

- **Board of Directors**
Asset and Recreation Committee

July 11, 2006 Board Meeting

8-1

Subject

Appropriate \$3.48 million; and authorize: (1) replacement and upgrade of the current water billing system; and (2) a professional services agreement with EMA, Inc., not to exceed \$1.9 million (Approp. 15411)

Description

This project will upgrade Metropolitan's water billing system, the Water Information System (WINS). WINS processes, stores and reports water transactions, incentive payments, customer usage, revenue data and storage account balances. WINS is used to invoice member agencies for approximately \$1 billion in water revenues per year and \$46 million in incentive payments for the Local Resources Program and Conservation Credits Program. WINS also tracks information on approximately 30 special agreements administered by Metropolitan. Ensuring timely, accurate and auditable invoicing and accounting of all billing system transactions is critical to Metropolitan's core business functions.

The current WINS system was completed nine years ago and has worked well. However, administering WINS has become more complex, labor intensive, and more at risk for errors. WINS was originally designed to handle the previous bundled rate structure. Metropolitan's rates and charges have since evolved to a more complex, unbundled structure. Further, all transactions for over a dozen water management programs, not included in the original design, are now processed in WINS. Modifying WINS to add or change water management program business rules involves an extensive amount of programming and quality control. A prime example of the increased transaction volume is water management program certification processing, a manual process whereby Metropolitan staff reenters data from forms provided by the member agencies. To process the water rate discounts, monthly certification transactions are required for the Agricultural, Replenishment, Conjunctive Use, Cyclic, Surface Storage Operating Agreement, Recharge and Recovery Operating Agreement, and Supplemental Storage programs, as well as exchanges and wheeling transactions. Certification volumes have increased 40 percent since calendar year 1997. Currently, certification volumes peak at approximately 700 for the months of December and June.

The upgrade of WINS will use current and proven web-based technology designed to manage multiple inter-related complex business rules. In addition, upgrading WINS will provide self-service web access for member agency billing inquiries, transactions and information requests. Many utilities, including the Los Angeles Department of Water and Power and Southern California Edison, now use web technology to provide billing self-service features.

A competitive solicitation (Request for Proposals No. 768) was issued and respondents were encouraged to propose commercial off-the-shelf software or a custom-developed software solution. All respondents proposed custom-developed software solutions as there are no packaged software products that meet Metropolitan's business requirements.

Staff recommends that EMA, Inc., develop and implement the new water billing system. Staff will continue to provide support for the existing billing system while working with the consultants to design, develop and deploy the new system. Design work includes joint sessions with technical and functional users to clearly define the functional requirements, including the web-based certification module, for the new system. Development work includes writing the actual program code and testing the new system. Deployment entails running the new system in-parallel with the existing system to validate proper output and then, moving the new system into production.

As part of the contract, EMA will train staff so that Metropolitan will have the capability to maintain the system. EMA was selected due to their solid understanding of the business requirements and their relevant experience using the proposed technology to implement business systems for other clients, including the city of San Diego and the city of Toronto. The proposed schedule identifies an 18-month engagement from contract inception to project completion. Extensive testing will be performed under the project to ensure that the new billing system functions properly and produces accurate bills. It is anticipated that the new system will be operating by July 2008.

This action appropriates \$3.48 million in budgeted funds and authorizes replacement and upgrade of the existing WINS system, and authorizes the General Manager to execute an agreement with EMA, Inc., for a not-to-exceed total of \$1.9 million.

This project is an element of the Information Technology Strategic Plan. This project has been evaluated and recommended by Metropolitan's Capital Investment Plan Evaluation Team and the IT Guidance Committee. Funds have been included in the fiscal year 2006/07 capital budget.

See [Attachment 1](#) for the Financial Statement.

Policy

Metropolitan Water District Administrative Code Section 5108: Capital Project Appropriation
Metropolitan Water District Administrative Code Section 8121(a): Award of Contracts over \$250,000

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (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 the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Options #2 and #3:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Appropriate \$3.48 million;
- b. Authorize replacement and upgrade of the WINS system; and
- c. Authorize an agreement with EMA, Inc., in an amount not to exceed \$1.9 million.

Fiscal Impact: \$3.48 million in budgeted capital funds

Business Analysis: This option will provide continued vendor support for new software over the life of the new system; ability to more quickly and efficiently modify the system to accommodate changes in the water rates and charges; and a more efficient process for water management program certification.

Board Options/Fiscal Impacts (cont'd)

Option #2

Continue to use the existing water billing system.

Fiscal Impact: No immediate expenditure of budgeted capital funds. O&M costs will increase to support the current system.

Business Analysis: Potential loss of vendor support for the underlying water billing software; risk to timely and accurate billing; labor intensive process for making changes to WINS to accommodate changes in the water rates and charges; and continued labor intensive process for water management program certification

Option #3

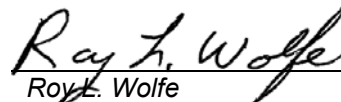
Re-advertise RFP to seek additional proposals to upgrade the water billing system.

Fiscal Impact: Approximately \$3.5 million in budgeted capital funds, plus the cost of staff time to reissue the RFP and evaluate the proposals

Business Analysis: May or may not result in more competitive proposals than Option #1; provides benefits of Option #1; increases staff costs to reissue the RFP and evaluate proposals a second time; delays project and realization of associated benefits

Staff Recommendation

Option #1



Roy L. Wolfe
Manager, Corporate Resources

6/19/2006
Date



Jeffrey Kightlinger
General Manager

6/20/2006
Date

Attachment 1 – Financial Statement

BLA #4378

Financial Statement for the Business, Finance & HR Program

A breakdown of Board Action No. 3 for Appropriation No. 15411 for the Business, Finance & HR Program is as follows:

	Previous Total Appropriated Amount (October 2003)	Current Board Action No. 3 (July 2006)	New Total Appropriated Amount
Labor	\$ 2,072,480	\$ 1,113,000	\$ 3,185,480
Materials and Supplies	861,000	80,000	941,000
Incidental Expenses	110,000	10,000	120,000
Professional/Technical Services	2,420,000	-	2,420,000
EMA, Inc.	-	1,900,000	1,900,000
Software Testing Services	-	77,000	77,000
Remaining Budget	424,750	300,000	724,750
Total	\$ 5,888,230	\$ 3,480,000	\$ 9,368,230

Funding Request

Program Name:	Business, Finance & HR Program		
Source of Funds:	General Fund		
Appropriation No.:	15411	Board Action No.:	3
Requested Amount:	\$ 3,480,000	Capital Program No.:	15411
Total Appropriated Amount:	\$ 9,368,230	Capital Program Page No.:	E-34
Total Program Estimate:	\$ 19,200,000	Program Goal:	C – Customer Service