



MEMORANDUM

TO: SLDMWA Finance & Administration Committee Members, Board of Directors, Alternates

FROM: Pablo R. Arroyave, Chief Operating Officer

DATE: May 11, 2020

RE: Adoption of Resolution Making Single Source Findings and Authorizing Execution of Single Source Contracts for Purchase of Business Software Solutions, Related Expenditure of up to \$220,830 from FY21 O&M Budget

BACKGROUND

The Authority's existing work and asset management software (Oracle WAM) was purchased in 2003 and will reach the end of its support life in July 2021. Our financial and administrative software (Dynamics Great Plains) was purchased in 2004 and is an older generation software that no longer supports the Water Authority's needs for timely reporting and automated processes. Given this, ideally, a new software solution would be fully implemented in calendar year 2020.

In July 2019, the Authority staff began researching and evaluating a number of cloud based Business Software Solutions that could perform the functionality of both programs. During this process, staff identified and worked with 5 vendors that provide software meeting at least some of the Water Authority's needs. Staff initially identified a broad pool of potential software vendors to be sure that they were not excluding a software vendor that might be able to meet the Water Authority's needs.

During the evaluation process, staff provided information to each of the vendors explaining our typical work flow processes for both the work and asset management and financial and administrative functions. Each vendor provided a demonstration of their software system to key Authority staff. After our evaluation of the demonstrations, staff determined that only two of the five vendors were able to meet the Water Authority's needs. As a result, staff narrowed the selection group down to two vendors for further discussions.

Both of these vendor's initial demonstrations verified that their Business Software Solutions package satisfied all the Water Authority's key work flow process except the ability to efficiently integrate the timekeeping process into both the work and asset management and financial and administrative programs. Staff discussed in detail with both vendors the timekeeping issue as well as our project timeline requirement and allowed them another opportunity to demonstrate

that their solution and timeline could satisfy Water Authority needs. Following another demonstration with each vendor, the NetSuite solution was found to be the only solution that can integrate the timekeeping process into both the work and asset management and the financial and administrative programs processes and complete implementation by December 31, 2020. To meet that deadline, which is necessary to ensure completion before end-of-life of the current software and allow for any unexpected delays, training, and transition, the contract needs to be awarded in May, 2020.

The budget estimate for this project identified in our budget deliberations with the FAC and the Board was \$387,300. This line item was identified in the O&M budget which was formally approved on January 9, 2020. The Project Description and Justification used for the FY2021 budget formulation process is attached.

Based on the recently adopted Consolidated Procurement Policy, we believe that we can pursue a single source procurement under Article 2.3(a)(1)(iii) because “only one product will meet the Authority’s needs” and the product is available from only one source. In addition, as to the associated installation, configuration, migration, training, and maintenance services, only one vendor (NetSuite) “has the specialized expertise necessary to perform the services.” Attached to the draft Board resolution is the Single Source Justification for this proposed contract award.

ISSUE FOR DECISION

Whether the Finance & Administration Committee should recommend, and the Board should adopt the Resolution Making Single Source Findings and Authorizing Execution of Single Source Contracts for the Purchase of the Business Software Solutions from Oracle NetSuite and its associated extension providers (Shepherd CMMS and PyanGo, LLC.), and authorize the associated expenditure of up to \$220,830 from the FY21 O&M budget.

RECOMMENDATION

Staff recommends that the Finance & Administration Committee recommend, and the Board adopt, the aforementioned Resolution and authorize the associated expenditure.

ANALYSIS

The Business Software Solutions offered by NetSuite is comprised of three separate components: NetSuite together with Shepherd CMMS and PyanGo. Shepherd CMMS and PyanGo are partners with NetSuite offering extensions to the NetSuite’s core functionality. NetSuite is the core financial software. Shepherd CMMS is the Work & Asset Management piece and is native (incorporated) to NetSuite. PyanGo is the fund accounting piece and is also native (incorporated) to NetSuite. Although the three software applications interface together as one solution, they are separate companies, and therefore require separate agreements, scope of work for their

implementation, and annual subscription prices. On the basis of NetSuite being the only product that is able to meet all the needs of the Water Authority, staff recommends approval for a Single Source Procurement of the NetSuite Business Software Solutions program from Oracle NetSuite and its associated extension providers.

Budget Implications

The total expenditure of \$220,830 is the Year 1 costs. The term of the agreements with NetSuite, Shepherd CMMS, and PyanGo is 5 years. The combined annual subscription fee for the NetSuite, Shepherd CMMS, and PyanGo product is \$139,610 and will be included in each subsequent budget year for Years 2 – 5. The Fiscal Year 2021 expenditure will result in a cost savings of approximately \$166,400 as compared to the Fiscal Year 2021 approved budget for this line item.

