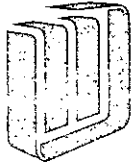


FEB 11 1992



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Karen E. Dreff
EXECUTIVE SECRETARY

January 24, 1992

Board of Directors (Engineering & Operations Committee--Action)
(Organization & Personnel Committee--Action)
(Finance & Insurance Committee--Action)
General Manager (Subcomm to Monitor Info Systems--Information)

Authorization for an Appropriation in the Amount of \$5,563,583 to Fund the Design Phase of the Information Systems Division (ISD) Strategic Plan, to Enter into Consulting Agreements, and to Enter into an Installment Purchase Contract

Report

The District's current information systems, due to their age and changes in technology and business requirements, are unable to effectively support the organization's information needs. To address this issue, the Board of Directors authorized a study by Andersen Consulting to prepare an Information Systems Strategic Plan (Plan). The Plan outlines a comprehensive program to support the District's future information needs.

Certain actions have already been taken: The Information Systems Division (ISD) has been reorganized to deal more effectively with upgrading core business systems; new hardware and software were acquired for computing and communications systems, and a Request for Proposal was issued at the direction of the Subcommittee to Monitor Implementation of Information Systems to assist ISD in implementing the design phase of the Plan.

After evaluating three excellent proposals, staff recommends that a joint proposal from Deloitte & Touche and IBM be selected for the design phase of the Plan. Deloitte & Touche/IBM will develop the initial design and recommend package software to support Human Resources, Business Systems, Materials, and Environmental Compliance. In addition to contract services, some equipment costs and office rental costs will be incurred. Funds for training and administrative costs for the design phase are available from the annual operations and maintenance budget appropriation for ISD. Funds for required office space for combined contractors and the District project team were not included in original 1991-92 budget. Due to anticipated savings in the current fiscal year, funds are now available for this purpose.

Staff also evaluated proposals for information systems management tools. Deloitte & Touche is recommended by staff to install their System Development Life Cycle (SDLC) software which will assist management in controlling the development of business application systems. They will provide training and consulting services. Their system also enhances project management and uses business needs to drive the development process. Some operating equipment hardware will also have to be acquired to support the new SDLC. This contract is separate from the Deloitte & Touche/IBM contract.

Staff also recommends engaging the services of Gilbreath & Horning to provide project management in the completion of existing projects for Environmental Compliance and Office Systems. Gilbreath & Horning is currently under contract under an agreement entered into under the General Manager's authority for a maximum of \$100,000. This letter proposes extending this maximum up to \$330,000.

The appropriation number will be established by the General Manager upon conclusion of interdepartmental discussions of accounting practices and capitalization policies. Appropriate work orders will be established for each major element of the Plan. Periodic reports of actual costs will be provided to the Board to monitor progress over time. At the end of the design phase, the Board will be requested to authorize funding for acquisition of recommended software.

Staff, after reviewing alternative financial approaches, recommends that the District enter into an agreement with IBM Credit Corporation (ICC) to fund all capital costs except District labor, at an interest rate of 6.06 percent, the amount to be repaid over five years. The debt service will be paid from the General Fund.

The selected vendors, Deloitte & Touche, IBM and Gilbreath & Horning have their respective affirmative action plans on file at the District. This action is exempt from the provisions of the California Environmental Quality Act because it involves only studies for possible future actions which your Board has not yet approved.

Board Committee Assignments:

This letter is referred for action to:

The Engineering and Operations Committee because it has jurisdiction over the contracting programs and the ordering of equipment or materials and selection of consultants to be used pursuant to Administrative Code Section 2431(b)(h);

The Organization and Personnel Committee because it has jurisdiction over the selection of management and personnel

consultants and the determination of the scope of their assignments pursuant to Administrative Code Section 2471(f); and

The Finance and Insurance Committee because it has jurisdiction over appropriations pursuant to Administrative Code Section 2441(d).

This letter is referred for information to:

The Subcommittee to Monitor Implementation of Information Systems because it has an oversight interest in the resolution of this issue.

Recommendations:

ENGINEERING AND OPERATIONS, ORGANIZATION AND PERSONNEL COMMITTEES FOR ACTION.

