COMMUNITY DEVELOPMENT COMMISSION
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Executive Director

May 29, 2007

Honorable Board of Commissioners
Community Development Commission of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

AUTHORIZE THE EXPENDITURE OF FUNDS FOR A HOUSING MANAGEMENT PROGRAMS AND SECTION 8 SOFTWARE SYSTEM FROM YARDI SYSTEMS, INC. AND RELATED EQUIPMENT FROM DELL COMPUTERS CORPORATION (ALL DISTRICTS)
(3 Vote)

CIO RECOMMENDATION: (X) APPROVE
( ) APPROVE WITH MODIFICATION ( ) DISAPPROVE

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the expenditure of funds for the purchases from Yardi Systems, Inc., (Yardi) and from Dell Computers Corporation (Dell) are not subject to the California Environmental Quality Act (CEQA).

2. Approve and authorize the Executive Director to fund the Housing Authority of the County of Los Angeles purchase of a Housing Management Programs and Section 8 software system and associated implementation services at a one-time cost of $1,117,430, using Investment Technology Funds included in the Commission's approved Fiscal Year 2006-2007 budget, to be effective on the date of Board approval.

3. Authorize the Executive Director to increase the expenditure of funds by up to $223,486, for any unforeseen costs, using the same source of funds described above.

4. Approve and authorize the Executive Director to fund the purchase order with Dell to acquire the server equipment on which the Yardi system will run, and

authorize the Executive Director to use for this purpose $66,300 of Investment Technology Funds included in the Commission's approved Fiscal Year 2006-2007 budget, to be effective on the date of Board approval.

5. Authorize the Executive Director to increase the expenditure of funds with Dell, by up to $6,630 for unforeseen costs using the same source of funds described above.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to authorize expenditure of the Commission's Investment Technology Funds to Yardi Systems, Inc. for a new software system for the Housing Authority's Housing Management and Housing Choice Voucher (Section 8) Programs. The purchase of the new software system will allow the Housing Authority to replace the current systems used by the Housing Management and Section 8 Programs and allow staff to work more efficiently and accurately. The Investment Technology Funds that will be used for this purpose are included in the Commission's approved Fiscal Year 2006-2007 budget.

The Housing Authority has been using its current Section 8 software system since 1996 and its current Housing Management Programs software system since 2001. These systems are critical for capturing and reporting U.S. Department of Housing and Urban Development (HUD) required program data. The use of separate systems involves redundant data entry by Housing Authority staff. The maintenance of two separate software systems has taxed technical resources. In addition, due to limited functionality, the 229 users of the current Section 8 system must use 20 separate databases in order to complete their work. As a result Housing Authority efficiency is impacted. Complex, prescribed HUD processes and reporting requirements become subject to data quality issues. The Section 8 system is based on DOS technology, and was identified by a HUD audit as outdated; the DOS-based system is also very costly. While consideration was given to upgrading the Section 8 system, such a solution would not benefit the Housing Management Programs nor move the Housing Authority toward a single, integrated system. It was determined to be in the best interest of the Housing Authority to explore other options and ensure a competitive solicitation process was conducted.

A system selection panel consisting of Housing Authority and Commission staff determined that, compared to other housing software systems, the Yardi software system would be the most "user-friendly" system for staff as it is the easiest to navigate and the flow from screen-to-screen is seamless. Housing Authority management confirmed that Yardi would be the most cost-effective system because it would require less staff training than other systems. The Chicago Housing Authority, which has a

comparable number of both Section 8 and Public Housing units, uses the Yardi software system and recommended it for our purposes.

One of the most important features that the Yardi software system offers is the HUD Form 50058 (50058) based workflow. The 50058 is the primary form used by HUD to track and assess Housing Authority performance. Yardi requires staff to complete the 50058 process in order for any action to occur in the system. This automatically enforces and documents the workflow integrity, ensuring a higher level of compliance with HUD regulations. The advantage to this approach is that there are no shortcuts that can be taken without producing an official document that can be transmitted to HUD electronically.

