

July 7, 2017

**NOTICE OF MEETING – REQUEST FOR RSVPS**

Members of the Capital Improvement Program (CIP) Committee

Director Nai Hsueh, *Chairperson*  
Director Tony Estremera, *Vice Chairperson*  
Director Linda LeZotte, *Committee Member*

And Supporting Staff Members

Norma Camacho, Interim Chief Executive Officer  
Leslie Orta, Senior Assistant District Counsel  
Joseph Aranda, Assistant District Counsel  
Melanie Richardson, Interim Chief Operating Officer - Watersheds  
Susan Stanton, Chief Operating Officer – Administrative Services  
Rick Callender, Chief of External Affairs  
Darin Taylor, Chief Financial Officer  
Katherine Oven, Deputy Operating Officer  
Vincent Gin, Deputy Operating Officer  
Anil Comelo, Deputy Administrative Officer  
Ngoc Nguyen, Interim Deputy Operating Officer  
Sudhanshu Tikekar, Deputy Administrative Officer  
Fang Lu, Senior Project Manager  
Christopher Hakes, Assistant Officer  
Nicole Berrocal, Budget Manager  
Beth Redmond, Technical Support Unit Manager

Attached is an Amended Agenda for the **Monday July 10, 2017**, meeting of the Santa Clara Valley Water District Capital Improvement Program Committee, which is scheduled to be held at **10:00 a.m.** in the District Headquarters Building **Conference Room A-124**, 5700 Almaden Expressway, San Jose, California.

For your convenience, items appended to the agenda since its June 30, 2017 original publication date have been indicated by an asterisk (\*).

If you haven't already done so, please RSVP at your earliest convenience by calling 408-630-2557 or by email to [mmeredith@valleywater.org](mailto:mmeredith@valleywater.org).

Thank you!

*Michelle Meredith*

Michelle Meredith  
Deputy Clerk of the Board  
Santa Clara Valley Water District  
Office of Clerk of the Board

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**CAPITAL IMPROVEMENT PROGRAM (CIP) COMMITTEE**

District 5 Director N. Hsueh, Chairperson  
District 6 Director T. Estremera, Vice Chairperson  
District 4 Director L. LeZotte, Committee Member



**AGENDA  
CIP COMMITTEE  
Santa Clara Valley Water District Headquarters Building  
Conference Room A-124  
5700 Almaden Expressway  
San Jose, CA 95118  
MONDAY July 10, 2017  
10:00 AM**

**Time Certain:  
10:00 a.m.**

- 1. Call to Order/Roll Call**
- 2. Time Open for Public Comment on Any Item Not on the Agenda**  
*Comments should be limited to two minutes. If the Committee wishes to discuss a subject raised by the speaker, it can request placement on a future agenda.*  
  
\*Item 2-A: Handout, D. Muirhead
- 3. Approval of Minutes**  
Recommendation: Approve the minutes of June 12, 2017
- 4. Action Items:**
  - \*4.1** Review and Discuss Projects and Funding in the Watershed Capital Program (Fund 12 & Fund 26) for the Fiscal Year 2018-22 CIP (Continued from June 12, 2017). (N. Nguyen)  
Recommendation:
    - A. Receive and discuss the following information, responding to requests made by the Committee at the June 12, 2017 meeting; and
    - B. Discuss alternatives for funding as many of the projects identified in the FY2018-22 CIP as possible through construction.
  - \*4.2** PeopleSoft Upgrade Assessment Study: Findings and Recommendation. (S. Tikekar)  
Recommendation:
    - A. Receive and discuss information on the Consultant recommendation that the District go out to bid for a new Enterprise Resource Planning solution; and
    - B. Formulate recommendation(s) to the Board regarding the PeopleSoft Upgrade Assessment Study.
- 5. Review and Discuss 2017 Committee Work Plan**  
Recommendation: Discuss projects and issues to be monitored and schedules of monitoring by CIP Committee, per the Committee's March 10, 2017 Work Session
- 6. Discussion of Next Committee Meeting Agenda and Schedule**
- 7. Adjourn.**

REASONABLE EFFORTS TO ACCOMMODATE PERSONS WITH DISABILITIES WISHING TO ATTEND COMMITTEE MEETINGS WILL BE MADE. PLEASE ADVISE THE CLERK OF THE BOARD OFFICE OF ANY SPECIAL NEEDS BY CALLING (408) 630-2277.

Meetings of this committee will be conducted in compliance with all Brown Act requirements. All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the same time that the public records are distributed or made available to the legislative body, at the following location:

Santa Clara Valley Water District, Office of the Clerk of the Board  
5700 Almaden Expressway, San Jose, CA 95118

CIP Ad Hoc Committee Purpose: The CIP Committee is established to provide a venue for more detailed discussions regarding capital project validation, including recommendations on prioritizing, deleting, and/or adding projects to the CIP, as well as monitoring implementation progress of key projects in the CIP.

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**From:** D. Muirhead  
**To:** [Michelle Meredith](#)  
**Subject:** non-agenda comments for CIP Committee  
**Date:** Monday, July 03, 2017 10:23:19 AM

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Dear Santa Clara Valley Water District  
Capital Improvement Program Committee,

I have two suggestions for you and staff regarding the Five-Year CIP projects book.

1) For each project, include anticipated community impact.

This gives the communities affected advance warning of impacts, even if staff eventually considers the impacts to be minimal with or without mitigation and may not even mention them.

A small example I raised with the Board was lack of mention in CIP or NMD of groundwater recharge interruption during Main/Madrone pipeline rehabilitation.

A much more significant example is that Anderson Dam will be drained during seismic work. This is mentioned now in presentations to the Board and in community meetings.

2) The descriptions in the CIP projects book are quite static, except for spending summaries as years progress. I would like to see the addition of confidence levels as is done in the Safe Clean Water annual report.

Thank you for your consideration,  
Doug Muirhead, Morgan Hill

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**MONDAY June 12, 2017  
10:00 AM**

(Paragraph numbers coincide with agenda item numbers)

A regular meeting of the Capital Improvement Program (CIP) Committee was held at 10:00 a.m. on June 12, 2017, in the Santa Clara Valley Water District Headquarters Building Conference Room A-124, 5700 Almaden Expressway, San Jose, California.

**1. CALL TO ORDER/ROLL CALL**

Committee members in attendance were District 4 Director Linda LeZotte, District 6 Director Tony Estremera, and District 5 Director Nai Hsueh, Chairperson presiding, constituting a quorum of the Committee.

Also in attendance were District staff members Nicole Berrocal, Todd Bridgen, Hemang Dusai, Chris Hakes, Anthony Mendiola, Michelle Meredith, Ngoc Nguyen, Leslie Orta, Katherine Oven, Afshin Rouhani, Darin Taylor, and Sudhanshu Tikekar.

**2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA**

Chairperson Hsueh declared time open for public comment on any item not on the agenda. There was no one present who wished to speak.

**3. APPROVAL OF MINUTES**

The Committee considered the minutes of the May 8, 2017 meeting.

Chairperson Hsueh requested that the minutes be revised to remove Bullets 2 and 3 from Page 2, Bullet Set 1, under the heading ...*the Committee made the following requests:*

It was moved by Director Estremera, seconded by Director LeZotte, and unanimously carried that the minutes be approved as revised.

**4. ACTION ITEMS**

**4.1 REVIEW AND DISCUSS PROJECTS AND FUNDING IN THE WATERSHED CAPITAL PROGRAM (FUND 12 & FUND 26) FOR THE FISCAL YEAR 2018-22 CAPITAL IMPROVEMENT PROGRAM.**

Mr. Ngoc Nguyen, Interim Deputy Operating Officer, reviewed the information on this item, per the attached Committee Agenda Memorandum and corresponding attachment materials.

By deriving unfunded project information from Attachments 1 and 2, facilitating Committee and staff discussion on finance options, and using the whiteboard in the room, Chairperson Hsueh devised the following lists:

**Capital Improvement Program Commitments Without Adequate Funding**

<b>Line No.</b>	<b>Project Description</b>
2	San Francisquito Creek (Hwy 101 to Searsville Dam) from 30 year protection to 100 year protection
6	Coyote Creek (Montague – 280 [Tully])
7	Upper Penitencia (Coyote Confluence to Dorel Dr.)
8	Llagas Creek Reach 14 (East Little Llagas Creek)
9	SF Bay Shoreline EIA 1 – 10
10	Berryessa (Lower Pen Confluence – Calaveras) Phase 3 Calera Creek & Tularcitos
11	Watershed Assets Rehabilitation
13	Almaden Lake/Creek Separation
14a	Ogier Ponds Lake/Creek Separation
14b	Metcalf Pond
14c	Stevens Creek Multiple Fish Barriers
15	Construct 3 Geomorphic Designed Projects for Bank Stability
16	Conservation of Habitat Land

**Financial Resources**

<b>Board Authority</b>	<b>Outside District Control</b>
Stop Project	Redevelopment \$
Min. Effort Until Funding is Available	Federal, State and Local Funding
Reduce Project Scope	
Planned FAHCE Implementation \$	
Open Space Credit ~\$9M/year	
SCW D4 Fish Habitat and Passage Improvement	
SCW D6 Creek Restoration and Stabilization	
SCW D7 Conservation of Habitat Lands	



The Committee identified Line Nos. 6, 7, 10, 11, and 13, and 14a, 14b, and 14c, as priorities, and suggested the following alternative funding sources:

- For Line No. 13, Redevelopment Agency funding.
- For Line Nos. 14a, 14b, 14c, FAHCE funding.
- For Line Nos. 10, 11, Open Space Credit reductions.
- For Line No. 7, FAHCE or SCW D4, D6, or D7.
- For Line No. 13, possible components for FAHCE funding.
- For Lines No. 15 and 16, incorporate as a component of Line No. 7.

Additionally, the Committee made the following requests of staff:

- Staff is to approach the County to establish estimated future Redevelopment Successor Agency funding that may become available, for future planning processes.
- Staff is to come back with information regarding the number of parcels to be protected by the Lower and Upper Berryessa Creek Projects.
- Staff is to come back with proposals for reducing the Open Space Credit in a logical manner and that minimize impacts to the agricultural community.
- Staff is to come back with information regarding potential impacts of not undertaking the East Little Lagas Project.
- Staff is to come back with information on activities that are included and schedule for the \$140 M estimated for FAHCE implementation.
- Staff is to investigate opportunities to complete Line Nos. 15 and 16, Construction of three geomorphic designed projects for bank stability, and conservation of habitat land, as part of Line No. 7, Upper Penitencia Creek (Coyote Confluence to Dorel Dr.).
- Staff is to investigate the possibility of FAHCE funding for Line No. 7, Upper Penitencia Creek (Coyote Confluence to Dorel Dr.).

Chairperson Hsueh continued discussion to the July 10, 2017 meeting.

#### **4.2 RECEIVE INFORMATION ON CAPITAL PROJECT CONSULTANT AGREEMENTS**

Ms. Katherine Oven, Deputy Operating Officer, reviewed the information on this item, per the attached Committee Agenda Memorandum; confirmed her intent to regularly brief the Committee on amendments to consultant agreements prior to bringing them to the Board; and provided a brief status on amendments planned to be brought to the Board during the July 11, 2017 regular meeting, for the Anderson Dam and Calero Dam Seismic Retrofit Projects.

Director LeZotte requested that staff include the following information in future Board items for amendments to consultant agreements: a statement that confirms the amendment does not include work already included in the original scope of work; more detail as to why the amendment is necessary; and information on any portion of the project scope or funding that was not completed within the original agreement and is included in the amendment at hand.

Director Estremera confirmed, consistent with his role as the Board Audit Committee Chairperson, that he would place the Consultant Contract Management Process Audit, dated March 10, 2015, by Navigant, on an upcoming Board Audit Committee agenda, to determine if gaps identified by the audit had been successfully resolved.

Chairperson Hsueh confirmed she would advise the Board of the Committee's recommendation to refer the Navigant audit to the Board Audit Committee.

