

- **Board of Directors**
Asset, Real Estate and Infrastructure Policy Committee

January 8, 2002 Board Meeting

8-1

Subject

Authorize \$640,000 and delegate authority to award a contract for the Oracle Procurement System Upgrade Program (Approp. 15383)

Description

The Competitive Action Team (CAT) identified the need to improve communications and customer service in all areas of purchasing. As a result, staff has actively pursued ways to improve purchasing services.

One area identified for improvement was the purchasing system. Although the current purchasing software is functional, it is cumbersome to use and lacks important capabilities. New purchasing software (the E-Commerce suite) is now available from Oracle Corporation that integrates with Metropolitan's existing Oracle financial applications. This software would greatly improve the ease-of-use and capabilities of the purchasing system. The software is Web-based, provides "self-service" capabilities to allow users and vendors to view and update purchasing information in real time, and tracks performance measures to help purchasing staff continually improve procurement processes.

From a cost-efficiency standpoint, the software will help ensure that goods are consistently purchased through approved vendors at pre-negotiated discount prices. By doing this, the system will help reduce overall procurement costs. Staff conducted an extensive evaluation of the return-on-investment for this project. The analysis determined that system implementation has a payback of less than two years. In addition, the project provides a number of intangible benefits, such as shorter procurement cycles.

Looking toward the future, the E-Commerce suite will position Metropolitan to take greater advantage of opportunities to conduct procurements over the Internet, implement self-service technology for vendors, and process invoices electronically. These objectives are consistent with the Information Technology Strategic Plan (ITSP).

In terms of project timing, staff recommends that this software be implemented in conjunction with the Oracle Financial Systems upgrade. Given the ease-of-use of the E-Commerce software, this will reduce the overall cost of purchasing training by approximately \$100,000.

This project was reviewed and recommended for approval as part of the CIP evaluation process. The project was subsequently included and approved as part of the Metropolitan's fiscal year 2001/02 capital budget. After extensive negotiations with Oracle Corporation and a re-evaluation of implementation options, staff was able to reduce the original program estimate from \$990,000 to \$640,000.

Policy

Metropolitan Water District Administrative Code § 5108: Capital Project Appropriation

Metropolitan Water District Administrative Code § 8113: Award of Contracts over \$250,000

California Environmental Quality Act (CEQA)

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as purchases for supplies, general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA per Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Appropriate \$640,000;
- b. authorize the Chief Executive Officer to have all work performed; and
- c. delegate to the CEO the authority to award a contract to Oracle Corporation exceeding \$250,000 for software and services to implement Oracle’s E-Commerce software.

This option will significantly improve the purchasing system and services by providing a more functional purchasing application that is easier to use and yields purchasing efficiencies.

Fiscal Impact: \$640,000 of budgeted capital program expenditures. These implementation costs are offset by annual savings from increased efficiencies, with a break-even point of less than two years.

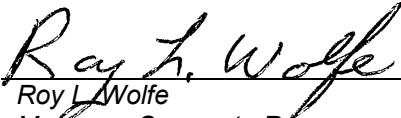

Option #2

Defer implementation of the Oracle Procurement Upgrade program.

Fiscal Impact: Temporarily defers capital expenditures of \$640,000, but results in higher ongoing costs in the interim related to purchasing inefficiencies and significantly higher overall training costs associated with implementing the Oracle Financial Systems upgrade separate from the Oracle Procurement System upgrade.

Staff Recommendation

Option #1

 Roy L. Wolfe Manager, Corporate Resources	12/13/2001 Date
 Ronald R. Gastelum Chief Executive Officer	12/17/2001 Date

Attachment 1 – Financial Statement

FINANCIAL STATEMENT

Board Action No. 1 for Appropriation No. 15383 to implement Oracle's E-Commerce software.

	Board Action No. 1 (January 2002)
Metropolitan Labor	\$ 154,800
Software	352,200
Implementation Services	25,500
Incidentals	11,000
Additives	41,600
Remaining Budget	<u>54,900</u>
Total:	\$ 640,000

FUNDING REQUEST

Program Name: Oracle Procurement System Upgrade			
Source of Funds: Pay-As-You-Go Fund			
Appropriation No.:	15383	Board Action No.:	1
Requested Amount:	\$640,000	Capital Program No.:	01218-A
Total Appropriated Amount:	\$640,000	Capital Program Page No.:	E-36
Total Program Estimate:	\$640,000	Project Goal:	C-Customer Service