



- Board of Directors
Organization, Personnel and Technology Committee

10/13/2015 Board Meeting

7-2

Subject

Authorize increase of \$200,000 to an existing agreement with Application Software Technology Corporation, for a new not-to-exceed total of \$2,355,000, for the Oracle R12 Upgrade Project (Approp. 15484)

Executive Summary

This action authorizes an amendment to an existing agreement for the functional and technical upgrade of Metropolitan's core financial software application, Oracle's EBusiness Suite (EBS). This amendment will allow the implementation of Oracle's Tax module to be included with the Oracle R12 Upgrade Project.

No funds are required in this action, as funds were previously appropriated in November 2014 by the Board Action that approved the Oracle R12 Upgrade Project.

Timing and Urgency

In November 2014, the Board authorized an upgrade to Metropolitan's core Financial software application, Oracle's EBS. This upgrade is needed primarily due to loss in vendor support. During the preliminary design and testing activities for the EBS upgrade, staff identified that an additional EBS module, Oracle's Tax, would offer significant improvements to Metropolitan's procurement process. Staff recommends that the existing agreement with Application Software Technology Corporation (AST) be amended to include deployment of Oracle's Tax module. Sufficient funds were previously appropriated and are available to implement the module from the Oracle R12 Upgrade Project.

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

Background

In 1995, Metropolitan migrated from a legacy financial system that had been developed in-house to a new core packaged solution, Oracle's Financial Application. In 2003, Oracle upgraded the financial application to increase efficiency and provide a new graphical user interface to the application. This upgraded application was renamed to the Oracle's EBS. This application upgrade resulted in a much friendlier customer experience and significant savings to Metropolitan. In 2005, Oracle introduced the Project and Grant modules into EBS, providing additional efficiencies in managing capital projects and grants.

Oracle's EBS 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, Metropolitan is using an outdated version of Oracle's EBS application. Since November 2013, only limited vendor support has been available to maintain this application. In order to support Metropolitan's ongoing financial and business processes, the EBS application needs to be upgraded to the current version, R12.

In November 2014, the Board authorized an upgrade to the EBS application. During preliminary design and testing of the upgrade, staff evaluated each of the application's modules, with a goal of increasing functionality and eliminating customization related to Metropolitan's business processes. Staff concluded that the addition of Oracle's Tax module would increase efficiency in Metropolitan's procurement process. The Tax module will automatically apply tax to purchase requisition line items prior to the approval process. This has a positive effect to the purchasing business process showing complete visibility of the total cost of the item(s) to be procured throughout the approval process. This new functionality is required to properly implement encumbrance accounting and budgetary control, potentially coming to the Board for action in early 2016. It is recommended to perform this work, at this time, so the organization can embrace this change along with other changes related to the Oracle R12 Upgrade.

Deployment of Oracle's Tax Module (Application Software Technology Corporation) – No Funds Required

AST is the consulting firm engaged to provide functional and technical support for the Oracle R12 Upgrade Project. AST possesses the knowledge and skills to implement the Oracle Tax Module. It is recommended to amend AST's contract to perform the additional work. AST was selected through the competitive bid process. Request for Proposal (RFP) 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 AST met the requirements in the RFP and would provide the best value to Metropolitan. AST demonstrated strong qualifications and experience in performing Oracle R12 upgrades and implementations of new modules.

AST is an Oracle platinum partner and is well accomplished in the public sector arena. It has performed similar services for the Metropolitan Transit Authority, Eastern Municipal Water District, and the Port of Los Angeles. Its staff's knowledge of the Oracle Financial Application R12 and understanding of public sector business practices provides the experience required for a successful deployment of the Oracle modules. A 20 percent Small Business Enterprise goal was set for this project.

Board Action

AST is deploying the EBS upgrade under an existing board-authorized agreement. Staff recommends that this agreement be amended to include Oracle's Tax module. This approach represents the most cost-effective means to add the Tax module to the Oracle R12 Upgrade Project. The estimated cost to deploy the tax module is \$200,000.

This action authorizes an increase of \$200,000 to the agreement with AST for a new not-to-exceed total of \$2,355,000.

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 Option #1:

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

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA and

Authorize increase of \$200,000 to the agreement with Application Software Technology Corporation, for a new not-to-exceed total of \$2,355,000, for the Oracle R12 Upgrade Project.

Fiscal Impact: None. Sufficient funds were previously appropriated and are available within Approp. No. 15484.

Business Analysis: This option will improve efficiencies in Metropolitan’s procurement process and lays a foundation for budgetary control.

Option #2

Do not authorize the agreement amendment at this time.

Fiscal Impact: None

Business Analysis: Under this option, the Oracle Tax module would not be deployed in conjunction with the Oracle R12 Upgrade Project. This option would forgo an opportunity to gain efficiencies in Metropolitan’s procurement process and not take action toward implementing budgetary control.

Staff Recommendation

Option #1



Fidencio Mares
Interim Chief Administrative Officer

9/24/2015
Date



Jeffrey Kighlinger
General Manager

9/24/2015
Date