- ### Board of Directors
  ### *Legal and Human Resources Committee*

March 13, 2007 Board Meeting

8-4

Subject

Appropriate $2.5 million; and authorize (1) Phase II of the Human Resources Improvement Project; and (2) an agreement with Ciber, Inc. in an amount not to exceed $1.45 million (Approp. 15411)

Description

The Human Resources Improvement Project is critical to implementing several recommendations from the Human Resources (HR) Audit, published in January 2006. The audit concluded that the HR business practices were poorly designed and that there were operating inefficiencies that have resulted in lost productivity and excessive labor costs. The audit identified utilization of technology as a key factor for improving HR business processes and operating efficiencies.

Background

The Human Resources Improvement Project is structured in two phases. The first phase focused on delivering self-service web-based capabilities to employees to streamline specific HR processes. These included allowing employees to use the system to update their personal information (e.g., beneficiaries, home addresses, emergency contacts, etc.) and to directly enter their annual benefit enrollment elections. Since implementing self-service benefit enrollment, HR has avoided the need to hire temporary help to support that process, which has saved Metropolitan approximately $15,000 to $30,000 per year. Other improvements included automating benefits administration and providing employees on-line access to paycheck data and compensation history. At this time, the Phase I development work is complete and staff recommends proceeding with Phase II of the project.

Phase II of the Human Resources Improvement Project focuses on an upgrade to the PeopleSoft HR/Payroll system. This upgrade is required for continued payroll tax updates, which are scheduled to end in March 2008. Human Resources staff will capitalize on some of the new capabilities received through the upgrade to address issues raised in the HR Audit. Phase II also recommends implementing three additional modules to eliminate the need to maintain three separate parallel systems that are currently used to maintain HR data.

Project Description and Components

This action authorizes Phase II of the HR Improvement Project to implement technology-related improvements recommended by the HR Audit. There are four primary components of the project that are described below.

PeopleSoft provides several modules that integrate with the core HR/Payroll system. Ten of the 22 software modules have been implemented since Metropolitan launched PeopleSoft in 1994. Of the remaining 12 modules staff is recommending implementation of three modules at this time that will increase Human Resources efficiency and improve Human Resources staff ability to respond to customer inquiries. In addition to being specifically recommended with the IT Strategic Plan, elimination of parallel systems is a smarter way for Metropolitan to conduct business, and lessens the chance that duplicate and incorrect data will exist.

People Soft Upgrade Version 8.9 ($1,576,000)

The first component of the Phase II effort is to upgrade the PeopleSoft Human Resource Management System (HRMS) to Version 8.9. Metropolitan purchased and implemented the PeopleSoft payroll and HR system in the early 1990s. PeopleSoft remains one of the leading products available in the market today. As with all packaged software products, the system must be upgraded periodically to maintain vendor support and to take advantage of new features. Upgrading the software is consistent with recommendations from the IT Strategic Plan and is specifically called for in the HR Audit. This version upgrade is also essential for continued vendor support. In

October 2006, Oracle published a support schedule indicating that tax updates required for payroll processing will no longer be available from Oracle as of March 2008 (and a reduced level of technical support beginning in March 2007). Delaying this upgrade would increase Metropolitan's risk by operating a critical computer system without necessary payroll support from Oracle/PeopleSoft.

Staff analyzed the upgrade path options and strategically recommends skipping Version 8.8 and upgrading directly from Version 8.3 to Version 8.9 due to greater functionality available to meet Human Resources business needs. Version 8.9 is a later release and therefore will be supported longer, estimated until at least 2013. It also has been implemented by a number of other PeopleSoft clients and proven to be a stable product. This is a major upgrade in that the application is significantly changed and improved. It includes upgrading the underlying set of software tools used to develop the application screens and reports. In addition, there are a number of functional enhancements included in Version 8.9 that lay the technology foundation for implementing additional HR process improvements recommended in the HR Audit.