A major benefit of the new system will be the improved efficiency of supporting one system. Under the current system, the expertise required to support two different systems is not interchangeable. Other beneficiaries will be the 229 system staff of the Section 8 Program. Currently, they must navigate through 20 Microsoft Access databases and various screens to complete their work. The new Yardi software system incorporates most of these applications in its core system. This incorporation will afford staff greater opportunities to provide better, timely service to our clients.

The Yardi software system will require four new servers on which to operate. The Housing Authority's server hardware standard is Dell. Therefore, one Dell application server and three Dell web servers will be purchased.

A similar letter is being concurrently submitted to the Board of Commissioners of the Housing Authority for its consideration on May 29, 2007.

FISCAL IMPACT/ FINANCING:

There is no impact on the County general fund. The one-time cost under the Contract will be funded with $1,117,430 in Investment Technology Funds included in the Commission's approved Fiscal Year 2006-2007 budget. A twenty percent (20%) contingency in the amount of $223,486 is also being set aside for unforeseen costs.

The purchase order with Dell for the acquisition of the four servers will be funded with $66,300 in Investment Technology Funds included in the Commission's approved Fiscal Year 2006-2007 budget. A ten percent (10%) contingency in the amount of $6,630 is also being set aside for unforeseen costs.

ENVIRONMENTAL DOCUMENTATION:

The authorization of expenditures are exempt from the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3), because they involve activities that will not have a physical impact or result in any

physical changes to the environment. The activities are also not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378, because they are not defined as a project under CEQA and do not have the potential for causing a significant effect on the environment.

CONTRACTING PROCESS:

On August 1, 2006, the Housing Authority issued a Request for Proposal (RFP) to identify a software vendor to provide a housing software system for the Housing Authority's Section 8 and Housing Management Programs. Requests for Proposals were mailed to 497 software vendors identified from the Housing Authority's vendor list. Advertisements also appeared in 11 local newspapers and on the County Webven website. Forty-two packages were requested and distributed.

On September 13, 2006, a total of three proposals were received and formally opened, and software vendor presentations were held from the period of October 25 through November 9, 2006.

On December 20, 2006, a panel consisting of Housing Authority and Commission staff familiar with the project evaluated the proposals and ranked each firm independently. The proposals were evaluated on vendor qualifications, vendor references and customer satisfaction, detailed conversion solution and implementation process on all proposed services, quality control and escalation plan, demonstration plan and cost. Yardi Systems, Inc. received the highest score and was invited to provide a second presentation to the Executive Management Team on January 23, 2007.

To purchase the Dell servers, the Housing Authority plans to take advantage of the discounted costs leveraged through the National Association of State Procurement Officials (NASPO). Recently, the National Association of State Procurement Officials (NASPO) conducted a competitive bidding process consistent with the Commission's policies and procedures for the type of equipment the Commission now seeks to purchase. NASPO has a Master Price Agreement with Dell dated September 14, 2006, which makes the equipment available to state and local agencies within the state at discounted prices.

IMPACT ON CURRENT PROJECT:

The purchase of the new software system will allow the Housing Authority to replace the current software systems used by Housing Management and Section 8 Programs. The integration of two systems into one, user-friendly system will reduce the level of IT support needed and afford the users greater opportunities to provide better, timelier service to our clients. Additionally, the new software system will integrate with systems used by the U.S. Department of Housing and Urban Development.

The purchase of Dell servers will provide the equipment needed to run the Yardi software system.