**5. REVIEW AND DISCUSS 2017 COMMITTEE WORK PLAN**

The Committee noted the Work Plan without formal action.

**6. DISCUSSION OF NEXT COMMITTEE MEETING AGENDA AND SCHEDULE**

Chairperson Hsueh confirmed that the next Committee meeting would be held on July 10, 2017, at 10:00 a.m.

**7. ADJOURN**

Chairperson Hsueh adjourned the meeting at 11:45 a.m., to the 10:00 a.m., Monday July 10, 2017, meeting, in the Santa Clara Valley Water District Headquarters Building, Conference Room A-124, 5700 Almaden Expressway, San Jose.

Michelle Meredith  
Deputy Clerk of the Board

Approved:



Committee: CIP  
Meeting Date: 07/10/17  
Agenda Item No.: 4.1  
Unclassified Manger: N. Nguyen  
Email: nnguyen@valleywater.org

## COMMITTEE AGENDA MEMO

**SUBJECT:** Review and Discuss Projects and Funding in the Watershed Capital Program (Fund 12 and Fund 26) for the Fiscal Year 2018-22 CIP (Continued from June 12, 2017).

### RECOMMENDED ACTION:

- A. Receive and discuss the following information, responding to requests made by the Committee at the June 12, 2017 meeting; and
- B. Discuss alternatives for funding as many of the projects identified in the FY 2018-22 CIP as possible through construction

### SUMMARY:

This is a continuation of the discussion from the June 12, 2017 Committee meeting. The Committee discussed information showing that the minimum reserves for Fund 12 would be met with no available funding for new projects or initiatives in FY 2019 FY 2020. The Committee also discussed the projection of a deficit of approximately \$20M in FY 2028 for Fund 26 if adjustments to project expenditures are not made.

The Committee reviewed the list of watershed projects that do not have funding through construction. The Committee discussed that additional evaluations and direction from the Board would be needed to consider additional funding to complete construction of the following projects (not in any preferential order) to the extent feasible:

1. Coyote Creek (from Montague Expressway to Tully Road)
2. Almaden Lake Improvements
3. Ogier Pond/Creek Separation
4. Metcalf Pond/Creek Separation
5. Stevens Creek Fish Passage Barrier Improvements

The Committee identified the following options that can provide additional funding for construction of the above projects:

1. Use Redevelopment Agency funds.
2. Consider using Open Space Credit funding.
3. Consider Safe Clean Water funding for D4 Projects (Fish Habitat and Passage Improvement), D6 Projects (Creek Restoration and Stabilization), or D7 Projects (Partnership for the Conservation of Habitat Lands) when the above watershed projects can meet the goals of SCW D4, D6, or D7 Projects.
4. Consider FAHCE funding when scope of work and implementation schedule are appropriate.
5. Stop working on projects that are in early planning phase and there is no funding for construction.
6. Keep efforts to the minimum in planning and design until funding for construction is available.
7. Reduce project scope.

Attachment 1 identifies potential funding sources for the five watershed capital improvement projects identified above.

### **Redevelopment Agency Funds**

Regarding the availability of Redevelopment Agency Funds as a funding source, answering this question will require some staff effort and time to request information from the county and/or the various successor agencies. Staff is hopeful to complete the research by mid-August.

### **Open Space Credit**

The open space credit is the use of non-rate related revenue to offset reduced agricultural revenue as a result of keeping agricultural rates lower than needed to recoup the full cost of service. The District Board has historically recognized that agriculture brings value to Santa Clara County in the form of open space and local produce. In an effort to help preserve this value, the District Act limits the agricultural charge to be no more than 25% of the municipal and industrial (M&I) charge. In 1999, to further its support for agricultural lands, a policy was put into place to limit the agricultural groundwater production charge to no more than 10% of the M&I charge. The credit to agricultural water users has become known as an "Open Space Credit."

The agricultural community currently benefits from low groundwater charges that are 2% of M&I charges in North County and 6% of M&I charges in South County. Under current protocol, 1% ad valorem property taxes generated in the Water Utility, General, and Watershed Stream Stewardship Funds are used to pay for the Open Space Credit. Current financial projections for the Watershed Stream Stewardship fund show \$34M being transferred to the Water Utility for purposes of the Open Space Credit over the next 10 years.

The only way to reduce the open space credit (in the absence of a final settlement as to the applicability of Proposition 218 to groundwater production charges) is by increasing the agricultural groundwater production charge. For example, by increasing the South County Agricultural groundwater production charge from 6% of the M&I charge to 10% of the M&I charge beginning in FY 19, the open space credit impact to the Watershed Stream Stewardship fund would be reduced by \$3M over the next 10 years. However, a study by ERA Economics conducted in 2013 indicates that 0.11% of currently irrigated acres would permanently fallow under a similar scenario. By increasing the South County Agricultural groundwater production charge from 6% of the M&I charge to 25% of the M&I charge beginning in FY 19, the open space credit impact to the Watershed Stream Stewardship fund would be reduced by \$14.6M over the next 10 years, but the ERA Economics study indicates that 3.5% of currently irrigated acres would permanently fallow under a similar scenario.

The last full Board discussion on the Open Space Credit occurred on August 23, 2016. If this committee has direction that differs from current protocol, staff can bring an Open Space Credit discussion to the full Board in the Fall 2017.

### **FAHCE Implementation Funding**

The FAHCE Implementation can provide funding for a portion of the projects that directly addresses measures contained in the 2003 Settlement Agreement. The 2003 Settlement Agreement (SA) specified restoration measures related to Metcalf, Ogier Pond, Almaden Lake and priority barriers in Stevens Creek. Funding is available and limited to measures/activities specified in the 2003 SA. There is no guarantee that projects implemented ahead of the FAHCE Adaptive Management Process could be acknowledged as complete, nor project costs expended ahead of the official effective date of the SA be fully credited. Further evaluation and coordination with the FAHCE Project is needed as the District is proceeding with that project.

### **NEXT STEPS:**

Upon receiving further direction from the Committee on the unfunded watershed projects and funding sources, staff plans to run financial model scenarios on funding options. Staff anticipates reporting to the Committee on results of financial model scenarios in October. Staff also plans to bring back additional information to the Committee in October about Redevelopment Agency Fund and FAHCE Implementation Fund.

### **ATTACHMENT(S):**

Attachment 1: Potential Funding Sources to Complete Projects Without Construction Funding

## Potential Funding Sources to Complete Projects Without Construction Funding

Project #	Description	Value (\$M)	Funding Sources					
			FAHCE	Fund 12 (WSS)	Fund 26 (SCW)	Open Space Credit	Re-Dev Funds	
26174043	Coyote Creek	\$50 - \$100		X			X	X
26044001	Almaden Lake Improvements	\$18 - \$25		X	X		X	X
62044001	Ogier Ponds	\$20 - \$25	X	X	X		X	X
62044001	Metcalf Ponds	\$20 - \$25	X	X			X	X
00294001s	Steven's Creek Fish Passage Barrier Improvements	\$30 - \$40	X	X			X	X

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Committee: CIP  
Meeting Date: 07/10/17  
Item No.: 4.2  
Manager: Sudhanshu Tikekar  
Email: STikekar@valleywater.org

## COMMITTEE AGENDA MEMO

**SUBJECT:** PeopleSoft Upgrade Assessment Study: Findings and Recommendations

### RECOMMENDED ACTION:

- A. Receive and discuss information on the Consultant recommendation that the District go out to bid for a new Enterprise Resource Planning (ERP) solution; and
- B. Formulate recommendation(s) to the Board regarding the PeopleSoft Upgrade Assessment Study.

### SUMMARY:

In Aug, 2016 the District published the PeopleSoft Upgrade project RFP. Staff from Finance, HR, General Services, and IT, formed a Contract Review Board (the CRB) and conducted written evaluations, oral interviews, and two rounds of Best and Final Offer (BAFO) evaluations with the top-ranked vendor best qualified to effectuate this upgrade. However, prior to finalizing contract negotiations with this vendor the District conducted a comprehensive PeopleSoft upgrade Assessment Study to reassess the decision to proceed with the PeopleSoft upgrade and to better understand Oracle's strategy and roadmap for the PeopleSoft platform.

Plante & Moran was contracted to perform this assessment and they explored three options:

- 1) Continue PS 9.2 Upgrade plans
- 2) Replace on premise PS Enterprise Resource Planning (ERP) software application with a new software application in the Public Cloud (e.g. Oracle Cloud, SAP Cloud, etc.)
- 3) Go out to bid for a new ERP via RFP

The firm recommends that the District go out to bid for a new ERP solution. Two main reasons for this recommendation are as follows:

1. Oracle has announced that PeopleSoft version 9.2 (available as of March 2013) is the last major release of the software. Oracle will continue to support the product by providing enhancements and updates until 2027. By the year 2027, PeopleSoft 9.2 will be end of life, and no further software upgrades and releases are planned by Oracle.
2. The Cost of Ownership for PeopleSoft 9.2 is higher than other options.
  - i) The estimated one-time implementation cost for PeopleSoft 9.2 is \$15.6M, with an estimated 10-year Cost of Ownership of \$36.2M.
  - ii) The estimated one-time implementation cost for the Oracle Cloud ERP runs from \$6.1M to \$10M, with an estimated 10-year Cost of Ownership that is between \$20M and \$23.8M.

The estimated one-time implementation cost for other ERP products runs from \$6.5M to \$18.3M with an estimated 10-year Cost of Ownership that is between \$17.9M and \$52.3M.

Irrespective of which option is eventually approved by the BOD to support its financial and HR related software requirements, the District must be very strategic in the selection of a new ERP system. The current versions of PeopleSoft Finance and Human Capital Modules are out of date and no longer supported by Oracle and the operating system used to support this software (Windows 2003) is also end of life and not supported by Microsoft. Neither vendor will provide updates, fixes, security patches for the servers, databases and applications. The extended use of the PeopleSoft software could result in possible system failures and disruption of services which IT staff is prepared to manage and address in the future.

## **BACKGROUND:**

The PeopleSoft system has been the primary application used to manage the District's Financial and HR data, including accounting, procurement, inventory, benefits and payroll. The current PeopleSoft HR (8.3) and Financials (8.4) systems was implemented in 2003-2004. The Information Management division did pursue an upgrade project in 2006-07 but deferred action because vendor quotes exceeded anticipated costs and limited District resources available to commit to the project.

The PeopleSoft software was one of the nineteen application projects recommended for upgrade in the District's Information Systems Master Plan (ISMP) completed in 2012. In 2014 the Board approved the PeopleSoft upgrade project, and the purchase of PeopleSoft 9.2 licenses in FY14. The approval was based on the recommendation of the 2012 Information Systems Master Plan (ISMP). The main purpose of the upgrade was to bring the software application to the latest supported version, and to extend its functionalities to address existing business processes gaps. In 2016 the District conducted a fit/gap analysis and captured close to 1,200 business requirements, identified modules in scope for the upgrade, and technical paths for the upgrade. Following this completion of this fit/gap analysis the the District published the PeopleSoft Upgrade project RFP in Aug. 2016. Staff from Finance, HR, General Services, and IT, formed a Contract Review Board (the CRB). Between Sept. 2016 and Feb. 2017, the CRB conducted the written evaluations, oral interviews, and two rounds of Best and Final Offer (BAFO) evaluations. The CRB also made a final selection of the top-ranked firm for implementing the upgrade. However, prior to finalizing contract negotiations with this vendor the District conducted a comprehensive PeopleSoft upgrade Assessment Study to reassess the decision to proceed with the PeopleSoft upgrade and to better understand Oracle's strategy and roadmap for the PeopleSoft platform. The five main objectives of the study were as follows:

- 1) Identify the effectiveness of the current PeopleSoft upgrade strategy.
- 2) Provide an ERP Marketplace Assessment and trends for similar sized organizations.
- 3) Identify the major options that include the current PeopleSoft upgrade, Oracle cloud, and other cloud vendors and viable products.
- 4) Provide an executive summary of findings, alternate strategic options, and recommendations.
- 5) Develop a recommended course of action.