***San Luis & Delta-Mendota Water Authority
Extraordinary O&M Projects
Project Description and Justification Sheet***

<i>Estimated Total Cost:</i>	\$387,300
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The SLDMWA shall procure replacement software program for the existing Oracle Work and Asset Management (WAM) and Dynamics Great Plains (GP) software applications. WAM was implemented in 2003 and GP in 2004.

Monday, October 07, 2019

San Luis & Delta-Mendota Water Authority
Extraordinary O&M Projects
Project Description and Justification Sheet

accurately push it to GP or reconcile to GP. The GP server resides in Los Banos.

Both WAM and GP have served the SLDMWA well, but they are older generation software. With the upcoming end of life for Oracle WAM, staff recommends purchasing replacement software that is comprehensive that includes work and asset management as well as financial and administrative functionalities. Oracle WAM and GP will have served the Authority for 18 years by the time it is replaced. The investment/service life for the new program is therefore expected to be 15-20 years if not longer.

Project Status:

FY2021 Project - Awaiting Approval/Funding

**San Luis & Delta-Mendota Water Authority
EO&M Project Cost Summary**

FY2021

E2021001 - EAM & Finance Software Replacement

26-I7-BU-21

Total Fully Burdened Labor Cost	\$	-
Total Materials	\$	-
Total Vehicles & Equipment	\$	-
Total Contracts	\$	387,300.00
Project Grand Total	\$	<u>387,300.00</u>

Date Proposal Completed: Lois Neishi
9/30/2019

NOTE: Labor cost is rounded up to the nearest \$100.

San Luis & Delta-Mendota Water Authority
E2021001 - EAM & Finance Software Replacement
EO&M Project
Contracts Cost Breakdown

Contract Description	Qty	Unit	Unit Cost	Total Cost
Software Costs	1	LS	\$ 183,900	\$ 183,900.00
Implementation, Training & Migration	1	LS	\$ 168,200	\$ 168,200.00
Contingency (10%)	1	LS	\$ 35,200	\$ 35,200.00

Contracts Total: \$ 387,300.00

Note: 3%/year inflation adjustment included in cost

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

RESOLUTION NO. 2020-__

**RESOLUTION MAKING SINGLE SOURCE FINDINGS AND AUTHORIZING
EXECUTION OF SINGLE SOURCE CONTRACTS FOR PURCHASE OF BUSINESS
SOFTWARE SOLUTIONS**

WHEREAS, the San Luis & Delta-Mendota Water Authority's ("Water Authority") existing work and asset management software (Oracle WAM) was purchased in 2003 and will reach the end of its support life in July 2021;

WHEREAS, the Water Authority's financial and administrative software (Dynamics Great Plains) was purchased in 2004 and is an older generation software that no longer supports the Water Authority's needs for timely reporting and automated processes;

WHEREAS, beginning in July 2019, Water Authority staff has researched a replacement business software program that could provide the functionality of both Oracle WAM and Dynamics Great Plains and be implemented by December 31, 2020;

WHEREAS, after initial evaluation of five potential vendors, Water Authority staff identified two vendors that potentially could meet the primary Water Authority needs, subject to demonstrating that their solution could integrate the timekeeping process into the work and asset management and the financial and administrative programs processes by December 31, 2020;

WHEREAS, after evaluation, Water Authority staff has determined, based on the facts summarized in Attachment 1, that only the products as integrated in NetSuite meet the Water Authority's needs, and only the software developer can provide the implementation and ongoing services for the integrated products selected;

WHEREAS, NetSuite is comprised of three separate components: NetSuite, the core financial software; Shepherd CMMS, work and asset management software incorporated into NetSuite; and PyanGo, the fund accounting piece incorporated into NetSuite. The three software applications interface together as one solution, but are owned by separate companies (Oracle NetSuite, Shepherd CMMS ("Shepherd"), and PyanGo, LLC ("PyanGo")), so separate agreements will be required for the integrated whole solution;

WHEREAS, funds for the first year software purchase and implementation are included in the business software program replacement item in the approved Fiscal Year 2021 Operation and Maintenance Budget, but the proposed contract award is for five (5) years, which will require commitment of Water Authority funds in future budgets; and

WHEREAS, Water Authority staff recommends that the NetSuite solution be selected as a single source software solution for the Water Authority and that five-year contracts with Oracle NetSuite, Shepherd, and PyanGo be authorized, subject to budgeting for ongoing maintenance costs for years 2 through 5.

NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS, THAT:

Section 1. The facts stated in the recitals above are true and correct, and the Board so finds and determines.

Section 2. Based on the above Recitals and the facts as stated in Attachment 1, the Board hereby finds as follows:

- (a) Only the NetSuite solution meets the Water Authority's needs for all key features, including without limitation integrating the timekeeping process into the work and asset management and the financial and administrative programs and being able to be implemented by December 31, 2020;
- (b) Only Oracle NetSuite can provide the core NetSuite financial solution;
- (c) Only Shepherd can provide Shepherd CMMS, work and asset management software incorporated into NetSuite to provide functions required by the Water Authority;
- (d) Only PyanGo can provide PyanGo, fund accounting software incorporated into NetSuite to provide functions required by the Water Authority; and
- (e) As the software developers, only Oracle NetSuite, Shepherd, and PyanGo can provide required maintenance support services for the software they developed, and no other vendor can develop that expertise.

As a result of the above findings, the Board finds that Oracle NetSuite, Shepherd, and PyanGo are the single source vendors for their products and services, as integrated into the NetSuite solution.

Section 3. Based on the facts as stated in Attachment 1, including cost comparisons performed by Water Authority staff in researching software solutions, the price proposed for the NetSuite solution is within the approved budget for the current year and fair and reasonable for software performing the required functions.

Section 4. The Executive Director, for and on behalf of the Water Authority, is hereby authorized and directed to execute five-year agreements with Oracle NetSuite, Shepherd, and PyanGo for goods and services on substantially the terms discussed with the Board, as well as to take such actions as may be required or authorized by this Board to effectuate those agreements.

PASSED, APPROVED AND ADOPTED this 14th day of May, 2020, by the Board of Directors of the San Luis & Delta-Mendota Water Authority.

Cannon Michael, Chairman
SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

Attest:

Federico Barajas, Secretary

I hereby certify that the foregoing Resolution No. 2020-__ was duly and regularly adopted by the Board of Directors of the San Luis & Delta-Mendota Water Authority at the meeting thereof held on the 14th day of May, 2020.

Federico Barajas, Secretary

***Oracle Work & Asset Management & Great Plains Dynamics Software Replacement
Single Source Justification***

ACTION REQUESTED:

The San Luis & Delta–Mendota Water Authority’s (Water Authority) Consolidated Procurement Policy adopted by Resolution No. 2020-458 on April 9, 2020, requires that a single source justification be adopted by the Board of Directors (“Board”) under circumstances when competitive procurement for a purchase of goods and certain services might otherwise be required and the anticipated contract amount exceeds the Board’s delegation of authority. Single Source Procedures identified in Articles 2 and 3 require a written justification be submitted to and adopted by the Water Authority Board.

Staff is submitting this written justification and is seeking approval for a Single Source Procurement for the purchase of a business software solution and associated installation, configuration, migration, training, and maintenance services (“Business Software Solutions”) to replace the existing programs that are nearing the end of their support life. Oracle NetSuite (NetSuite) has submitted a Business Software Solutions proposal that will replace the existing programs and meets all the work flow requirements found necessary by the Water Authority staff. The cost for the NetSuite proposal is \$220,830, broken down into three contracts, as discussed below.

Staff requests that the Board 1) make a single source finding with respect to the developers of the software included in the NetSuite solution and 2) authorize award of three, five-year single source contracts to those software developers.

BACKGROUND:

The Water Authority’s existing work and asset management software (Oracle WAM) was purchased in 2003 and will reach the end of its support life in July 2021. The financial and administrative software (Dynamics Great Plains) was purchased in 2004 and is an older generation software that no longer supports the Water Authority’s needs for timely reporting and automated processes. In late July of last year, the Authority staff began researching and evaluating a number of cloud based Business Software Solutions that perform the functionality of both programs. During this process, staff identified and worked with 5 vendors that provide software meeting at least some of the Water Authority’s needs. Staff initially identified a broad pool of potential software vendors to be sure that they were not excluding a software vendor that might be able to meet the Water Authority’s needs.

During the evaluation process, staff provided information to each of the vendors explaining our typical work flow processes for both the work and asset management and financial and administrative functions. Each of these software providers provided a demonstration of their software system to key Water Authority staff. After evaluation of the demonstrations, staff determined that only two of the five vendors were able to meet the Water Authority’s principal needs. As a result, staff narrowed the selection group down to two vendors for further discussions.

