes and supplemental to the presentation to Council by Mike Mucha, Deputy Executive Director with the Government Finance Officers Association on June 26, 2023


Guillermo Ferrero
Chief Administrative Officer