After extensive discussion with District staff Plante & Moran has provided the District with three key findings and associated options for preceding with the next steps for upgrade the District's Enterprise Resource Planning System as shown below and further detailed in the attached Assessment Study.

- 1) The current upgrade strategy to upgrade PeopleSoft will cost the District \$18.1 million. This includes the \$8 million approved in FY 14 and \$10.1 million approved in FY 17. This is a major financial commitment for the District and it is important to explore all options available that



include going out to the market and reviewing systems and pricing that will meet the District's current and future business needs for Human Resources, Financials, and Procurement.

- 2) Oracle does not provide support and maintenance for the current PeopleSoft (PS) software version 8.4 for Financials and Supply Chain Management (FSCM) and 8.3 for Human Capital Management (HCM). Oracle has also announced that they are ending Premier Support for the latest version of PeopleSoft software (9.2) in ten years.

With the maturity of the cloud platform, and several vendors now competing for the Enterprise Resource Planning space, alternate strategic options are now available to the District. These options should be fully explored before committing to the upgrade of PeopleSoft. Cloud platforms also provide added benefits such as reduced infrastructure costs, and disaster recovery.

#### **FINANCIAL IMPACT:**

The decision to discontinue upgrading PeopleSoft software is in the best long-term interest of the District. However, implementing a new ERP product will result in the District being unable to leverage its previous investments made in the PeopleSoft 9.2 upgrade. (i.e. purchase of software licenses and associated hardware). Total funds invested in the PeopleSoft Upgrade project, to date, is approximately \$4.7 million dollars. Irrespective of this past investment, the District is now able reduce future ERP capital and operating cost and improve service because of the maturity of the cloud platform and new Enterprise Resource Planning vendors.

The District anticipates publishing an RFP for selecting a new ERP product for HR, Finance, and Procurement business needs within 3-4 months and conducting vendor evaluation and selection within one year. The entire ERP product implementation is estimated to be completed within 2-3 years.

#### **ATTACHMENT(S):**

- Attachment 1: Assessment Study Report
- Attachment 2: Ten Year Total Cost of Ownership Estimate
- Attachment 3: Board Presentation

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# ERP Strategy

SANTA CLARA VALLEY WATER DISTRICT | JUNE 28, 2017

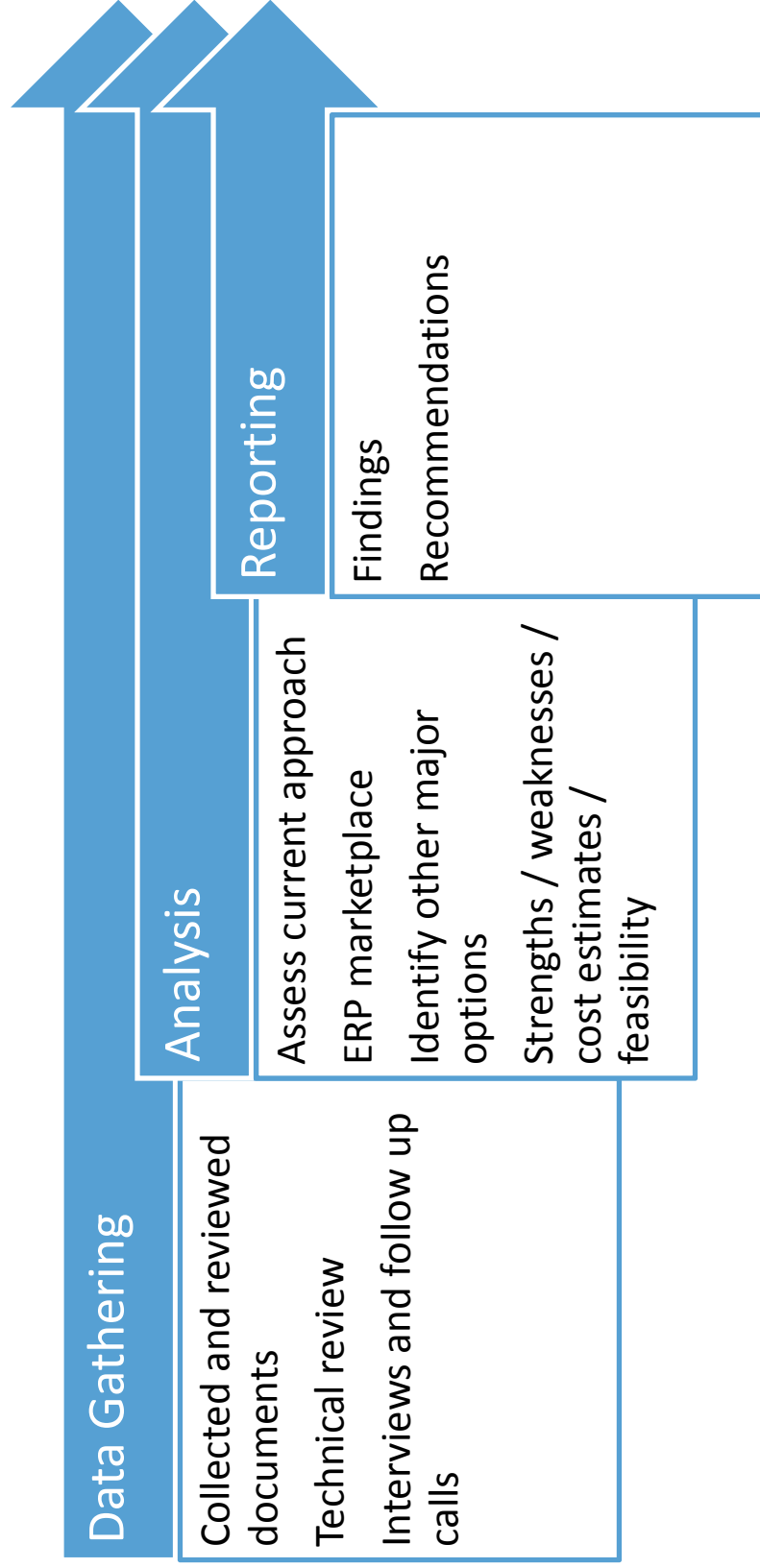


audit • tax • consulting

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2	• Key findings / current state
3	• Options / analysis
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5	• Appendix

# Project Approach



# Key Findings

- Santa Clara Valley Water District (District) ERP current environment: PeopleSoft (PS) out of date and not sustainable.
- District user community fully aligned in desire to change from the current system.
- Any direction will require management commitment and sustained dedication of resources to be successful.
- District has been planning PS upgrade and investing in v9.2 for three years.
- Key steps to get to 9.2: Implementation still ahead.
- District seeking to understand PeopleSoft roadmap.
- ERP industry trend, moving toward cloud.
- Alternative strategic options exist.
- Significant portion of District users expressed willingness to adopt “delivered” system and avoid customization.

# District ERP: Current State

- PeopleSoft ERP primary software application used to manage the District's human resources and financial data:
  - Financials version 8.4 (FMS/SCM) GL, AP, Purchasing, Projects, Commitment Control, Inventory.
  - HCM version 8.3: HR, Payroll, Time and Labor, Benefits, eBenefits.
- PS implemented in 2003/04, prior to acquisition by Oracle. No subsequent upgrades.
- Both FIN and HCM are out of date. Oracle no longer supplying updates, fixes, security alerts or extended support.
- District users distrust current environment: Many inefficient shadow systems result.
- Internal IT staff provide key support for 8.3/8.4 environment.
  - District currently provides <3.0 FTE of IT staffing to support PeopleSoft environment.
  - District IT believes there is a 2.0 FTE deficit in supporting current ERP needs.
- Rimini Street (3rd party) additionally providing maintenance services, tax 1099 updates.
- Significant customizations (200+) in legacy environment have historically negatively impacted District ability to upgrade PeopleSoft versions.
  - Risks increase over time as PeopleSoft infrastructure remains "stuck in time". Risks include: Unsupported Windows 2003 server, patching issues, anti-virus and other technical risks, disaster recovery gaps.
- Recently procured / implemented best of breed budgeting (Vena budget system FY17) – further bifurcating current PeopleSoft investment.

# PeopleSoft 9.2 Progress To Date

- PeopleSoft 9.2 “Upgrade and expand” based on 2012 IT Master Plan:
  - Increases the footprint of PS applications beyond 8.3/8.4 scope.
- On-premise hosting model specified for future environment.
- The District has been investing financial and human resources on the upgrade project since 2014 (see Appendix).
- Key outcomes include:
  - 9.2 licensing obtained.
  - Gap analysis performed.
  - Patch current environment with new budget system.
  - RFP / Integrator tentative selection.
- The District is currently negotiating with tentatively selected 9.2 integrator.
- The District acknowledges need for implementation / resource planning:
  - 18 month duration projected.
  - Approximately 8 internal FTE forecast.
- Limited internal District 9.2 project planning documentation exists. The District is relying heavily on Integrator for project planning.



# Oracle Support for PeopleSoft

- PeopleSoft 9.2 (available March 2013) is Oracle's most up to date release.
- Oracle provides "Continuous Delivery" and "Selective Adoption" support model for 9.2, supplying patches rather than plan a 9.3 version which would require major customer upgrade similar to District plans with 9.2:
  - Patches made available by Oracle on ongoing basis.
  - District selects which patches and concludes when to test and apply.
- PeopleSoft 9.2 "Lifetime Support Policy" provides Premier Support through December 2027 (see Appendix).
- Future adjustments to the support schedule are speculative:
  - Oracle can conclude to extend support for PeopleSoft 9.2 but will not shorten the schedule.
  - Oracle has indicated plans to annually re-evaluate Lifetime Support Policy based on customer needs and market activity.
- In parallel to 9.2 upgrade planning timeframe, Oracle has approached District to gauge interest in Cloud.

# Oracle Cloud ERP Offering

- Oracle's current overall strategy is coexistence of on premise and cloud applications.
- Oracle released the first round of Cloud applications in 2011 after investing billions of dollars and acquiring key technologies (originally called Fusion).
- Delivered in a true Software as a Service model.
- Future direction for Oracle:
  - Oracle continues to update its on-premises applications, such as PeopleSoft, while it is heavily investing in cloud services.
  - Oracle predicts that 80% of production (live environment) applications will be in Cloud environments by 2025.
  - Redesigned user interface.
  - Footprint of functionality continues to expand. Finance and HCM amongst the core / highest adoption.
  - Reporting tools transition from traditional report writer to Business Intelligence.
- Increasing number of public sector organizations transitioning to cloud based offerings.
- High level of configurability. No customizations. "Extensions" model for incorporating organization specific alterations.

# Major Options for District ERP Strategy:

1) Continue PeopleSoft 9.2 Upgrade Plans

2) Replace PS with Public Cloud ERP (e.g. Oracle Cloud)

3) Go out to Bid for new ERP via RFP

- ERP scope is complex.
- Vendor marketplace provides diverse solutions.
- Many variations exist on each model.
- Rough order of magnitude projections used to support decisions on strategic ERP direction.
- Key assumptions used to project financial impact of each scenario.
- Detailed project planning / budgeting should follow for any strategic direction selected.
- The following sections detail key alternative options to PeopleSoft 9.2 Upgrade Plans highlighted in earlier section.

# 1 Continue PeopleSoft 9.2 upgrade plans

## Advantages

- Robust Tier 1 functionality; significant configuration options.
- Builds on existing PeopleSoft expertise and vendor relationship.
- Reduced effort in exploring ERP alternatives.
- Leverages existing investment in PeopleSoft.
- Fastest option to begin implementation as District initiated project efforts in 2014.

## Disadvantages

- Solution valid until 2027 only.
- On-premise deployment perpetuates IT support challenges.
- Complex implementation planning. Upgrade effort may be more similar to “re-implementation”.
- Risk of lost process improvement opportunities without strong project governance.
- Lost opportunity to investigate other solutions/capabilities available in the market place.
- Need to address existing customizations in the upgrade.

