



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

7-2

May 20, 1997

To: Board of Directors (Information Systems Ad Hoc Committee--Info)
(Budget and Finance Committee--Action)

From: *for* General Manager Edmund S. Meyer III

Submitted by: Lambertus H. Becker Lambertus H. Becker
Chief Financial Officer

Subject: Authorize the General Manager to enter into a contract with Oracle Corporation for Consulting Services for the Upgrade of the Oracle Financials suite of applications

RECOMMENDATION(S)

It is recommended that the General Manager be authorized to enter into an agreement on a sole source basis with Oracle Corporation for consulting services for the upgrade of the District's Oracle Financials suite of applications in the amount not to exceed \$980,000.

EXECUTIVE SUMMARY

In September 1993, your Board authorized Appropriation No. 634 for the implementation of Phase One of the Information Systems Strategic Plan. *Oracle Financials* from Oracle Corporation was the suite of applications selected to replace the corporate financial information systems and was implemented in April 1995.

The *Oracle Financials* needs to be upgraded to a newer release of the software package to take advantage of new features. These new features will better support the District's financial business needs, reduce the labor cost of maintaining and supporting custom modules created in the current release, and keep our application software at a release level that is supported by the vendor. Technical support for our current release of *Oracle Financials* will expire on December 31, 1997. The need for this and future upgrades was noted during Phase One, only the timing of this upgrade was unclear.

Over the past two years, staff has continued to assess how the software package meets the financial business needs of the District. The upgrade project will improve our business applications and practices by taking advantage of new features of the newer release of the

software. The project will also establish a solid upgrade methodology and process for continued maintenance of this application package which can be repeated by District staff every twelve to eighteen months. Timing of a major upgrade of this type needs to be aligned with the beginning of a fiscal year to minimize data compatibility risks and disruptions to the end users, therefore, a date of July 1998 has been scheduled for this software upgrade implementation.

This project will be done in two phases separated by a decision point. At the present time, we estimate consulting services for the Analysis and Solutions Design phase will cost \$450,000. Consulting services for the Software Upgrade and Implementation phase is estimated to cost no more than an additional \$530,000. If major enhancement work is determined as a result of the Analysis and Solutions Design phase, we will come back to your Board for supplemental Capital Improvement funding for these enhancements.

Oracle consultants are familiar with the current issues being experienced by the District as well as features of the new release of their software, and have experience in applying the methodology and upgrade processes needed for a successful software upgrade implementation. Using Oracle consulting services to supplement the District's Oracle Financials Upgrade Project team is necessary to give the District the best chance to meet the target date of July 1998 for implementation of the upgraded software.

<p>Contract Type</p> <p><input checked="" type="checkbox"/> New <input type="checkbox"/> Amended</p> <p>Contract Form</p> <p><input type="checkbox"/> Lease <input checked="" type="checkbox"/> Professional Services</p>	<p>Funding</p> <p><input type="checkbox"/> Capital-Appropriation No. <input checked="" type="checkbox"/> O & M (Ultimate funding status to be determined--see detailed report)</p> <p>Budget Status</p> <p><input checked="" type="checkbox"/> FY 97-98 Amount <u>\$980,000</u></p> <p><input type="checkbox"/> Out-Year Amount _____</p> <p><input type="checkbox"/> Non-Budget Amount _____</p>	<p>Type of Competition</p> <p><input type="checkbox"/> RFQ <input type="checkbox"/> RFP NO. _____ <input type="checkbox"/> Informal RFP <input type="checkbox"/> Other Competition _____</p> <p><input checked="" type="checkbox"/> Sole Source</p>
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DETAILED REPORT

In September 1993, your Board authorized Appropriation No. 634 for the implementation of Phase One of the Information Systems Strategic Plan (ISSP). *Oracle Financials* from Oracle Corporation was the package selected to replace the corporate financial information systems, and was implemented in April 1995 as part of the ISSP Phase One effort.

The original implementation was Release 9.4 of *Oracle Financials*, and was done from a divisional perspective using three different consulting firms to assist with the installation. This approach resulted in many customizations to the application package and placed the responsibility of maintenance of these customizations on District staff. Over the past two years, District staff has continued to assess how the application package is meeting the financial business needs of the District. The need to upgrade this package has always been recognized.

Upgrades to the *Oracle Financials* application package are released from the vendor every twelve to eighteen months. These product releases provide enhancements to the product. The size of the upgrade effort is in relation to the amount of customizations made to the application package by the District. As new versions of the application package are released by the vendor, support from the vendor for versions older than the past three releases is dropped. Support for Release 9.4 of *Oracle Financials* will expire on December 31, 1997.

Upgrading to Release 10.7 of *Oracle Financials* is being planned to take advantage of the new features provided by the vendor as part of our maintenance and release contract. This will reduce the labor cost of maintaining and supporting custom modules, and keep our application software at a release level that is supported by the vendor.

This project will be accomplished in two major phases. The Analysis and Solutions Design phase will identify and recommend the business practice refinements needed to implement the newer release with minimal customizations. This phase will also be evaluating whether new system modules will be added to improve functionality and whether the chart of accounts structure should be modified and simplified. The second phase will be the actual Software Upgrade and Implementation. There will be a decision point between the two phases to assess the validity and need for several key changes to the system. All key Divisions will participate in that decision point before proceeding with the actual Software Upgrade and Implementation.

The total cost for this project for consulting and District labor is estimated between \$1,214,496 and \$1,889,720. The final project cost will reflect the decisions reached during the Analysis and Solutions Design phases of the project. A separate project account has been established to track all costs associated with the upgrade project, both internal and external. In the event that it is determined that the costs of the project should be capitalized rather than recorded as O&M expenses, this account will serve to facilitate the required accounting transactions.

The timing of a major upgrade of this type needs to be aligned with the beginning of a fiscal year. This is done to minimize data compatibility risks and disruption to the end users during the conversion process. Therefore, a date of July 1998 has been scheduled for this software upgrade implementation. This will be the first software upgrade of *Oracle Financials*

undertaken since the original implementation in April 1995. It is important to implement the new release of the software from an integrated perspective to maximize the efficient use of the entire suite of applications, and establish a process for continued maintenance of this application package which can be repeated by District staff every twelve to eighteen months. Oracle Corporation has a proven methodology and upgrade process designed for the maintenance of their licensed products. District staff will be trained in this methodology for use in future upgrades.

District staff will manage and actively participate in this upgrade. Oracle Consulting Services would be used to supplement District staff in the following areas: 1) Supply consultants with extensive experience in the implementation of *Oracle Financials* in a government environment, 2) Supply application experts with extensive experience in *Oracle Financials* Release 10.7 functionality, and 3) Supply consultants with extensive technical experience in *Oracle Financials* Release 10.7, Oracle Database, and Oracle Tools technology.

MBE/WBE

Oracle Corporation has committed to achieve 25% MBE/WBE participation under this contract. Oracle Corporation has committed to utilize the services of Transnational Computer Technology (TCT), a certified-minority business enterprise, and Krystal Solutions, a certified women-owned business enterprise to perform both lead and support analyst roles in the Materials Management, Accounts Payable, Project Accounting, or conversion areas under this contract.

CEQA COMPLIANCE/ENVIRONMENTAL DOCUMENTATION

The proposed action is exempt from the provisions of the California Environmental Quality Act because it does not have the potential to cause a significant effect on the environment.