Respectfully submitted,

CARLOS JACKSON
Executive Director

Reviewed by:

JON W. FULLINWIDER
Chief Information Officer
County of Los Angeles

Attachments: 1

CIO ANALYSIS

COMMUNITY DEVELOPMENT COMMISSION/HOUSING AUTHORITY PUBLIC HOUSING AND SECTION 8 SOFTWARE AND SERVICES AGREEMENT

CIO RECOMMENDATION: ☒ APPROVE ☐ APPROVE WITH MODIFICATION ☐ DISAPPROVE

Contract Type:
☒ New Contract ☐ Contract Amendment ☐ Contract Extension
☐ Sole Source Contract ☐ Hardware Acquisition ☐ Other

New/Revised Contract Term: Base Term: 5 Yrs # of Option Yrs 5

Contract Components:
☒ Software ☐ Hardware ☐ Telecommunications
☒ Professional Services

Project Executive Sponsor: Carlos Jackson, Executive Director, Community Development Commission/Housing Authority

Budget Information :

Y-T-D Contract Expenditures	$0
Maximum Contract Amount	$1,117,430
Maintenance Year 2-5	$ 493,620
Contract Contingency	$ 223,486
System Hardware	$ 72,930 (includes contingency amount)
Aggregate Project Amount	$1,907,466

Project Background:

Yes	No	Question
☐	☒	Is this project legislatively mandated?
☐	☒	Is this project subvented? If yes, what percentage is offset?
☐	☒	Is this project/application applicable to (shared use or interfaced) other departments? If yes, name the other department(s) involved?

Strategic Alignment:

Yes	No	Question
☒	☐	Is this project in alignment with the County of Los Angeles Strategic Plan?
☒	☐	Is this project consistent with the currently approved Department Business Automation Plan?
☒	☐	Does the project's technology solution comply with County of Los Angeles IT Directions Document?
☒	☐	Does the project technology solution comply with preferred County of Los Angeles IT Standards?
☒	☐	This contract and/or project and its milestone deliverables must be entered into the Information Technology Tracking System (ITTS).

Project/Contract Description:

The County of Los Angeles Housing Authority (Housing Authority) plans to replace two separate software systems that currently support its Public Housing and Section 8 programs. It is requesting your Board's approval for the following:

- Delegate authority to Community Development Commission/Housing Authority Executive Director to execute an Agreement with Yardi Systems, Inc. (Yardi) in the amount of $1,117,430 for the acquisition of Housing Management and Section 8 software, project implementation services, and software maintenance and support services;

- Delegate authority to Community Development Commission/Housing Authority Executive Director, following approval as to form by County Counsel, to execute Agreement amendments up to $223,486 for unforeseen events; and

- A Purchase Order Agreement with Dell Computers Corporation for up to $72,930 to acquire hardware for operation of the Housing Management and Section 8 software.

Background:

The Housing Authority currently uses two separate software systems to support its Public Housing and Section 8 programs. While the systems have provided useful service to the Housing Authority for several years, they are no longer able to meet the full range of Housing Authority requirements for effective and efficient service delivery. A Department of Housing and Urban Development (HUD) audit specifically recommended replacement of the current systems.

A single consolidated system will increase the ability of the Housing Authority to serve members of the public that are eligible for both programs. In addition, newer technology development can improve eligibility verification accuracy and efficiency. Both accuracy and efficiency are factors used by HUD to evaluate the Housing Authority program performance. The new system will provide management and staff with real time information needed to provide the highest level of services and monitor compliance with HUD requirements on a daily basis.

Yardi was selected through a competitive Request for Proposals (RFP) that was issued in August 2006. Yardi was identified as the most qualified and cost effective vendor to meet the Housing Authority requirements. Yardi software has been successfully implemented in numerous public housing authorities throughout the U.S., including the Chicago Housing Authority and a variety of California counties.

Project Justification/Benefits:

Acquisition and implementation of the Yardi Systems software will allow the Housing Authority to streamline the delivery and management of its Public Housing and Section 8 programs. It will improve the ability of the Housing Authority to meet HUD standards for accuracy and timeliness of data and activities, and provide Housing Authority management with real time information regarding its compliance with HUD standards.

Project Metrics:

The most important measure of project success will be confirmation that implementation of the new system enables Housing Authority compliance with mandated HUD data accuracy and data transmission standards.