## 2 Replace PS with Public Cloud ERP (e.g. Oracle Cloud)

### Advantages

- Strong Tier 1 functionality; significant configuration options.
- Most rapid deployment option from beginning of implementation.
- Opportunity to optimize business processes.
- Keep pace with change: technology updates, security and disaster recovery.
- Significantly reduces technical administration and IT staff support requirements.
- Same ERP software vendor may have procurement benefits compared to full ERP RFP.

### Disadvantages

- New implementation effort and related risk.
- Extends timeline for making new solution available to District staff.
- Significant change management required for implementation.
- May require workarounds for solution gaps.
- Systems integration complexity.
- Limited leverage of District investment in PeopleSoft 9.2.

### 3 Go out to bid for ERP via RFP

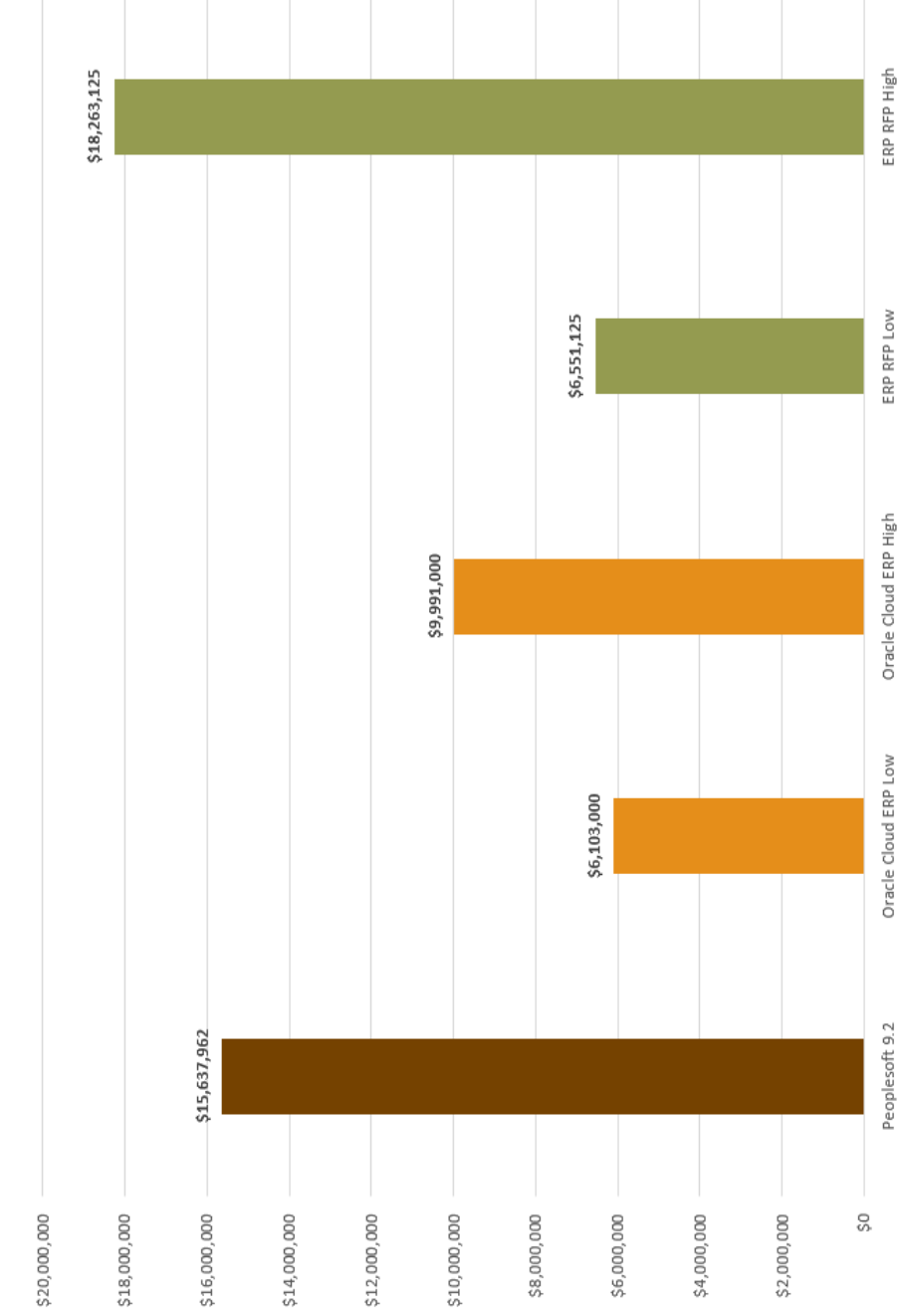
#### Advantages

- Enhance understanding of market options.
- Opportunity to optimize business processes.
- Market competition through competitive procurement.
- Provides venue to leverage previously defined requirements in selection process.
- Potential to reduce long term TCO.

#### Disadvantages

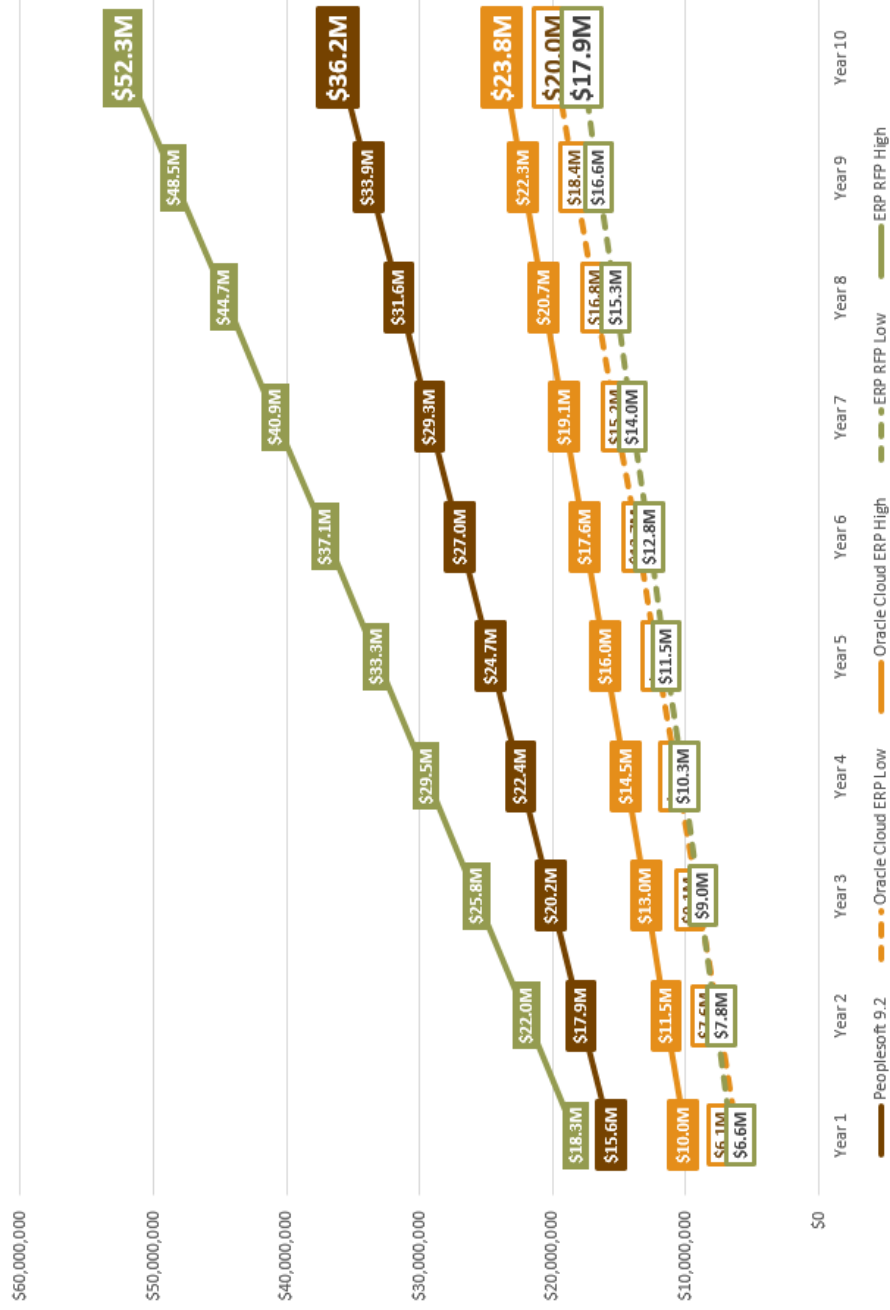
- Temporarily continues risk with unsupported version.
- Extends timeline for making new solution available to District staff.
- Significant change management required for implementation.
- Cost associated with procuring a new system.
- Implementation effort and risk.
- Does not leverage District investment in PeopleSoft 9.2.

# Estimated One Time Implementation Cost



\* All cost data is preliminary, based on assumptions reviewed with management, subject to change and does not include spending incurred to date on initiating PeopleSoft 9.2 upgrade project.

# Total Estimated 10-Year Cost of Ownership



\* All cost data is preliminary, based on assumptions reviewed with management, subject to change and does not include spending incurred to date on initiating PeopleSoft 9.2 upgrade project.

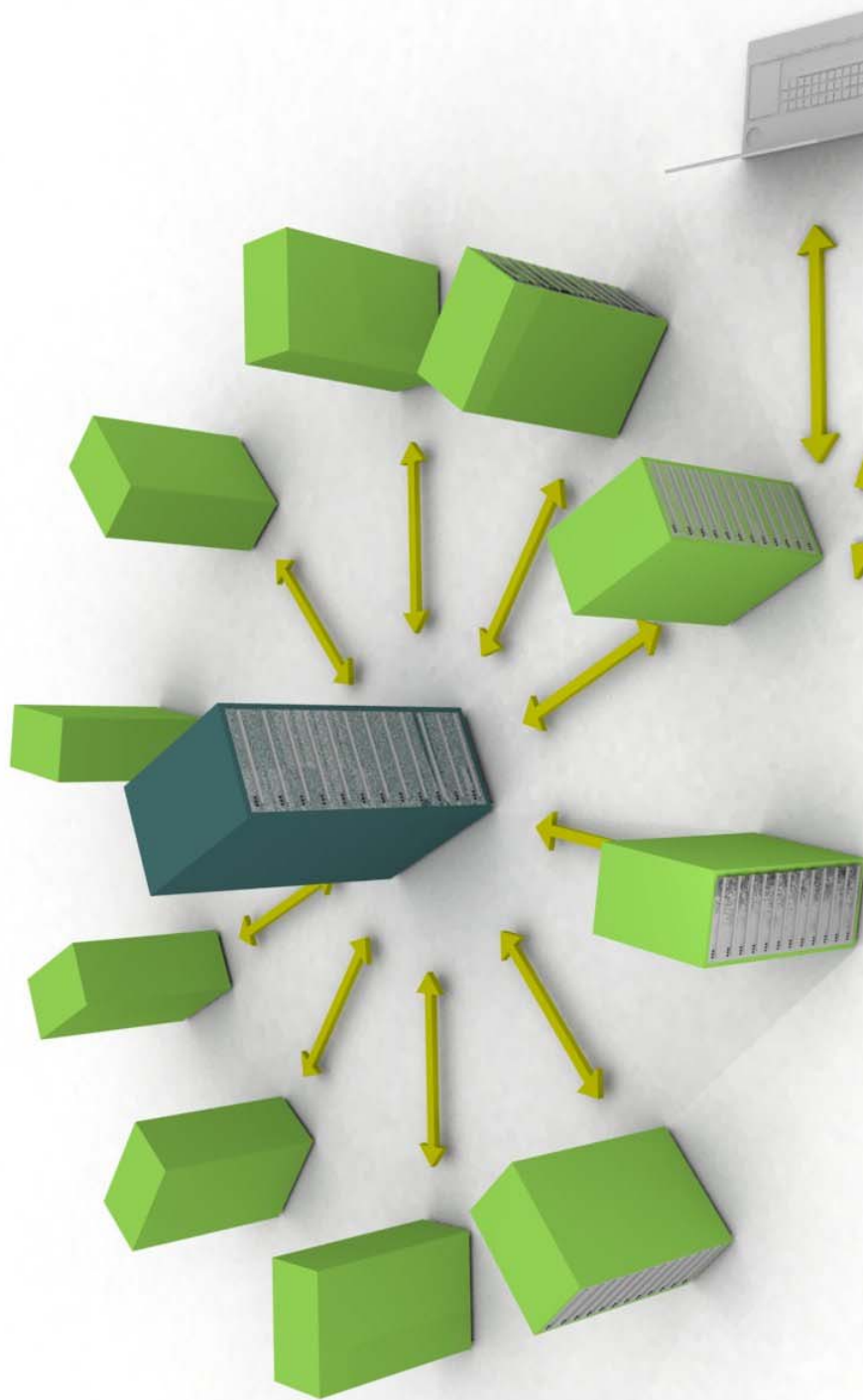


# Recommended ERP Strategic Direction

**Plante Moran recommends the District consider**

**Option 3: Go out to bid for ERP via RFP**

- Lower cost than PeopleSoft upgrade
- Opportunity to upgrade to newer technology
- Public procurement process



# Appendix A: District Supporting Data

# Appendix: PeopleSoft 9.2 Spending

- The District has been proceeding with investments in the PeopleSoft 9.2 upgrade.
- All spending data collected from District project staff and is limited to PeopleSoft upgrade expenditures.

