



- Board of Directors
Organization, Personnel and Technology Committee

11/18/2014 Board Meeting

8-4

Subject

Appropriate \$3.93 million; and award \$2,155,000 Professional Services Agreement to Application Software Technology Corporation to upgrade Metropolitan's Oracle Financial Application and deploy an integrated Travel Expense Reimbursement Module (Approp. 15484)

Executive Summary

This action authorizes an upgrade to Metropolitan's Oracle Financial Application and deploys a new integrated Travel Expense Reimbursement Module, Oracle's iExpenses. This action also authorizes a professional services agreement with Application Software Technology Corporation to provide specialized services required to complete the work.

Timing and Urgency

The Oracle Financial Application is Metropolitan's primary business application, with modules supporting Accounts Payable, Accounts Receivable, Project and Grants, Fixed Assets, General Ledger, Procurement and Inventory. At present, this Oracle application is an outdated version. Since November 2013, only limited vendor support has been available for this application. In order to support Metropolitan's ongoing financial and business processes the Oracle Financial Application needs to be upgraded to the current version, R12.2. The last major upgrade to this application was in 2005, when the Project and Grants Accounting module was added to the suite. The planned upgrade will provide Metropolitan with full vendor support through December 2021. Additionally, the existing Travel Expense Reimbursement system is based on older technology that is no longer supported. This project will replace the existing Travel Expense Reporting system with an integrated Oracle module, iExpenses.

This project has been reviewed with Metropolitan's Capital Investment Plan prioritization criteria, and is categorized as an Infrastructure Reliability project. Funds for this action are available within Metropolitan's capital expenditure plan for fiscal year 2014/15.

Details

The Oracle Financial application supports Metropolitan's core financial business functions. All financial transactions are processed through the application's modules, and it is essential that Metropolitan maintain ongoing vendor support to ensure stable financial operations. The latest version of the application has undergone a large change in architecture and capabilities. In order to deploy this upgrade, specialized assistance is required due to the scale and complexity of the change. In preparation for this upgrade, Metropolitan's Board authorized the procurement of new UNIX servers in December 2013. The current version of the application will not run on the new servers and must be upgraded for compatibility and to maintain vendor support. These servers are now in place and staff recommends proceeding with the Oracle Financial Upgrade at this time.

Background

The Oracle Financial Application was adopted and installed by Metropolitan in April 1995. During the subject upgrade, staff will evaluate the 20-year-old configuration of each of the application's modules, with a goal of increasing functionality and eliminating customizations. This evaluation process will be supported by Application Software Technology Corporation.

Some of the items to be evaluated are sub-ledger accounting and the Buyer's Work Bench. Sub-ledger accounting is a Rule-based accounting engine, toolset and repository which are supporting the Oracle business Suite modules. Sub-ledger accounting allows for detailed financial reporting outside of the General Ledger. The Buyer's Work Bench offers a streamlined user interface to look up and act upon requisitions. Buyers can search for requisitions with several pre-configured views and advanced search criteria. Buyers can save their own views, specifying custom search criteria and display columns. Dashboards for monitoring and managing active transactions have been added to the upgraded application. These are just a few of the enhancements to be evaluated during the upgrade process.

Additionally, the new version of the Financial Application R12.2 has a friendlier user-interface to support mobile devices, both phones and tablets. Other mobile features include approvals of purchase requisitions and expense reports. Also, the infrastructure has changed to allow for advanced functionality in exchanging data with third-party applications, such as Maximo and PeopleSoft. These application features bring additional efficiencies to operating processes and application integration at Metropolitan.

The current Travel Expense Reimbursement system, implemented in 1999, is based on older technology, no longer has vendor support, and needs to be replaced. This system processes employee and Board members' expense reports. The implementation of Oracle's iExpenses module will provide an integrated system with enhanced functionality. In addition, the Oracle Accounts Payable Automation module, approved by the Board in October 2013, will further enhance this functionality by electronically storing expense reports and receipts.

Specialized Support for Oracle Financial Application Upgrade - Application Software Technology Corporation

Request for Proposal 1070 for the Oracle R12 Upgrade and implementation services was issued on April 17, 2014. There were fifteen respondents to the solicitation. Metropolitan's evaluation committee reviewed and scored the proposals in accordance with the criteria established in the RFP, and determined that Application Software Technology Corporation met the requirements in the RFP and would provide the best value to Metropolitan. Application Software Technology Corporation demonstrated strong qualifications and experience in performing Oracle R12 upgrades and implementations of new modules.

Application Software Technology Corporation is an Oracle platinum partner and is well accomplished in the public sector arena. They have performed similar services for the Metropolitan Transit Authority, Eastern Municipal Water District, and the Port of Los Angeles. Their knowledge of the Oracle Financial Application R12.2 and understanding of public sector business practices provides the experience required for a successful deployment of the Oracle modules. A 20 percent SBE goal was set for this project. The Application Software Technology Corporation engaged PI Technology, as a subconsultant, to provide technical resources and meet the 20 percent SBE goal.

