

- **Board of Directors**
Engineering, Operations and Real Property Committee

February 13, 2001 Board Meeting

8-4

Subject

Authorize \$700,000 to upgrade the Oracle financial applications as part of the Enterprise Server Replacement project (Appn. 15351)

Description

This board letter seeks approval for \$700,000 of the original Capital Investment Plan (CIP) expenditure plan budget of \$998,000 to upgrade the Oracle financial applications. The reduction of approximately \$300,000 is made possible by combining this effort into the previously approved Enterprise Server Replacement project. This new approach also expedites completion.

In February 2000, the Board appropriated \$1,484,500 and authorized the General Manager to award a contract, not to exceed \$879,000, to provide consulting services for the Enterprise Server Replacement project. This project is urgently needed to replace outdated servers that run Metropolitan's core business applications, including accounting, financial reporting, payroll, asset management, human resources, purchasing, and maintenance management. In addition, the CIP expenditure plan includes \$998,000 for a proposed project to upgrade the Oracle financial applications immediately following completion of the enterprise server replacement.

Staff has subsequently analyzed options to expedite completion of both the Enterprise Server Replacement project and the proposed Oracle financial applications upgrade. The recommended approach is to combine the Oracle financial upgrade into the Enterprise Server Replacement project (Appn. 15351) and perform the work concurrently, rather than sequentially as was previously planned. This will eliminate the need to migrate the existing Oracle financial applications to the new enterprise server and later upgrade them to the newer versions.

Since the recommended option reduces the complexity of the Enterprise Server Replacement project by eliminating the need to migrate the existing Oracle financial applications to the new enterprise server, staff feels confident that it can complete the remaining work without further assistance from consultants. Consequently, staff will terminate the consultant contract after making payments for work that has already been performed (approximately \$150,000).

The CIP Evaluation Team evaluated the Enterprise Server Replacement project and the Oracle Financial Upgrade project as part of the CIP review process and recommended proceeding with both projects. The projects are included in the capital budget for fiscal year 2000/01.

The proposed activity is exempt from the California Environmental Quality Act (CEQA) since it involves continuing administrative or maintenance activities such as purchases for supplies, personnel-related actions, and general policy and procedure making (State CEQA Guidelines, section 15378[b][2]). Additionally, where it can be seen with certainty that there is no possibility that the proposed activity may have a significant effect on the physical environment, the activity is not subject to CEQA (State CEQA Guidelines, section 15061[b][3]).

Policy

Metropolitan Water District Administrative Code Section 5108: Appropriations

Board Options/Fiscal Impacts

Option #1 – Combine the Projects and Perform Work Concurrently

- a. Increase existing Appropriation No. 15351 by \$700,000 to a total of \$2.184 million;
- b. Combine the Oracle financial applications upgrade into the Enterprise Server Replacement project; and
- c. Authorize staff to perform all work necessary to upgrade the Oracle financial applications in addition to the previously authorized work for the enterprise server replacement.

This option expedites project completion, reduces the cost of consulting services, eliminates some of the originally envisioned application migrations, and saves approximately \$300,000.

Fiscal Impact: \$2.184 million of budgeted capital program expenditures.

Option #2 – Status Quo – Continue with Separate Projects

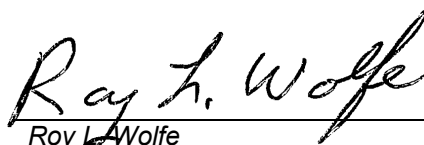
- a. Authorize a new appropriation of \$998,000 for the Oracle Financial Upgrade project; and
- b. Authorize staff to perform all work necessary to upgrade the Oracle financial applications after the enterprise server replacement is complete.

This option delays project completion by approximately six months as compared to Option #1, does not reduce the cost of consulting services, has higher project risk because it does not eliminate some of the originally envisioned application migrations, and does not take advantage of the potential cost savings.

Fiscal Impact: \$2.482 million total program expenditure.

Staff Recommendation

Option #1



Roy L. Wolfe
Manager, Corporate Resources

1/11/2001
Date



General Manager

1/19/2001
Date

Attachment 1—Financial Statement

BLA #733

FINANCIAL STATEMENT

Board Action No. 2 for Appropriation No. 15351 to upgrade the Oracle financial applications as part of the Enterprise Server Replacement project is as follows:

	BOARD ACTION NO. 1 (Feb 2000)	BOARD ACTION NO. 2 (Feb 2001)
Enterprise Server Replacement Labor	262,000	693,000
Oracle Financial Upgrade Labor		998,000
Materials & Supplies	343,000	343,000
Consulting Contracts for Server Replacement	879,000	150,000
Total	\$1,484,500	\$2,184,000

FUNDING REQUEST

Program Name:	Enterprise Server Upgrade				
Source of Funds:	Pay-As-You-Go Fund				
Appropriation No.:	15351	Board Action No.:	2	Budget:	\$2,482,000
Requested Amount:	\$700,000		Capital Program No.:	15351-B	
Total Appropriated Amount:	\$2,184,000		Capital Program Page No.:	E-19 and E-30	
Total Program Estimate:	\$2,184,000		Program Category:	Administrative & General	

PROGRAM SUMMARY

Total project budget, including the acquisition of hardware and Operation & Maintenance (O&M) is as follows:

Capital cost –Board Action 2 for Appn. 15351	\$2,184,000
FY 1999-2000 Operating Equipment	\$1,028,215
O&M Cost for Preliminary Stage Research and Analyses	\$ 300,000
Total	\$3,512,215 *

* The total program estimate has been reduced by approximately \$950,000 from the original estimate of \$4,461,262 because the actual cost of operating equipment was less than anticipated and the recommended option saves approximately \$300,000.