Fiscal Year (FY)	Total FY Cost	Description
FY14	\$ 1,200,000	PeopleSoft Licenses plus Hardware cost.
FY15	\$ 433,000	Hardware cost plus internal labor cost.
FY16	\$ 1,444,000	PeopleSoft Fit/Gap Analysis cost plus internal labor cost.
FY17 (as of 4/4/2017)	\$ 157,000	PeopleSoft RFP Vendor Selection internal labor cost.
<b>Total</b>	<b>\$ 3,234,000</b>	

# Appendix: PeopleSoft Support Schedule

- Oracle's Lifetime Support Policy governs Oracle's plans for PeopleSoft version support and is as follows:

**Oracle's PeopleSoft Continuous Delivery Releases**

Release	GA Date	Premier Support Ends	Extended Support Ends	Sustaining Support Ends
CRM 9.2	Jun 2013	Jun 2022	Not Available	Indefinite
CS 9.2	Dec 2015	Dec 2027	Not Available	Indefinite
ELM 9.2	Mar 2013	Dec 2027	Not Available	Indefinite
FMS/ESA/SCM 9.2	Mar 2013	Dec 2027	Not Available	Indefinite
HCM 9.2 *	Mar 2013	Dec 2027	Not Available	Indefinite
Portal Solutions 9.1	Oct 2009	Oct 2022	Not Available	Indefinite

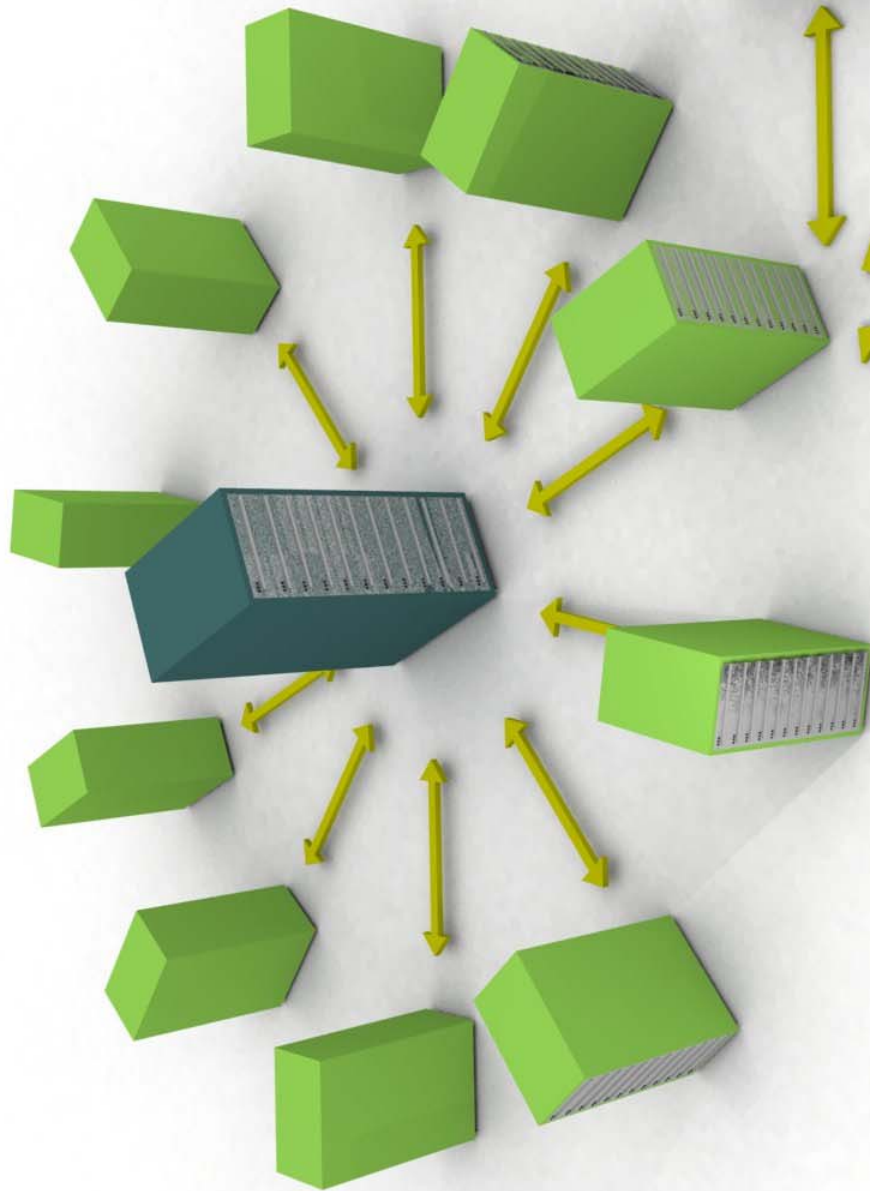
These PeopleSoft applications follow a Continuous Delivery model, where new functionality is delivered as updates to the existing release; upgrades are not required to gain access to new features and capabilities. As a result, Support dates are evaluated for update annually, and will be provided through at least the dates above.

\* \*

- \* Denotes PeopleSoft version for which the District has been planning implementation.

# Appendix: Representative ERP projects

- In proceeding with its ERP efforts, the District may wish to perform benchmarking and explore lessons learned from other similar recent projects in the public sector:
  - Eastern Municipal Water District: Public cloud HR system implementation.
  - Great Lakes Water Authority: Tier 3 ERP software deployment.
  - Hampton Roads Sanitation District: Tier 1 on premise ERP system implementation.
  - Santa Margarita Water District: Initiating Tier 2 ERP system implementation.
  - City of Detroit: Public cloud ERP system implementation.
  - City of Grand Rapids: Public cloud ERP system implementation.
  - City of Orlando: Public cloud ERP system implementation.
  - Marin County: On premise Tier 2 software deployment.



# Appendix B: Public Sector ERP Marketplace

# Integrated Solution Versus Best of Breed

	Integrated	Best of Breed
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Meets the needs of the organization as a whole</li> <li>• Better optimize business processes</li> <li>• Improved reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for more robust functionality</li> <li>• Vendor independence</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Change management</li> <li>• Significant capital investment</li> <li>• Implementation risk</li> </ul>	<ul style="list-style-type: none"> <li>• Risk commensurate with integration experience</li> <li>• Added support for multiple systems</li> <li>• Information silos</li> <li>• Distraction from core mission</li> <li>• Fragmented and inefficient processes</li> </ul>

# Tier 1 vs. Tier 2 ERP

<b>Tier 2</b>	<ul style="list-style-type: none"><li>• Many focused heavily on a given industry (Gov, Ed, etc.)</li><li>• Have a wide range of products, including some constituent-facing applications as well as public sector specific functionality</li><li>• Primarily direct vendor support</li><li>• Functionality tends to be more rigid, but also can surprise you as it is designed for the Public Sector</li></ul>
<b>Tier 1.5</b>	
<b>Tier 1</b>	<ul style="list-style-type: none"><li>• Sells to variety of industries</li><li>• Deep functionality; highly configurable</li><li>• Sells primarily to larger and more complex customers</li><li>• Wide array of products including core “ERP” as well as some extended functionality</li><li>• Integrator support</li></ul>



# Primary deployment methodologies

- There are three popular ERP IT architectures:
  - Traditional on premise
  - Traditional hosted
  - Software-as-a-Service (Cloud)
- There is often confusion around the definition of “cloud”, by definition cloud is:
  - “The practice of using a network of remote servers hosted on the Internet to store, manage, and process data, rather than a local server or a personal computer.”
  - “Cloud” can be a hosted or software-as-a-service
  - True “Cloud” applications are multi-tenant
- Gartner: “By 2019, more than 30 percent of the 100 largest vendors' new software investments will have shifted from cloud-first to cloud-only” .
- Gartner: “By 2020, a Corporate *No-Cloud* Policy Will Be as Rare as a *No-Internet* Policy Is Today.

# Deployment Methodology Comparison

	On-Premise	Hosted	'Cloud'/SaaS
<b>Description</b>	Customer responsible for provisioning and maintaining environment to support ERP application	ERP environment hosted at third-party data center. Either private-cloud (dedicated hardware, storage, network) or public cloud (shared resources)	ERP environment maintained by same party as software developer. Hosting included in monthly or annual software subscription
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Customer has full control over data</li> <li>• No additional contracts or agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Data centers generally certified by security auditors</li> <li>• Can customize software and not worry about being forced into upgrades</li> <li>• Reduction of IT staff needs</li> </ul>	<ul style="list-style-type: none"> <li>• Security generally certified (SOC)</li> <li>• Typically includes disaster recovery / hot recovery</li> <li>• Single vendor relationship for architecture and software</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Customer responsible for robust security, backup, disaster recovery and maintenance of server and storage</li> </ul>	<ul style="list-style-type: none"> <li>• Additional service costs incurred</li> <li>• 2+ vendor relationships (data center and software developer)</li> </ul>	<ul style="list-style-type: none"> <li>• Less ability to customize</li> <li>• Subject to potentially complex terms and conditions</li> </ul>