Both of these vendor’s initial demonstrations verified that their Business Software Solutions package satisfied all the Water Authority’s key work flow process except the ability to efficiently integrate the timekeeping process into both the work and asset management and financial and administrative programs. Staff discussed in detail with both vendors the timekeeping issue as well as our project timeline requirement and allowed them another opportunity to demonstrate that their solution and timeline could satisfy Water Authority needs. Following another demonstration with each vendor, the NetSuite solution was found to be the only solution that can integrate the timekeeping process into both the work and asset management and the financial and administrative programs processes and complete implementation by December 31, 2020. To meet that deadline, which is necessary to ensure completion before end-of-life of the current software and allow for any unexpected delays, training, and transition, the contract needs to be awarded in May, 2020.

Based on this evaluation process, staff has done their due diligence in determining the best Business Software Solution for the Water Authority's needs.

NEED FOR THIS CONTRACT:

The Oracle Work and Asset Management (WAM) program's core functionality is to help in the management of the operations and maintenance of the Delta-Mendota Canal, Jones Pumping Plant, Intertie Pumping Plant and the O'Neill Pumping/Generating Plant facilities. The program is used to track asset costs, track repair and preventive maintenance work orders, purchase of direct materials and warehouse stock, maintain warehouse inventory, enter timekeeping, and assist with budget preparation. It is a critical program that the staff relies on in their daily routine. The current WAM version is coming to end of life in July 2021.

Separately, the Water Authority uses Great Plains Dynamics (GP) software for financial recordkeeping and reporting. Several financial processes are performed by staff offline and the information is then manually entered into GP. Examples are: payroll accruals, fund accounting, and fixed assets. The data in GP is used to manually produce financial statements and budget to actual reports. Accounts Payable, timekeeping, and inventory costs are integrated from WAM to GP through custom built integrations or manually. Currently there is a duplication of efforts to create data in WAM and accurately push it to GP or reconcile to GP.

Both WAM and GP have served the Water Authority well, but they are older generation software. With the upcoming end of life for Oracle WAM, staff recommends purchasing a replacement software that is comprehensive and includes work and asset management, as well as financial and administrative management functionalities. Oracle WAM and GP will have served the Authority for 18 years by the time it is replaced. The investment/service life for the new program is therefore expected to be 15-20 years.

QUALIFICATIONS:

Based on information provided by the NetSuite team that worked with the Water Authority staff throughout this evaluation process, NetSuite's qualifications are as follows: NetSuite is the first cloud based financial management software on the market and was founded in 1998. They have since grown to be the #1 cloud based financial technology available today. This is quantified by their 40,000 customers who use NetSuite in just about every country and currency in the world. They have grown roughly 30% quarter over quarter in the last 5 years. Oracle acquired NetSuite in 2016. Oracle NetSuite's core focus is to be an entire business management suite extending from Finance to budgeting to HR/Payroll to workforce and asset management and more. Beyond their powerful core functionality, they have a network of 350 handpicked partners that offer extensions of their product to ensure they fit every need and business model.

The extensions needed by the Water Authority are Shepherd CMMS, which is work and asset management software, and PyanGo, the fund accounting extension.

With respect to the NetSuite software, as explained above, the NetSuite software is the only product that will meet the Water Authority's needs. As the software owner, only Oracle NetSuite can provide NetSuite. Similarly, for the extensions required by the Water Authority, only Shepherd CMMS ("Shepherd") and PyanGo, LLC. ("PyanGo") own those extensions and are authorized to integrate with NetSuite. Further, only Oracle NetSuite has the specialized expertise or experience necessary to perform the associated installation, configuration, migration, training, and maintenance services, and only Shepherd and PyanGo have the expertise to maintain their extensions within the NetSuite system. Other potential service providers would not be able to develop that experience or expertise prior to contract award.

Throughout the entire evaluation process, the NetSuite team was very responsive and transparent about their product. The Water Authority staff is confident that Oracle NetSuite's knowledge of our scope of work and past experience in these types of installations/conversions makes them fully qualified for this project.

CONCLUSION AND RECOMMENDATION:

The end of support life of the existing Oracle WAM software is set to occur in July 2021. As a result, a replacement program needs to be purchased, configured and installed prior to the support expiration date. After evaluating the 5 different business software solution packages, the only product that was able to meet all of our work flow process requirements was NetSuite, and the only vendors who can meet the project timeline and timely provide the necessary solution are Oracle Netsuite, Shepherd, and PyanGo. On the basis of NetSuite being the only product that is able to meet all the needs of the Water Authority, staff recommends approval for a Single Source Procurement of the NetSuite Business Software Solutions program from Oracle Netsuite and its associated extension providers.