Learning Management Module Software Purchase and Implementation ($519,000)

The second component of the project is purchasing and implementing PeopleSoft's Learning Management module. The current training tracking system is a proprietary stand-alone system with potential support and cost issues. Support and improvements are completely dependent on a third party vendor because Metropolitan does not have access to the underlying programming code for the system. Transitioning training tracking to the PeopleSoft module takes advantage of our internal staff knowledge of PeopleSoft as well as integrating training into the employee system of record. Because it is a new module, some consultant expertise will be required initially to work with Metropolitan staff.

The new module provides more self-service capability to employees and managers. With this capability, time spent monitoring training compliance and completion will be reduced for managers and Human Resources staff. For instance, e-mail notifications can be sent to managers and employees if required certifications are about to expire. Currently, Human Resources staff must notify employees and managers of certification status and the requirements needed to maintain the certification.

On average, employees receive 40 hours of training each year, which includes all mandatory training and employee development training. With the anticipated retirements in the next five years, and to ensure appropriate succession planning, the amount of training that Metropolitan will need to provide will increase. Providing the necessary training will be a key factor in maintaining required skill levels and retaining the employees that Metropolitan needs. The capabilities provided with the new module will provide options for on-line training and ensure that necessary skills are taught to existing and new staff.

Employee Relations Module Implementation ($184,000)

The second module that staff recommends implementing is the Employee Relations module. Metropolitan already owns this module and recommends implementing at this time due to enhanced features provided within the upgrade to Version 8.9. This module provides assistance in monitoring grievance deadlines by generating due dates and reminders automatically in the system, which is currently done manually by Employee Relations staff. On average we have 92 grievances filed in a year. At each step of the grievance process there is a deadline that must be met. Failure to meet these deadlines could result in unfair labor charges or reduced chance of favorable appeal outcomes. This system will reduce the potential for human error and help ensure that a deadline is not overlooked. This module will also provide the ability to run reports to determine trends in grievances, or disciplinary actions, by location, supervisor or bargaining unit. Currently, this information is so cumbersome to retrieve from the shadow system that it is not provided.

Temporary Worker and Consultant Tracking Module Implementation ($221,000)

The final module that staff recommends implementing is the Temporary Worker and Consultant Tracking. This module is contained within the upgrade to Version 8.9 and implementation is recommended at this time to capitalize on the new capabilities provided. This module enhances monitoring and tracking of non-regular workers to improve compliance with settlement conditions of the *Cargill* litigation. This will reduce the manual

coordination between systems that Human Resources staff is currently performing and provide better reporting on the levels of temporary staff used at Metropolitan.

Consultant Selection

As this is a major upgrade, staff recommends using consultant expertise to assist internal staff. It is recommended that specialized consulting services for implementing Phase II of the HR Improvement Project be provided by Ciber, Inc. Ciber, Inc. was selected through a competitive process. In response to Request for Proposals (RFP) No. 808, five firms submitted proposals and all five firms were short-listed. Ciber, Inc. brings specific expertise with the PeopleSoft Version 8.9 software and has a proven track record of implementation experience. Staff recommends that an agreement be authorized with Ciber, Inc. in an amount not to exceed $1.45 million. The consultant will focus on the tasks requiring specific product knowledge and prior implementation experience. These tasks include establishing the technical environment, leading the effort to upgrade the PeopleSoft software to Version 8.9, installing and configuring the Learning Management module to meet Metropolitan's business requirements, providing assistance with implementation of additional Employee Relations capabilities, and providing subject matter and technical expertise. During the project, Metropolitan staff will perform project management, provide input on Metropolitan's business rules, provide database and programming support during the upgrade, perform final acceptance testing of all delivered modules and help train users prior to the rollout of the upgraded system to the rest of Metropolitan employees. Both Ciber, Inc. and Metropolitan will be responsible for ensuring adequate knowledge transfer prior to the end of the engagement. Software testing tools will be used to ensure that the upgraded system functions properly before it is implemented.