This action appropriates \$3.93 million and authorizes an upgrade to Metropolitan's Oracle Financial Application and deployment of a new integrated Travel Expense Reimbursement Module, Oracle's iExpenses. This action also authorizes a professional services agreement for \$2,155,000 to Application Software Technology Corporation for specialized services in support of the subject work; \$1,333,000 for Metropolitan labor to perform technical tasks (i.e. programming, database work, etc.), functional review and testing, and project management; \$15,000 for materials and supplies; \$70,000 for other contracts and \$357,000 for remaining budget.

Summary

The Board action authorizes the appropriation of \$3,930,000 to upgrade the Oracle Financial Application and deploy a new Travel Expense Reimbursement Module; awards a professional services agreement to Application Software Technology Corporation and allows Metropolitan to proceed with this work at this time.

This project has been evaluated and recommended by Metropolitan's Capital Investment Plan Evaluation Team, and funds have been included within the fiscal year 2014/15 capital expenditure plan. See [Attachment 1](#) for the Financial Statement.

This project is included within capital Appropriation No. 15484, the Business Operations Improvement Program, which was initiated in fiscal year 2013/14, and resides in the Infrastructure Reliability category. With the present action, the total funding for Appropriation No. 15484 will increase from \$2.57 million to \$6.5 million.

Policy

Metropolitan Water District Administrative Code Section 5108: Appropriations

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed actions are not defined as a project under CEQA because they involve continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed actions are not subject to CEQA because they involve 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 actions are not defined as a project and are not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #3:

None required

Board Options

Option #1

Adopt the CEQA determination that the proposed actions are not defined as a project and are not subject to CEQA, and

- a. Appropriate \$3.93 million; and
- b. Award \$2,155,000 professional services agreement to Application Software Technology Corporation to upgrade Metropolitan's Oracle Financial Application and deploy Oracle's iExpenses module.

Fiscal Impact: \$3.93 million of capital funds under Approp. 15484

Business Analysis: This option will provide ongoing vendor support for Metropolitan's core Financial Application through December 2021, and will improve efficiency in purchasing, financial operations, and third-party application integration, and will deploy a new integrated travel expense reimbursement module, based on current technology and has vendor support.

Option #2

Adopt the CEQA determination that the proposed actions are not defined as a project and are not subject to CEQA, and

- a. Appropriate \$3.77 million; and
- b. Award \$2,115,000 professional services agreement to Application Software Technology Corporation to **upgrade the Oracle Financial Application.**

Fiscal Impact: \$3.77 million of capital funds under Approp. 15484

Business Analysis: This option will provide ongoing vendor support for Metropolitan's core Financial Application through December 2021, and will improve efficiency in purchasing, financial operations, and third-party application integration but, forgo the opportunity of deploying a new integrated travel expense reimbursement module, based on current technology which has vendor support.

Option #3

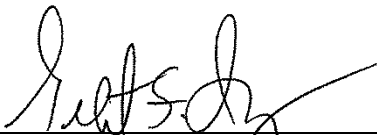

Do not proceed with the Oracle Financial Application upgrade or the deployment of Oracle's iExpenses at this time.

Fiscal Impact: No impact on capital expenditures

Business Analysis: Under this option, Metropolitan's core Financial Application would be at risk of failure due to lack of ongoing vendor support. This option would also forgo an opportunity to improve efficiency in purchasing, financial operations, third-party application integration or in deploying a new integrated travel expense reimbursement module, based on current technology which has vendor support.

Staff Recommendation

Option #1

	10/28/2014
_____ Gilbert F. Ivey Chief Administrative Officer	Date
	11/5/2014
_____ Jeffrey Lightlinger General Manager	Date

Attachment 1 – Financial Statement

Ref# bt12631484

Financial Statement for the Business Operations Improvements Appropriation

A breakdown of Board Action No. 3 for Appropriation No. 15484 for the Oracle ERS R12 Upgrade is as follows:

	Previous Total Appropriated Amount (Apr. 2013)	Current Board Action No. 3 (Nov. 2014)	New Total Appropriated Amount
Labor	\$ 960,000	\$ 1,333,000	\$ 2,293,000
Materials & Supplies	517,000	15,000	\$ 532,000
Incidental Expenses	9,000	-	\$ 9,000
Professional/Technical Services	851,000	2,225,000	\$ 3,076,000
Remaining Budget	233,000	357,000	590,000
Total	\$ 2,570,000	\$ 3,930,000	\$ 6,500,000

Funding Request

Appropriation Name:	Business Operations Improvements Appropriation		
Source of Funds:	Replacement and Refurbishment		
Appropriation No.:	15484	Board Action No.:	3
Requested Amount:	\$ 3,930,000	Budget Page No.:	22
Total Appropriated Amount:	\$ 6,500,000	Total Appropriation Estimate:	\$12,500,000