It is recommended that the General Manager be authorized to have all work performed for Phase Zero of the Information Systems Strategic Plan and be authorized to amend and enter into agreements, in form approved by the General Counsel, for consulting services as follows:

1. Enter into agreement for design phase work with Deloitte & Touche/IBM. The fee for this work shall not exceed \$3.38 million including expenses;
2. Enter into agreement with Deloitte & Touche to provide Systems Development Life Cycle (SDLC) materials, training, and consulting. The fee for this work shall not exceed \$581,000, including expenses; and
3. Amend existing agreement with Gilbreath & Horning to complete existing systems development work for Environmental Compliance and Office Systems. The fee for this work shall not exceed \$330,000 including expenses.

FINANCE AND INSURANCE COMMITTEE FOR ACTION.

It is recommended that the Board authorize, from the General Fund, an appropriation of \$5,563,583 to pay the cost of the Phase Zero work of the Information Systems Strategic Plan. It is also recommended that the Board authorize the General Manager to enter into an agreement with IBM Credit Corporation (ICC) for an installment purchase agreement to finance a portion of the costs to be capitalized amounting to \$4,506,662 as shown in attachment A.


Carl Boronkay

JEM/jw
Attachments

ATTACHMENT "A"
Fiscal Impact Statement

The total cost breakdown for Phase Zero⁽¹⁾

District Labor \$ 446,860

Subtotal: 446,860

Source of Funds: General Fund

Operating Equipment Purchase 73,800

Software Purchase/License 141,862

Professional

 IBM/Deloitte & Touche 3,380,000

 Deloitte & Touche 581,000

 Gilbreath & Horning 330,000

Subtotal: 4,506,662

Source of Funds: Financing Agreement

Finance Charges 610,061

Total costs to be capitalized: 5,563,583

O&M Costs

Offsite Office Rental for General Contractor 125,000

Materials/Supplies for General Contractor 5,000

Training 10,400

Contract Administration 43,600

Total O&M: 184,000

Source of Funds: O & M Fund

TOTAL: 5,747,583

Class:

One - Projects not necessarily related to the delivery of water but which are required for health, safety, or governmental requirements.

Projected expenditure of funds (excluding interest):

	Total	O&M	Hardware	Software	Design
FY 1991-92	2,679,492	90,333	73,800	141,862	2,373,487
<u>FY 1992-93</u>	<u>2,458,030</u>	<u>93,667</u>	<u>0</u>	<u>0</u>	<u>2,364,373</u>
Totals:	5,137,522	184,000	73,800	141,862	4,737,860

(1) Requirements and design phase only.

Project Benefit:

Will provide a much needed systems development control methodology and design/software package selection for system replacement to support four critical business areas:

Business Systems (General Ledger, Cost Accounting,
Budget)
Human Resources Systems (including Payroll)
Materials (including Accounts Payable)
Environmental Compliance

Work will be done, additionally, in the area of Office Systems to provide a common interface to the above business areas and to complete some projects already in progress.

Will also provide a framework to support the future application selection for Project Management, Asset Management, and Benefits Management.

In addition, the entire process for development of information systems will be improved to ensure that systems better match business requirements.

As part of this project, existing business procedures will be reviewed and re-engineered to be more efficient and effective.

Phase Zero Proposal Cost Comparison

Basic Costs	Andersen	DMR	IBM-D&T
Fixed Price	553,917		3,380,000
Not to Exceed Cost		557,000	N/A
Fairly Firm Quote for Remainder of Work as Understood	3,055,142	2,941,000	N/A
Expenses	243,034	279,840	Included
Productivity Plan	Included	57,000	Included
Application Software Package Estimates - costs	1,200,000	N/A	N/A
SDLC Methodology Training for Contractor Personnel	126,360	104,000	Included
General Contractor Basic Cost Totals	\$5,178,453	\$3,938,840	\$3,380,000

Miscellaneous Costs

Equipment Costs	100,210	95,000	30,000
Offsite Office Rental for General Contractor	158,025	87,000	125,000
Materials/Supplies for General Contractor	5,000	5,000	5,000
Totals	\$263,235	\$187,000	\$160,000

Total Contract Costs	\$5,441,688	\$4,125,840	\$3,540,000
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ATTACHMENT "C"

FEE SCHEDULES for PROFESSIONAL SERVICES

General Contractor - IBM/Deloitte & Touche

This is a "Fixed Price" contract so there will be no hourly billing.

SDLC Contractor - Deloitte & Touche

Partner	\$280.00 per hour
Senior Manager	\$210.00 per hour
Manager	\$175.00 per hour
Senior consultant	\$140.00 per hour

Gilbreath & Horning

Director	\$ 97.50 per hour
Senior consultant	\$ 73.50 per hour