Summary

This action appropriates $2.5 million in budgeted funds, authorizes Phase II of the HR Improvement Project, and authorizes an agreement with Ciber, Inc. in an amount not to exceed $1.45 million. This project was evaluated and recommended by Metropolitan's Capital Investment Plan Evaluation Team and funds have been included in the fiscal year 2006/07 budget. See **Attachment 1** for Financial Statement.

Policy

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

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed actions are not defined as a project under CEQA (Section 15378(b) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed actions in question may have a significant effect on the environment, the proposed actions are not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed actions are not subject to CEQA pursuant to Sections 15378(b) and 15061(b)(3) of the State CEQA Guidelines.

Board Options

Option #1

Adopt the CEQA determination and
    a. Appropriate $2.5 million in budgeted funds;
    b. Authorize upgrade of PeopleSoft HR/payroll and PeopleSoft development software to Version 8.9;
    c. Authorize implementation of modules related to training, employee relations and temporary worker tracking and purchase of the Oracle/PeopleSoft Learning (training) Module software; and
    d. Authorize an agreement with Ciber, Inc. to implement items b. and c. above, in an amount not to exceed $1.45 million.

Fiscal Impact: $2.5 million in budgeted funds (Approp. 15411)

Business Analysis: This option would enable Metropolitan to continue to receive tax updates and other vendor support after March 2008 by upgrading to PeopleSoft Version 8.9 and would address the technical issues identified in the HR audit by implementing three new software modules.

Option #2

Adopt the CEQA determination and
   a. Appropriate $1.58 million in budgeted funds;
   b. Authorize upgrade of PeopleSoft HR/payroll and PeopleSoft development software to Version 8.9; but do not purchase or implement any of the additional modules; and
   c. Authorize an agreement with Ciber, Inc. in an amount not to exceed $950,000.

Fiscal Impact: $1.58 million in budgeted funds (Approp. 15411)

Business Analysis: This option would enable Metropolitan to continue to receive tax updates and other vendor support after March 2008. It is important that the work proceed now as this is a major upgrade to the software and will take approximately eight months to complete once the consulting agreement is executed. This option would not address technical issues identified in the HR Audit. Metropolitan would not achieve the benefits of adding an integrated Learning Management module or eliminating redundant parallel systems. Additionally, Metropolitan would continue to rely on third-party support for the current training system.

Staff Recommendation

Option #1

Roy L Wolfe	2/27/2007
Manager, Corporate Resources	*Date*

Jeffrey Kightlinger	2/27/2007
General Manager	*Date*

Attachment 1 – Financial Statement

BLA #4078

Financial Statement for ITSP Implementation – Business, Finance and Human Resources Improvements Program

A breakdown of Board Action No. 5 for Appropriation No. 15411 is as follows:

	Previous Total Appropriated Amount (Oct. 2006)	Current Board Action No. 5 (Mar. 2007)	New Total Appropriated Amount
Labor	$ 4,251,710	$ 576,000	$ 4,827,710
Materials and Supplies	2,295,345	-	2,295,345
PeopleSoft Enterprise Learning Mgr	-	151,000	151,000
Testing Software	-	76,000	76,000
Incidental Expenses	205,000	40,000	245,000
Professional/Technical Services	6,080,000	-	6,080,000
Ciber, Inc.	-	1,450,000	1,450,000
Testing Services	-	88,000	88,000
Remaining Budget	976,175	119,000	1,095,175
Total	**$ 13,808,230**	**$ 2,500,000**	**$ 16,308,230**

Funding Request

Program Name:	ITSP – Business, Finance and Human Resources Improvements		
Source of Funds:	Revenue Bonds, Replacement and Refurbishment or General Funds		
Appropriation No.:	15411	**Board Action No.:**	5
Requested Amount:	$ 2,500,000	**Capital Program No.:**	15411
Total Appropriated Amount:	$ 16,308,230	**Capital Program Page No.:**	E-34
Total Program Estimate:	$ 25,969,000	**Program Goal:**	C- Customer Service