Impact On Service Delivery Or Department Operations, If Proposal Is Not Approved:

The Housing Authority will not be able to take advantage of commercially available software developed specifically for the needs of public housing authorities, and successfully deployed at other large housing authorities in the U.S. As a result, the Housing Authority will be limited in its ability to improve the effectiveness and efficiency of service delivery, and it will be more difficult for the Housing Authority to achieve and to continue to comply with HUD standards.

Alternatives Considered:

The Housing Authority initially considered upgrading the existing Section 8 and Housing Management software systems but determined that this would not provide sufficient benefits, and would not be consistent with HUD audit recommendations.

The Housing Authority then considered selecting a new system that addressed additional requirements, such as full financial accounting, but found through a survey of the market that no such products were available.

Proposals from two other qualified software vendors were received in response to the RFP and were considered by the Housing Authority's evaluation committee, including demonstrations, before Yardi was selected as the finalist vendor. The Yardi system was judged by the committee as the most complete proposal to meet the Housing Authority's requirements as well as ease of use, which should reduce the amount of training time. While the Yardi system one-time costs were the highest of the three systems evaluated, the high level of "fit" with the Housing Authority requirements would result in a reduction of the overall implementation costs and risks.

Project Risks:

The Executive Management of the Housing Authority is committed to managing the possible risks associated with implementation of this system. The risks associated with this project were identified and thoroughly discussed in a Readiness Review conducted in March 2007 with the Chief Information Office, the Housing Authority, and Yardi.

As the Housing Authority moves forward with implementation, there are a small number of other risks that will require close oversight to ensure effective resolution:

- Ensuring clearly defined Acceptance Criteria is developed and agreed upon prior to commencement of work;
- Ensuring effective project communications and governance are in place to minimize potential 'scope creep';
- Defining a process and criteria for Yardi's assessment of the Housing Authority's requested software changes, if any, to determine whether those modifications would be added to the base product and whether there would be a cost to Housing Authority; and
- Evaluating the Housing Authority's 'in-house' development of an interface between the Yardi system and its PeopleSoft Finance/HR system which is outside the scope of the contract but could potentially impact the overall project schedule.

Risk Mitigation Measures:

Each of the above risks has been thoroughly discussed with the Housing Authority. Based on those discussions, the Chief Information Office feels confident that the Housing Authority fully understands these risks and the importance of effectively monitoring them throughout the implementation. The following actions represent the plans to mitigate the above risks:

- The Project Plan tasks include development of detailed Acceptance Test Plans prior to implementation of each phase;
- The Statement of Work and the Payment Schedule include measurable periodic milestones, including one (1) month of live operations for each of the three phases as a condition of acceptance;
- The Housing Authority will ensure that there is a documented and collaborative process by which the Project's Executive Steering Committee will consider approval of any software modifications and resultant costs; and
- It is essential that the Housing Authority IT organization understand the scope for the development of the Yardi/PeopleSoft interface and is confident that they can develop <u>and maintain</u> the software interface.

Financial Analysis:

The overall Project costs are as follows:

Base contract for software, services, and the first year of maintenance	$1,117,430
Maintenance Years 2 through 5 (@ $123,405/year)	493,620
Maximum Contract obligation for the base contract	$1,611,050
Project Implementation Contingency (20%)	$ 223,486
Windows-based Hardware Servers	66,300
Hardware Server Contingency (10%)	6,630
Total Project costs outside the Contract:	$ 296,416

CIO Concerns:

The Office of the CIO has conducted a Readiness Review with Housing Authority and is impressed with Housing Authority's knowledge of critical success factors for implementing the system software product and their commitment to achieving the project objectives. Housing Authority management understands that the Public Housing and Section 8 system implementation will require close project management oversight and commitment of resources by both the Housing Authority and Yardi Systems to successfully meet the project objectives and time schedule.

CIO Recommendations:

Recommend Board approval.

CIO APPROVAL

Date Received: 5/14/07

Prepared by: John Arnstein

Date: 5/17/07

Approved: Greg Melendez

Date: 5/17/07