



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

1/9/2024 Board Meeting

7-5

Subject

Authorize an agreement with Application Software Technology LLC in an amount not to exceed \$800,000 for the Oracle E-Business Suite Procurement Services Module Implementation; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Metropolitan is seeking services to implement a new Oracle E-Business Suite Procurement Services module, specifically for construction contracts, and other standard features for contract management. The new module shall be integrated with the existing E-Business Suite platform.

This action authorizes project management, design, and development of professional services for implementation of the Oracle Services Procurement module in the Oracle E-Business Suite. This implementation will streamline the Construction Contracts and Procurement business process, automating retention or other withholdings required to be specified as liabilities in the General Ledger. The implementation of this module would eliminate missed retention withholdings from future payments and record the transactions correctly and timely in the General Ledger, thereby avoiding penalties and saving funds for Metropolitan.

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

Staff Recommendation: Option #1

Option #1

Authorize an agreement with Applications Software Technology LLC in an amount not to exceed \$800,000 for the Oracle E-Business Suite Procurement Services Module Implementation.

Fiscal Impact: Expenditures of \$1,720,000 in capital funds

Business Analysis: This project provides accurate General Ledger reporting on financial commitments related to Construction Contracts at Metropolitan. The need for improved General Ledger reporting was identified by the Audit Department and Finance.

Option #2

Do nothing at this time

Fiscal Impact: No capital expenditures

Business Analysis: Maintain the current manual processes

Alternatives Considered

Construction Management Services proposed a solution from Textura, a third-party Payment Management Cloud Service on Oracle Cloud Infrastructure. This application does not meet all the requirements and does not integrate into Metropolitan's current Oracle E-Business Suite platform. This solution turned out to be very expensive due to the annual cloud subscription. No other alternatives were considered as third-party solutions will require customization to integrate with the Oracle E-Business Suite system, which would be cost prohibitive and problematic whenever the E-Business Suite platform is updated or upgraded.

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(s)/Future Action(s)

By Minute Item 52778, dated April 12, 2022, the Board appropriated a total of \$600 million for projects identified in the Capital Investment Plan for Fiscal Years 2022/23 and 2023/24.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because there is no potential for the activity in question to have a significant effect on the environment. (State CEQA Guidelines Section 15061(b)(3).)

CEQA determination for Option #2:

None required

Details and Background

Background

The Oracle E-Business Suite is the primary financial system used at Metropolitan for Purchasing, Accounts Payable, Accounts Receivable, Fixed Assets, iProcurement, Inventory, iExpenses, and General Ledger reporting. To improve process efficiency and comply with financial reporting requirements, an additional module for Services Procurement is recommended to be integrated with the existing E-Business Suite platform.

There have been several audit findings on retention transactions not being held from construction contract payments. When retention is performed correctly, the amount of retention is either sent to an escrow account or held as a liability in the General Ledger. Stop Notices and Liquidated Damages should also be held as liabilities in the General Ledger. In the current Oracle E-Business Suite, it is difficult to automate and record these types of transactions.

The Oracle on-premises Services Procurement Module automates retention transactions at the time of payment. The Services Procurement module is part of the Oracle E-Business Suite. The completion of this project will eliminate missed retention withholdings from future payments and record the transactions correctly and timely in the General Ledger.

This action authorizes \$800,000 for the Oracle E-Business Suite implementation for the Services Procurement module. The total project budget is \$1,720,000 and includes funds for awarding a new contract with Applications Software Technology LLC for \$800,000 for professional and technical services. Other costs included are \$668,000 for labor costs by Metropolitan staff, including owner costs and project management, \$80,000 for software licenses, and \$172,000 for remaining budget.

This project has been evaluated and recommended by Metropolitan's Capital Investment Plan Evaluation Team, and funds are available within the fiscal year 2023/24 capital expenditure plan. See **Attachment 1** for the Financial Statement.

Project Milestones

Request for Proposal via Request for Bids and Vendor Selection	May – Sep 2023
Board Letter and Action	Jan – 2024
Project Kick off and Discovery	Feb – 2024
Design and Implementation	Feb – Jul 2024
Testing and Deployment	Aug – Oct 2024
Go-Live	Nov – Dec 2024



Charles Eckstrom
Group Manager, Information Technology

12/18/2023
Date



Adel Hagekhalil
General Manager

12/19/2023
Date

Attachment 1 – Financial Statement

Ref# IT12697556

Allocated Funds for Oracle EBS Module Implementation: Services Procurement

	Current Board Action (Jan. 2024)
Labor	
Studies & Investigations	\$ -
Final Design	-
Owner Costs (Program mgmt.)	668,000
Submittals Review & Record Drwgs	-
Construction Inspection & Support	-
Metropolitan Force Construction	-
Materials & Supplies	80,000
Incidental Expenses	-
Professional/Technical Services	800,000
Equipment Use	-
Contracts	-
Remaining Budget	<u>172,000</u>
Total	<u><u>\$ 1,720,000</u></u>