## Customizing “cloud” applications

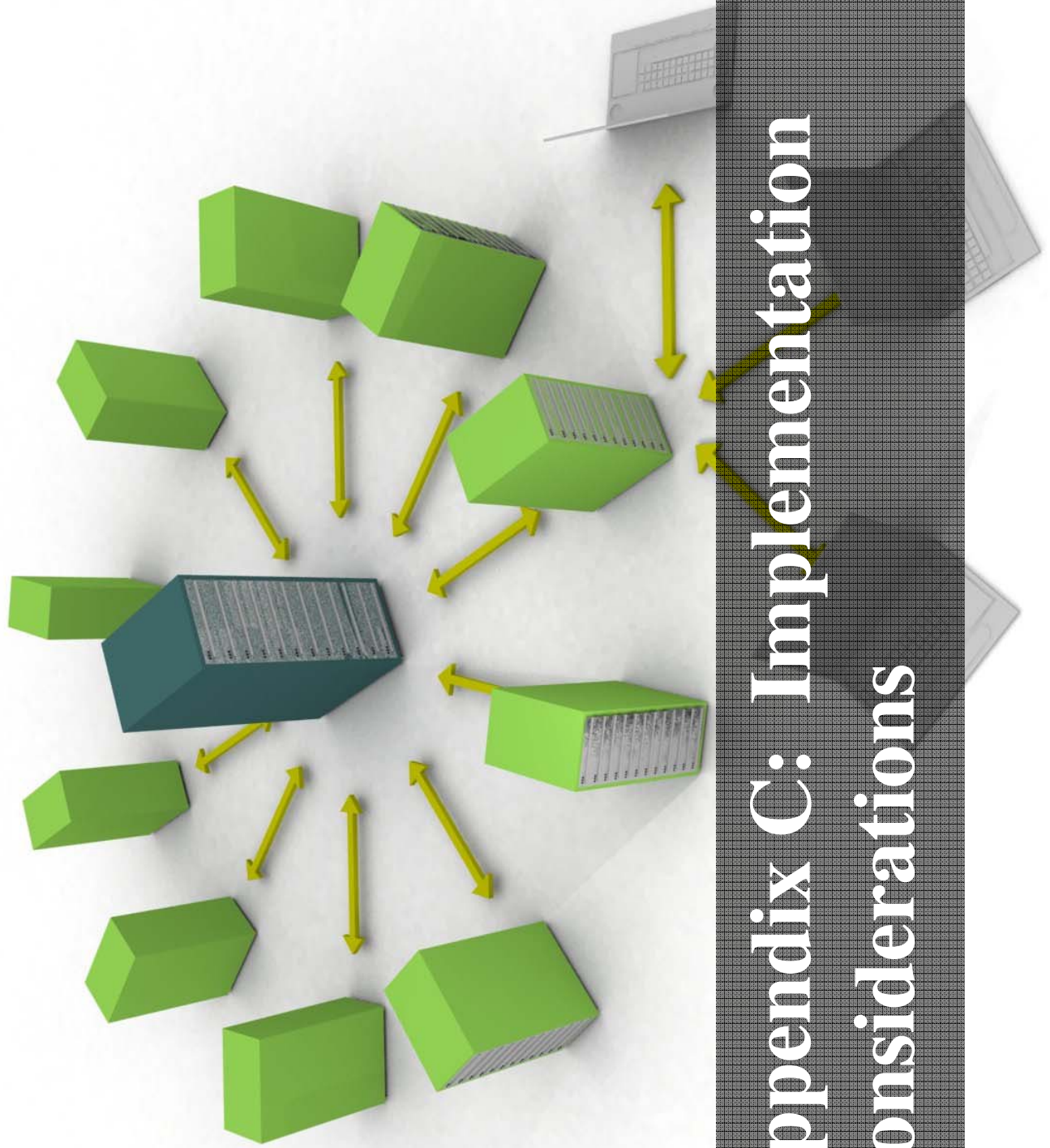
- Configurable vs. customized.
- Single version of software for all clients.
- Customization to source code for one client will be available in the next release for all clients.

# Cloud vendor management

- Traditional IT staff will be required to perform vendor management tasks thus shifting from operational tasks.
- Cloud models can have complex contracts, the following considerations should be evaluated:
  - Contract term and termination criteria.
  - Data ownership and portability.
- Service level agreement (SLA's) are key to cloud deployment models:
  - SLA's should dictate system availability, performance and recovery parameters.
  - SLA's should be financially backed thus giving service credits for missed SLA's.
  - The client and the vendor must agree on SLA's monitoring and compliance evaluation criteria.

# Operational considerations of going to Cloud

- Higher quality: One version, one infrastructure, same version as other customers of ERP provider.
- Collective scrutiny: Enhancements benefit all customers of the ERP provider equally.
- Update safe configurations: Cannot customize, configurations will not break upgrades.
- One focus from ERP provider: No provider distraction to maintain old versions.
- One code line: Streamlined development; faster route to new features, patches, fixes, etc.
- Limited upgrade costs: Significantly reduced IT involvement.



# Appendix C: Implementation Considerations

# Common implementation pitfalls

- Inadequate or poor scoping of ERP.
- Lack of executive management commitment.
- Insufficient or inadequate budgeting.
- Inadequate change management and training.
- Inexperienced project management and project team.
- Extensive modifications.

An appropriate solution implemented on time and on budget is better than a perfect solution that is late and costly.

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### 10 Year TCO Estimate

	Upgrade Peoplesoft 9.2		Oracle Cloud ERP		ERP RFP		Assumptions
	Low	High	Low	High	Low	High	
<b>First Year Costs</b>							
<b>One-Time Vendor Cost Summary</b>							
Software License	\$ -	\$ -	\$ -	\$ -	\$ 687,500	\$ 1,937,500	1
Implementation	\$ 8,778,198	\$ 2,300,000	\$ 3,500,000	\$ 3,500,000	\$ 2,062,500	\$ 5,812,500	2, 3
Hardware	\$ -	\$ -	\$ -	\$ -	\$ 137,500	\$ 387,500	4
<b>Total Vendor One-Time Cost</b>	<b>\$ 8,778,198</b>	<b>\$ 2,300,000</b>	<b>\$ 3,500,000</b>	<b>\$ 3,500,000</b>	<b>\$ 2,887,500</b>	<b>\$ 8,137,500</b>	
<b>Other One-Time Costs</b>							
Project Contingency	\$ 2,571,640	\$ 868,000	\$ 1,516,000	\$ 1,516,000	\$ 820,500	\$ 2,522,500	5
<b>Total Other One-Time Costs</b>	<b>\$ 2,571,640</b>	<b>\$ 868,000</b>	<b>\$ 1,516,000</b>	<b>\$ 1,516,000</b>	<b>\$ 820,500</b>	<b>\$ 2,522,500</b>	
<b>First Year Support/Maintenance Fees</b>							
Support/Maintenance or Subscription Fees (SAAS)	\$ 208,125	\$ 300,000	\$ 300,000	\$ 300,000	\$ 208,125	\$ 208,125	6, 7, 8
<b>Total First Year Support/Maintenance Fees</b>	<b>\$ 208,125</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>\$ 208,125</b>	<b>\$ 208,125</b>	
<b>Internal Selection Costs</b>							
FTE		3.00	3.00	3.00	3.00	3.00	9, 10
Duration (Months)		7.00	7.00	7.00	7.00	7.00	11
<b>Total Internal Selection Cost</b>	<b>\$ -</b>	<b>\$ 595,000</b>	<b>\$ 595,000</b>	<b>\$ 595,000</b>	<b>\$ 595,000</b>	<b>\$ 595,000</b>	12
<b>Internal Implementation Costs</b>							
FTE	8.00	8.00	8.00	8.00	6.00	10.00	13
Duration (Months)	18.00	9.00	18.00	18.00	12.00	24.00	14
<b>Total Internal Implementation Cost</b>	<b>\$ 4,080,000</b>	<b>\$ 2,040,000</b>	<b>\$ 4,080,000</b>	<b>\$ 4,080,000</b>	<b>\$ 2,040,000</b>	<b>\$ 6,800,000</b>	12
<b>Grand Total First Year Costs</b>	<b>\$ 15,637,962</b>	<b>\$ 6,103,000</b>	<b>\$ 9,991,000</b>	<b>\$ 9,991,000</b>	<b>\$ 6,551,125</b>	<b>\$ 18,263,125</b>	
<b>Annual Costs</b>							
<b>External Ongoing Costs</b>							
Support/Maintenance or Subscription Fees (SAAS)	\$ 208,125	\$ 300,000	\$ 300,000	\$ 300,000	\$ 204,091	\$ 331,648	15, 16, 17
<b>Total External Ongoing Cost</b>	<b>\$ 208,125</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>\$ 204,091</b>	<b>\$ 331,648</b>	
<b>Internal On-Going Costs</b>							
Internal Support FTE	6.00	3.50	4.50	4.50	3.00	10.00	18, 19
Internal Support Cost	\$ 2,040,000	\$ 1,190,000	\$ 1,530,000	\$ 1,530,000	\$ 1,020,000	\$ 3,400,000	12
<b>Total Internal Cost</b>	<b>\$ 2,040,000</b>	<b>\$ 1,190,000</b>	<b>\$ 1,530,000</b>	<b>\$ 1,530,000</b>	<b>\$ 1,020,000</b>	<b>\$ 3,400,000</b>	14
<b>Total Annual On-Going Cost</b>	<b>\$ 2,248,125</b>	<b>\$ 1,490,000</b>	<b>\$ 1,830,000</b>	<b>\$ 1,830,000</b>	<b>\$ 1,224,091</b>	<b>\$ 3,731,648</b>	
<b>Grand Total Costs</b>							
<b>Total Cost Summary</b>							
10-Year Ongoing System Support Cost (including inflation)	\$ 20,537,790	\$ 13,849,164	\$ 16,909,164	\$ 16,909,164	\$ 11,315,586	\$ 34,070,327	20
<b>Total 10-Year Cost (including inflation)</b>	<b>\$ 36,175,752</b>	<b>\$ 19,952,164</b>	<b>\$ 26,909,164</b>	<b>\$ 26,909,164</b>	<b>\$ 17,866,710</b>	<b>\$ 52,333,451</b>	15, 16, 17, 20, 21

## Assumptions

1. License Fees are estimated to be 25% of the one time fees paid to the vendor.
2. Implementation costs include all one time fees paid to the vendor that is not software license or hardware costs
3. Implementation fees are estimated to be 75% of the one time fees paid to the vendor, when applicable.
4. Hardware costs are estimated to be 5% of the implementation costs, if applicable.
5. Project contingency is estimated to be 20% of the sum of the vendor implementation fees and the internal implementation costs.
6. Support and maintenance fees for the "Upgrade" scenario are the expected PeopleSoft maintenance fees.
7. Support and maintenance fees for the "Oracle Cloud ERP" scenario are Oracle's estimated fees received by Plante Moran from Oracle. Oracle waives PeopleSoft support fees during Oracle Cloud implementations. Oracle Cloud SaaS fees are incurred at the start of implementation.
8. Maintenance fees for the "ERP RFP" scenario are assumed to be waived during implementation; however, PeopleSoft maintenance fees will continue during the implementation of a new ERP system.
9. Selection is estimated to use 3 FTE's.
10. Selection effort is assumed to be the same for "Oracle Cloud ERP" and "ERP RFP" scenarios, although selection roles and areas of focus would differ between the two scenarios (e.g. due diligence, presentations, demonstrations, RFP development, etc.)
11. Selection is estimated to take 7 months.
12. The District calculates its average FTE cost (fully loaded) for staff at \$340,000 per year.
13. Internal implementation FTE are based on staffing levels observed at similar Plante Moran clients.
14. Implementation durations are based on industry norms and observed implementation durations at similar Plante Moran clients.
15. The PeopleSoft 9.2 upgrade costs are based on the BAFO estimate given to the District by its tentatively selected integrator.
16. The Oracle Cloud ERP estimates come directly from a "rough order of magnitude" estimate given to Plante Moran by Oracle based on the Districts ERP scope and key organizational metrics.
17. The "Out to Bid" estimates are based on recent proposals that Plante Moran has received and reviewed for comparable client organizations.
18. Internal support FTE for the PeopleSoft Upgrade is based on IT staffing level requirements gathered from the District.
19. Internal support FTE for the "Oracle Cloud" scenario based on "% of 'Upgrade' staffing level and 'ERP RFP' scenario based on staffing levels observed at similar Plante Moran clients
20. The payments are expected to grow by 3% each year, due to inflation.
21. District historical spending of \$4.3M for PeopleSoft 9.2 upgrade considered "sunk cost" and not included in projections

# ERP Strategy

SANTA CLARA VALLEY WATER DISTRICT | JUNE 28, 2017



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# Key Findings

- Santa Clara Valley Water District (District) ERP current environment: PeopleSoft (PS) out of date and not sustainable.
- District user community fully aligned in desire to change from the current system.
- Any direction will require management commitment and sustained dedication of resources to be successful.
- District has been planning PS upgrade and investing in v9.2 for three years.
- Key steps to get to 9.2: Implementation still ahead.
- District seeking to understand PeopleSoft roadmap.
- ERP industry trend, moving toward cloud.
- Alternative strategic options exist.
- Significant portion of District users expressed willingness to adopt “delivered” system and avoid customization.

