



- **Board of Directors**
Engineering, Operations, and Technology Committee

8/20/2024 Board Meeting

7-5

Subject

Amend an existing agreement with Procure America Inc. for a new annual maximum amount of \$340,000 per year for a new not-to-exceed amount of \$1.7 million over the term of the agreement for the audit of Metropolitan's telecommunications circuits; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Metropolitan entered into an agreement with Procure America for \$220,000 under the general manager's authority in September 2022 to audit telecommunications invoicing, taxes, circuit technology, and circuit redundancy. The payment term for this agreement includes Procure America receiving thirty percent of all cost savings identified in the audit over a five-year period. Procure has completed its audit, and implementation of the audit findings has generated an annual cost savings to Metropolitan of \$1,128,000. Procure America's annual fee for the five-year period based on the identified savings is \$338,400. This amount exceeds the estimated fee of \$220,000 annually which was set forth in the original agreement. Hence a board action is required to increase the annual agreement amount with Procure America.

This action authorizes an annual increase in the agreement with Procure America of up to \$340,000 to match their thirty percent share of the annual identified savings to Metropolitan. Metropolitan's annual cost savings, net of the \$340,000 payment to Procure America, is \$788,000. This equates to a net savings to Metropolitan of \$3.94 million over the five-year term due to the audit findings.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Amend an existing agreement with Procure America Inc. for a new annual maximum amount of \$340,000 per year for a new not-to-exceed amount of \$1.7 million over the term of the agreement for the audit of Metropolitan's telecommunications circuits.

Fiscal Impact: Expenditures of \$340,000 in Operations and Maintenance funds from Telecom billing savings

Business Analysis: This audit provides accounting for accurate billing and invoicing from Metropolitan's Telecommunications providers.

Option #2

Do nothing at this time

Fiscal Impact: No Operations and Maintenance expenditures

Business Analysis: Metropolitan would have insufficient funds to pay the vendor, and work would stop.

Alternatives Considered

Not applicable

Applicable 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

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action/Future Action

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a).) In addition, the proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5)). Finally, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or 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. (State CEQA Guidelines Section 15378(b)(4)).

CEQA determination for Option #2:

None required

Details and Background

Background

Metropolitan currently has ten telecommunications providers servicing over 2,000 billing circuits, providing voice, data, and wireless services at over fifty field sites. Metropolitan performs a full circuit inventory roughly every ten years to determine the effectiveness of our current system. This audit allows Metropolitan to maintain a streamlined telecommunications budget by reviewing voice, data and mobile communications expenses across all locations. The audit also provides assistance and guidance for upcoming Capital Investment Plans and Operations and Maintenance budgets and will be used as a trusted source of information to ensure ongoing network reliability and improvement. This auditing process typically utilizes external expertise due to time constraints, audit complexity, and limited availability of in-house staff to review the large number of circuits and sites involved.

Metropolitan entered into an agreement under the general manager's authority with Procure America on September 1, 2022, to audit telecommunications invoicing, taxes, circuit technology, and circuit redundancy. The original payment stipulation for this agreement included Procure America receiving thirty percent of all funds saved over a five-year period, paid on a monthly basis. Based on initial estimates of anticipated audit results, the original agreement was established with an annual payment cap of up to \$220,000. The audit is now complete and has generated monthly savings that are in excess of what was originally envisioned. On a monthly basis, implementation of the audit recommendations will generate approximate monthly savings of \$94,000, for a total annual savings to Metropolitan of approximately \$1,128,000. Under the terms of the agreement, Procure America is entitled to a thirty percent share of identified savings. Under this formula, Procure America's annual fee would be \$338,400, which exceeds the originally agreed-upon annual fee of \$220,000. The agreement terms also stipulate that the fee is payable for a five-year period.

This action authorizes an increase in the annual amount payable to Procure America to \$340,000 per year for the next five years, not to exceed \$1.7 million over the five-year term of the agreement.

Project Milestone

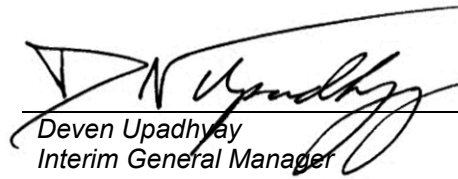
Invoice Payment

Sep 2024



Charlie Eckstrom
Group Manager, Information Technology

8/6/2024

Date

Deven Upadhyay
Interim General Manager

8/6/2024

Date

Ref# it12697564