



Agenda Report

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SUBJECT:

FINANCIAL INFORMATION SYSTEM PURCHASE ORDER RENEWAL

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

- A. Approve a five-year Sole Source Purchase Order with Oracle America, Inc. for an annual amount of \$95,828, with a total not to exceed \$479,140, commencing July 1, 2022, through June 30, 2027; and
- B. Approve a contingency in the amount of \$47,914 (10%).

BACKGROUND

Orange County Sanitation District (OC San) has been using JD Edwards Financial Information System (Accounts Payable, Accounts Receivable, Fixed Assets, General Accounting, Human Resources, Job Cost, Payroll, Procurement) since 1997. OC San upgraded its JD Edwards system to the latest version in 2016 and intends to continue using the system for the long term. This request ensures that we can continue to operate the Financial Information System (FIS) while the underlying computer operating and database systems change over time. Oracle America, Inc. (Oracle) owns and supports JD Edwards and allows customers who commit to longer terms to keep the annual costs level for up to five years.

RELEVANT STANDARDS

- Ensure the public's money is wisely spent
- Produce appropriate financial reporting - annual financial report & audit letter and Ops & CIP budgets every two years, with annual update
- Sound engineering and accounting practices, complying with local, state, and federal laws
- Maintain a culture of improving efficiency to reduce the cost to provide the current service level or standard

PROBLEM

The current Purchase Order for OC San's FIS expires on June 30, 2022. This Purchase Order provides support, updates, and tax and regulatory compliance for OC San's FIS. If OC San does not enter into a 5-year commitment, it will accrue a 3% annual increase for the same services.

PROPOSED SOLUTION

Commit to a five-year term to maintain a fixed support cost of \$95,828 per year, equivalent to a total of \$479,140 for five years, versus a 3% price increase per year, equivalent to a five-year total estimated at \$508,764. Below is the comparison of payment and schedule of savings:

Year	With 5-Year Commitment	Without 5-Year Commitment	Savings
2022/2023	\$95,828	\$95,828	\$ 0
2023/2024	\$95,828	\$98,703	\$2,875
2024/2025	\$95,828	\$101,664	\$5,836
2025/2026	\$95,828	\$104,714	\$8,886
2026/2027	\$95,828	\$107,855	\$12,027
Total	\$479,140	\$508,764	\$29,624

TIMING CONCERNS

The current Purchase Order term will expire on June 30, 2022; renewal must be completed prior to June 30, 2022. OC San requires support for the FIS, as well as tax and regulatory compliance since OC San's payroll is maintained within the system. The next version of the system is expected to be released in September 2022. The Purchase Order will also entitle OC San to this new version.

RAMIFICATIONS OF NOT TAKING ACTION

OC San will pay a 3% yearly increase in support costs for each one-year term for the next five years.

PRIOR COMMITTEE/BOARD ACTIONS

April 2017 - Approved a five-year Purchase Order Contract with Oracle for an annual amount of \$92,143, for a total not to exceed amount of \$460,715, commencing July 1, 2017 - June 30, 2022 and approved a contingency of \$46,072 (10%).

ADDITIONAL INFORMATION

Oracle is listed as a sole source on the Board-approved Original Equipment Manufacturer (OEM) list. Oracle is the only vendor that can provide upgrades to the system since it is their proprietary system. OC San has been operating this FIS since 1997. These upgrades are important since they ensure legal and regulatory compliance and compatibility with the underlying operating and database systems.

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with authority levels of OC San's Purchasing Ordinance. This item has been budgeted.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

N/A