# District ERP: Current State

- PeopleSoft ERP primary software application used to manage the District's human resources and financial data:
  - Financials version 8.4 (FMS/SCM) GL, AP, Purchasing, Projects, Commitment Control, Inventory.
  - HCM version 8.3: HR, Payroll, Time and Labor, Benefits, eBenefits.
- PS implemented in 2003/04, prior to acquisition by Oracle. No subsequent upgrades.
- Both FIN and HCM are out of date. Oracle no longer supplying updates, fixes, security alerts or extended support.
- District users distrust current environment: Many inefficient shadow systems result.
- Internal IT staff provide key support for 8.3/8.4 environment.
  - District currently provides <3.0 FTE of IT staffing to support PeopleSoft environment.
  - District IT believes there is a 2.0 FTE deficit in supporting current ERP needs.
- Rimini Street (3rd party) additionally providing maintenance services, tax 1099 updates.
- Significant customizations (200+) in legacy environment have historically negatively impacted District ability to upgrade PeopleSoft versions.
  - Risks increase over time as PeopleSoft infrastructure remains "stuck in time". Risks include: Unsupported Windows 2003 server, patching issues, anti-virus and other technical risks, disaster recovery gaps.
- Recently procured / implemented best of breed budgeting (Vena budget system FY17) – further bifurcating current PeopleSoft investment.

# Major Options for District ERP Strategy:

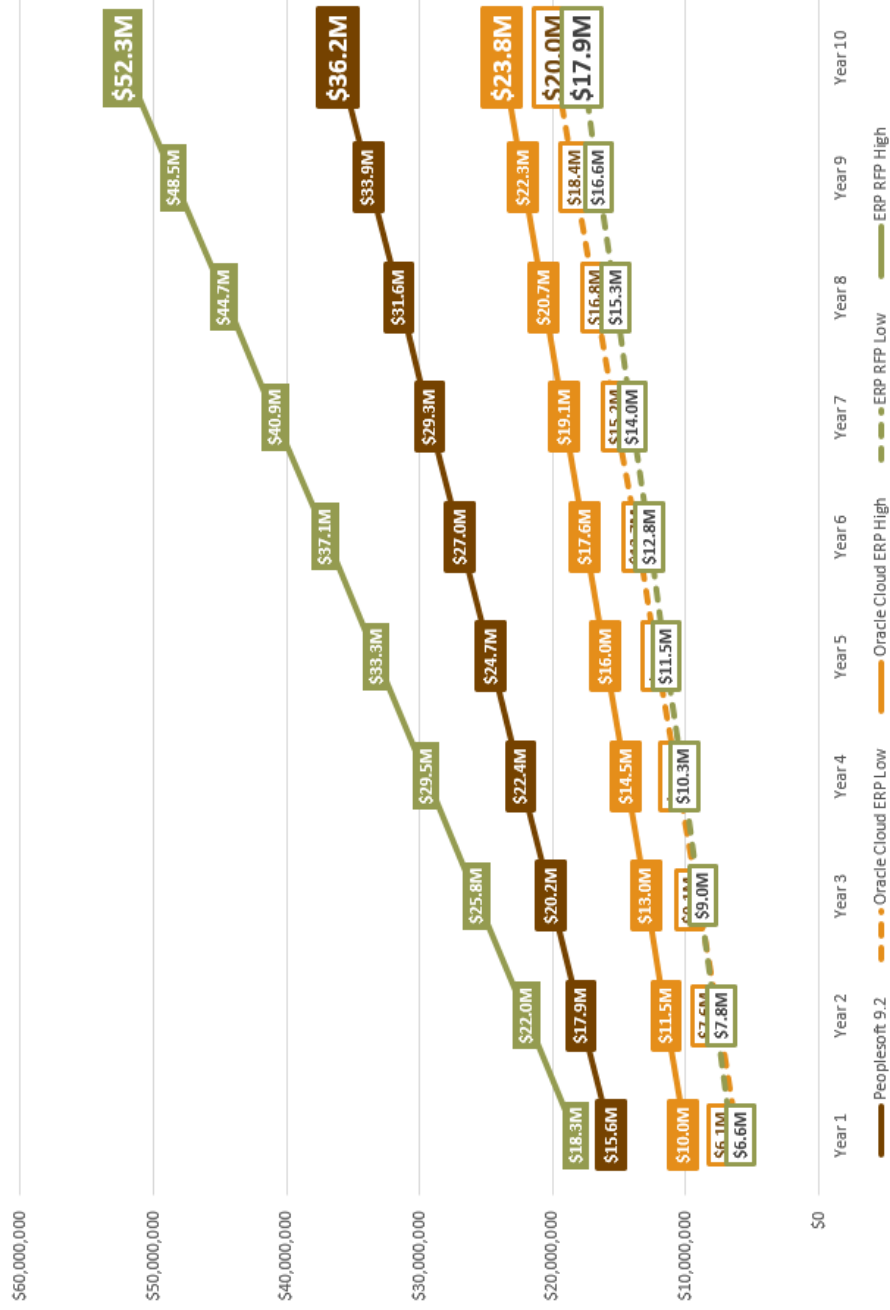
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# Total Estimated 10-Year Cost of Ownership



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# Recommended ERP Strategic Direction

**Plante Moran recommends the District consider**

**Option 3: Go out to bid for ERP via RFP**

- Lower cost than PeopleSoft upgrade
- Opportunity to upgrade to newer technology
- Public procurement process

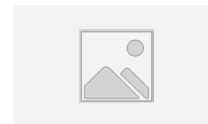


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The CIP Committee was enacted by the Board on January 24, 2012. Its purpose was initially defined by the Committee on April 17, 2012 and revised on March 10, 2017. On March 28, 2017 the Board of Directors approved the Committee's revised purpose as follows: *The CIP Committee is established to provide a venue for more detailed discussions regarding capital project validation, including recommendations on prioritizing, deleting, and/or adding projects to the CIP, as well as monitoring implementation progress of key projects in the CIP.*

The CIP Ad Hoc Committee defined its priorities in fulfilling its purpose during its March 11, 2016 meeting, as follows:

Priority	Subject	Details	Desired Outcome
1	Prioritization	<ul style="list-style-type: none"> <li>Priority criteria process</li> <li>Representation of under-represented areas</li> </ul>	Hold a daytime, single-focus, Board work study session on CIP prioritization and funding combined.
2	Funding	<ul style="list-style-type: none"> <li>Funding unfunded, high priority projects</li> <li>Holding encumbered, approved project funds in reserves and how this is communicated to the Board and public</li> </ul>	
3	Permitting	<ul style="list-style-type: none"> <li>Changing the strategy for managing permitting issues</li> <li>Changing the "Kill the Goose" regulatory agency strategy</li> <li>Informing the public of regulatory impacts on ability to perform projects</li> </ul>	Hold permitting strategy discussion with the Board, including engagement of Board members in regulatory issues.
4	Resources	<ul style="list-style-type: none"> <li>Analysis of staff vs. consultant work</li> <li>Identifying where in the staffing plan it becomes more efficient to hire and develop employees vs. executing contracts with external consultants</li> </ul>	Conduct staff vs. consultant resource cost and benefit analysis reviews with the CIP Ad Hoc Committee, prior to recommending the Board approve large dollar value consultant agreements to the Board.

The Board of Directors further identified the following Issues/Challenges, and desired Board Discussion Outcomes, during their October 4, 2016 Priorities and Strategic Directions Work/Study Session, and referred to the CIP Ad Hoc Committee to develop Strategies/Opportunities for the following:

Issue/Challenge	Board Discussion Outcomes
Regulatory Permits and individual agencies exceeding statutory authority limits.	Use Board members' political connection w/communities they represent and local/state/federal elected officials to resolve project issues, such as permits/funding. Leverage Board connections and leave the politics to the Board. Specific suggestions are: <ul style="list-style-type: none"> <li>Communication of staff (including legal) to Board on status of permits, federal funding, etc.;</li> <li>Communication with stakeholders for their support of regulatory permits/issues;</li> <li>Encourage staff to have dialogue with Board members during the planning of public meetings so all interested groups can be notified;</li> <li>Continue to meet with local/federal delegation; and</li> <li>Continue to have ceremonies for completed projects (elected officials).</li> </ul>
Projects do not have consistent criterion of sensitive design that has art form and function.	Committee should evaluate ways of addressing environmental justice and sensitive design and bring back to the Board for discussion.
Slow/No progress on fish barrier removal projects. Environmental Stewardship is a "step child," should be equal. Funding competition for Stream Stewardship funds.	Committee to discuss issue/challenge and provide recommendations to the Board.

Additionally, during the March 28, 2017 meeting, the Board requested the Committee identify and bring back information on projects they see as being potentially at-risk, or as having the potential for problems that the Board should be aware of.

The annual work plan establishes a framework for committee discussion and action during the annual meeting schedule. The committee work plan is a dynamic document, subject to change as external and internal issues impacting the District occur and are recommended for committee discussion. Subsequently, an annual committee accomplishments report is developed based on the work plan and presented to the District Board of Directors.



MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
07/10/17 10:00 AM	Approval of Minutes, 06/12/17	M. Meredith	Approve minutes.	
	Watershed Capital Projects Funding (Flood & Stewardship) <i>*Continued from 6/12/17</i>	N. Nguyen	Provide Information on: <ul style="list-style-type: none"> <li>• Information on Redevelopment Agency, Open Space Credit Reduction, and SCW D4, D6, and D7 funding opportunities;</li> <li>• Implications associated with not completing the East Little Llagas Project;</li> <li>• Information on FAHCE funding Opportunities for the Almaden Lake Separation Project; and</li> <li>• Information on FAHCE funding, geomorphic bank stability, and conservation of habitat land opportunities associated with the Upper Penitencia Creek (Coyote Confluence to Dorel Dr.) Project.</li> </ul>	
	Monitor Implementation of 2018-22 CIP	B. Redmond	Identify projects and issues to monitor, monitor and review: <ol style="list-style-type: none"> <li>1. Input solicited from the Board</li> <li>2. *Winfield Warehouse project</li> <li>3. *Watershed-wide regulatory planning and permitting</li> <li>4. *Anderson, Almaden, Chesbro, and Guadalupe Dam Seismic retrofit projects</li> <li>5. Fishery barrier removal projects</li> <li>6. Coyote Creek Project</li> <li>7. FY17-18 new consultant contracts</li> <li>8. FY17-18 planned amendments to existing consultant contracts</li> <li>9. Monitoring of maintenance of CIP project mitigation commitments</li> </ol> <i>*From Board Budget Message and Strategic Directions</i>	
	Review Committee Work Plan	Committee	Confirm Agenda Topics for Next Meeting(s)	
	Next Meeting Date	Committee	Confirm/Adjust Next Meeting Date(s)	



MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
08/14/17 10:00 AM	Approval of Minutes, 07/10/17	M. Meredith	Approve minutes.	
	Monitor Implementation of 2018-22 CIP <i>*Expanded Committee Purpose 2/27, to be approved by the Board</i> <i>*Continued from 07/10/17</i>	B. Redmond	Identify projects and issues to monitor, monitor and review: 1. Input solicited from the Board 2. *Winfield Warehouse project 3. *Watershed-wide regulatory planning and permitting 4. *Anderson, Almaden, Chesbro, and Guadalupe Dam Seismic retrofit projects 5. Fishery barrier removal projects 6. Coyote Creek Project 7. FY17-18 new consultant contracts 8. FY17-18 planned amendments to existing consultant contracts 9. Monitoring of maintenance of CIP project mitigation commitments <i>*From Board Budget Message and Strategic Directions</i>	
	Review Committee Work Plan	Committee	Confirm Agenda Topics for Next Meeting(s)	
	Next Meeting Date	Committee	Confirm/Adjust Next Meeting Date(s)	

MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
09/11/17 10:00 AM	Approval of Minutes, 08/14/17	M. Meredith	Approve minutes.	
	Water Utilities Capital Project Funding (Alternate funding mechanisms) <i>*Continued from 01/30/17</i>	C. Hakes	Study feasible alternate funding sources other than water charges	
	Review Committee Work Plan	Committee	Confirm Agenda Topics for Next Meeting(s)	
	Next Meeting Date	Committee	Confirm/Adjust Next Meeting Date(s)	



MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
<b>10/09/17 10:00 AM</b>	Approval of Minutes, 09/11/17	M. Meredith	Approve minutes.	
	Water Utilities Capital Project Funding (Alternate funding mechanisms) <i>*Continued from 09/11/17</i>	C. Hakes	Study feasible alternate funding sources other than water charges	
	Improvements to District Website, Improving Ease of Public Accessibility to, and Comprehension of, Flood Information, including Real-Time Data During Storm Events (Responding to Committee Request of 04/10/17)	M. Grimes	Receive information on to District Website, Improving Ease of Public Accessibility to, and Comprehension of, Flood Information, including Real-Time Data During Storm Events (Responding to Committee Request of 04/10/17)	
	Review Committee Work Plan	Committee	Confirm Agenda Topics for Next Meeting(s)	
	Next Meeting Date	Committee	Confirm/Adjust Next Meeting Date(s)	
<b>11/13/17 10:00 AM</b>	Approval of Minutes, 10/09/17	M. Meredith	Approve minutes.	
	Water Utilities Capital Project Funding (Alternate funding mechanisms) <i>*Continued from 10/09/17</i>	C. Hakes	Study feasible alternate funding sources other than water charges  Formulate recommendation to the Board	
	Review Committee Work Plan	Committee	Confirm Agenda Topics for Next Meeting(s)	
	Next Meeting Date	Committee	Confirm/Adjust Next Meeting Date(s)	
<b>12/11/17 10:00 AM</b>	Approval of Minutes, 11/13/17	M. Meredith	Approve minutes.	
	2019-23 Preliminary CIP	B. Redmond	Review staff proposed preliminary project lists.	
	Review Committee Work Plan	Committee	Confirm Agenda Topics for Next Meeting(s)	
	Next Meeting Date	Committee	Confirm/Adjust Next Meeting Date(s)	



## 2017 ACCOMPLISHMENTS

MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
01/30/17	Election of Chair and Vice Chair	M. Meredith	Elect Committee Officers 1. Chair 2. Vice Chair	Elected as follows: Chair – N. Hsueh Vice Chair – T. Estremera
	Approval of Minutes, 12/15/16	M. Meredith	Approved minutes.	Approved
	Water Utility Capital Project Prioritization.	C. Hakes	Review and discuss Water Utility capital Program, provide direction on project refinements or modifications to be incorporated into Draft/Final FY18-22 CIP.	<ul style="list-style-type: none"> <li>• Break down EAPW Program in FY18-22 CIP so funding for EAPW Project is separated from EAPW Expansion;</li> <li>• Refer to RWC for feedback on timelines for implementation of the EAPW Expansion Project</li> <li>• Bring EAPW Expansion discussion back to full Board;</li> <li>• Prepare scenario where Winfield Project is deferred to future and funding is shifted back to General Funds.</li> </ul>
	Review Committee Work Plan	Committee	Establish Agenda Topics for Next Meeting(s)	Schedule 2/27/17 meeting, agendize Watershed Streams Stewardship Funding and staff presentation on Almaden Lake Separation Project, including issues raised by McMurtry/Poeschel.
	Next Meeting Date	Committee	Establish Next Meeting Date(s)	February 27, 2017



MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
02/27/17	Approval of Minutes, 01/30/17	M. Meredith	Approved minutes.	Approved as amended.
	Watershed Stream Stewardship Funding.	N. Nguyen	Review and discuss the Watershed Capital Program; and Provide direction for project refinements or modifications to be incorporated into the Final FY 2018-22 CIP.	Staff to come back with a complete list of unfunded Watershed Capital Projects, identify those waiting for planning/feasibility study to be completed vs. those that are ready to move forward but have no identified funds, and add on old projects such as the Mid-Coyote Creek and Rock Springs; and identify projects for Governor's \$1.5 billion funding.
	Alternative Analysis for Almaden Lake/Creek Separation Project	N. Nguyen	Receive information on the Almaden Lake Improvements Project water options.	
	Response to Letter from Mr. Richard McMurtry, dated January 28, 2017, and Submitted to the Committee on January 31, 2017 as Handout 2-A.	G. Hall	Receive information from staff and discuss an approach for addressing the various requests from stakeholders for fish habitat improvement projects into the CIP.	Staff is to come back with discussion to develop a process/approach for addressing requests from stakeholders, and advise Mr. Holmes of internal process and steps involved in qualifying a project for the preliminary CIP.
	Discuss Committee Purpose	Committee	TBD	Staff is to prepare a Board item regarding new purpose and name change for Board consideration.
	Review Committee Work Plan	Committee	Establish Agenda Topics for Next Meeting(s)	Schedule 03/10/17 10am meeting for discussion of Committee Work Plan
	Next Meeting Date	Committee	Establish Next Meeting Date(s)	03/10/17 10:00 a.m.
	3/10/17	Committee Work Plan	Committee	Discuss 2017 Work Plan
Next Meeting Date		Committee	Establish Next Meeting Date(s)	Established regular monthly meeting schedule, 2 <sup>nd</sup> Mondays of Month, 10am – 12pm. Rescheduled next meeting from 4/17/17 1pm to 4/10/17 10am.



MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
04/10/17	Approval of Minutes, 02/27/17, 03/10/17	M. Meredith	Approve minutes.	Approved.
	<p>Status of Rock Springs Flood Risk Reduction Study (2012 SCW Program) and Mid-Coyote Creek from Montague Expressway to Hwy 280 (2000 CSC Program)</p> <p><i>*Assigned at 2/28 Board meeting, Board Agenda Item 6.1</i></p>	N. Nguyen/ V. Gin	<p>Receive a status on the Rock Springs Flood Risk Study and Mid Coyote Creek Projects</p> <p>Discuss Strategies</p> <p>Formulate recommendation to the Board</p> <p><i>*Staff to provide large map showing street names, Coyote Creek, identification of various neighborhoods, and project impact areas.</i></p>	<p>Staff to prepare/publish to District website, response to questions raised by Mr. McMurtry</p> <p>Staff to improve District web site to make is easier for public to find flood info, including real time storm data</p> <p>Staff is to continue working with the City of San Jose to develop an Emergency Action Plan</p> <p>Staff is to complete Rock Springs Study and bring to full Board, a report on immediate, intermediate and long term flood protection measures for Coyote Creek, including investigation of conversion of upstream parks to detention basins</p> <p>Committee recommends Board adopt resolution setting time and place of a SCW public hearing to change control process; Hold public hearing/consider modifying Coyote Creek Flood Protection Project to extend boundary to include Rock Springs and propose KPIs to align with project revisions; and authorize Chair Hsueh and M. Richardson to provide oral report to Board.</p>
	<p>Capital Project Consultant Agreements</p> <p><i>*Assigned at 2/28 Board meeting</i></p>	K. Oven, A. Comelo	Identify Board issues regarding Capital Project Consultant Agreements.	Continued to 6/12/17 and staff requested to come back with information that clarifies organization decision making regarding consultants; explains development of scope of work and agreement negotiation; and explains ongoing management and administration of consultant agreements.
	Review Committee Work Plan	Committee	Confirm Agenda Topics for Next Meeting(s)	Added discussion on Owner Controlled Insurance Programs to 5/8/17 meeting.
	Next Meeting Date	Committee	Confirm/Adjust Next Meeting Date(s)	5/8/17 start time changed to 9:30 a.m.





MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
05/08/17 9:30 a.m.	Approval of Minutes, 04/10/17	M. Meredith	Approve minutes.	Approved
	Watershed Capital Projects Funding (Flood & Stewardship) <i>*Continued from 2/27/17</i>	N. Nguyen	Analyze funding requirements for Capital Projects funded by stream Stewardship Fund (12) and SCW/CSC Fund (26)  Identify funding issues  Formulate recommendation to the Board	Committee requests: include in future Draft CIP presentations, more detailed information on how subvention funding is being allocated.  Continued to 06/12 with information on: 1) Coyote, Stevens Creek, Guad River, and others to consider identifying projects for FAHCE funding; 2) \$62 million unencumbered SCW funds and funding recommendations; 3) list of Watershed Capital Projects not funded through construction; 4) list of unfunded Watershed Capital Projects where commitments for completion have been made.
	Owner Controlled Insurance Programs (OCIP)	D. Cahen	Show cost reduction	Committee requested staff continue to identify/analyze pros & cons of OCIPs and bring discussion back when opportunities arise to consider recommendations on alternatives for specific projects.
	Review Committee Work Plan	Committee	Confirm Agenda Topics for Next Meeting(s)	Revised 06/12/17 meeting to include continued discussion of Watershed Capital Projects Funding; and revise Capital Project Consultant Agreements discussion to include a list of foreseeable amendments to existing Capital Project consultant agreements, including two amendments in progress for the Anderson and Calero Dams Seismic Retrofit Projects and a copy of the Consultant Contract Management Process Audit prepared for the District by Navigant, on March 10, 2015.
	Next Meeting Date	Committee	Confirm/Adjust Next Meeting Date(s)	06/12/17 10:00 a.m.



MEETING DATE	WORK PLAN ITEM, BOARD POLICY, & POLICY CATEGORY	ASSIGNED STAFF	INTENDED OUTCOME(S)	ACCOMPLISHMENT DATE AND OUTCOME
06/12/17 10:00 AM	Approval of Minutes, 05/08/17	M. Meredith	Approve minutes.	Approved as revised.
	Watershed Capital Projects Funding (Flood & Stewardship) <i>*Continued from 5/8/17</i>	N. Nguyen	Provide Information on: <ul style="list-style-type: none"> <li>• Coyote, Stevens Creek, Guad River, and other projects to consider identifying and making recommendations to the Board on projects for FAHCE funding;</li> <li>• The \$62 million unencumbered SCW funds and funding recommendations;</li> <li>• Watershed Capital Projects not funded through construction; and</li> <li>• Unfunded Watershed Capital Projects where commitments for completion have been made.</li> </ul>	The Committee identified priorities; suggested Redevelopment Agency, FAHCE; Open Space Credit reduction, and SCW D4, D6, or D7 as alternate funding sources; and requested: Additionally, the Committee made the following requests of staff: 1) approach County re: estimated future RDA Successor funding; 2) come back with number of parcels to be protected by the Lower & Upper Berryessa Projects; 3) come back with proposals to reduce Open Space Credit; 4) come back with impacts of not undertaking East Little Lagas Project; 5) come back with info on activities included and schedule for \$140M estimated for FAHCE implementation; 6) investigate opportunities to complete Attachment 2, Lines 15,16 as part of Upper Penitencia Coyote to Dorel; and 7) investigate possibility of FAHCE funding for Attachment 2 Line 7. Continued to 7/10/17 meeting.
	Capital Project Consultant Agreements <i>*Continued from 4/10/17,</i>	K. Oven, A. Comelo	Analyze and discuss identified issues; Receive information requested during 4/10/17 and 5/8/17 meetings: <ul style="list-style-type: none"> <li>• Clarify organization decision making regarding consultants</li> <li>• Explain development of scope of work and agreement negotiation</li> <li>• Explain ongoing management and administration of consultant agreements;</li> <li>• Provide list of foreseeable amendments to existing Capital Project consultant agreements, including Anderson and Calero Dam Seismic Retrofit Projects; and</li> <li>• Provide a copy of Consultant Contract Management Process Audit prepared by Navigant March 10, 2015.</li> </ul> Formulate recommendation to the Board	Received briefing on amendments planned for 07/11/17 Board mtg, re: Anderson and Calero Dam Seismic Retrofit Projects; requested that staff include in future Consultant Amendment Board items confirmation the amendment does not include work already scoped in original agreement, detail on why amendment is necessary, info on whether consultant or contractors carry responsibility for amendment need, and info on portions of the project scope or funding not completed in original agreement and rolled into amendment; refer the Navigant Consultant Contract Management Process Audit to the Board Audit Committee; and advise the Board of the Committee's referral of the audit.
	Review Committee Work Plan	Committee	Confirm Agenda Topics for Next Meeting(s)	No action.
	Next Meeting Date	Committee	Confirm/Adjust Next Meeting Date(s)	July 10, 2017