



Agenda Report

October 7, 2019

TO: Honorable Mayor and City Council
FROM: Water and Power Department
THROUGH: Municipal Services Committee (September 24, 2019)
SUBJECT: **AUTHORIZATION TO ENTER INTO CONTRACTS WITH RED CLAY CONSULTING, ACCELERATED INNOVATIONS, INFOSEND, INC., AND PAYMENTUS CORP. TO PROVIDE RESPECTIVELY; IMPLEMENTATION SERVICES, SOFTWARE LICENSING AND SUPPORT SERVICES, CUSTOMER SELF-SERVICE, AND ELECTRONIC BILL PRESENTMENT AND PAYMENT SOLUTIONS FOR A NEW UTILITY CUSTOMER INFORMATION SYSTEM.**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption or General Rule);
2. Authorize the City Manager to enter into a services contract with Red Clay Consulting for an amount not to exceed \$8,209,048, pursuant to a competitive selection process, as specified by Section 4.08.047 to provide implementation services for the Customer Information System ("CIS"), Customer Self-Service ("CSS"), and Electronic Bill Payment and Presentment ("EBPP") Project (collectively "Project");
3. Authorize the City Manager to enter into a seven-year services contract with Accelerated Innovations for an amount not to exceed \$536,500 with approval for two additional two-year extensions for an amount not to exceed \$214,600 each, pursuant to a competitive selection process, as specified by Section 4.08.047 of the Pasadena Municipal Code, to furnish and deliver software licenses and support services for a cloud-based CSS portal. Total contract amount will not exceed \$965,700;
4. Authorize the City Manager to enter into a seven-year services contract with Infosend Inc. for an amount not to exceed \$2,389,520 with approval for two additional two-year extensions for an amount not to exceed \$955,808 each, pursuant to a competitive selection process, as specified by Section 4.08.047 of the Pasadena Municipal Code, to provide EBPP bill presentment, printing and mailing services. Total contract amount will not exceed \$4,301,136;

5. Authorize the City Manager to enter into a seven-year services contract with Paymentus Corp. for an amount not to exceed \$534,881 with approval for two additional two-year extensions for an amount not to exceed \$247,088 each, pursuant to a competitive selection process, as specified by Section 4.08.047 of the Pasadena Municipal Code, to provide EBPP payment processing services. Total contract amount will not exceed \$1,029,057;
6. Approve amendment of the FY2020 Capital Improvement Program with an appropriation from the Light and Power Fund balance of \$5,335,881 to Capital Improvement Program (“CIP”) #3022 in the Power Capital Fund and from the Water Fund balance of \$2,873,167 to CIP #1012 in the Water Capital Fund.

MUNICIPAL SERVICES COMMITTEE RECOMMENDATION:

On September 24, 2019, the Municipal Services Committee unanimously approved the staff's recommendation to the City Council. The Committee requested additional information about the necessity and importance of the CIS Project which has been added to the background section of this report. The Committee also requested information about each recommended vendor, scoring of vendor proposals and estimated project budget which are included in Attachments A, B, and D, respectively.

EXECUTIVE SUMMARY:

The Water and Power Department (“PWP”) provides billing services for electricity, water, sewer, and refuse utilities, and several key utility-related taxes. The current Customer Information System (“CIS”), implemented in 2001, utilizes Vertex software operating on an IBM AS/400 hardware system, calculates and generates bills and is the primary repository for all utility rate structures, rates, fees, taxes, service orders and customer information. As business requirements have evolved over the years, PWP has added several system enhancements, interfaced homegrown applications, and manual workaround solutions to the existing platform. Collectively, the CIS produces customer bills that generate approximately \$280 million of annual revenues.

Significant changes in utility market conditions, business practices, complexity of rate structures, customer expectations and preferences and increased regulations have developed since the existing CIS system was installed. Utility customer needs and expectations require more sophisticated metering, distribution systems automation, new rate structures, accessible billing, and communication technologies which makes it necessary to begin the process of replacing or upgrading the current CIS.

In July 2017, the Water and Power Department (“PWP”) initiated a multi-year, multi-million dollar project to replace its aging CIS by conducting a needs assessment and requirements analysis in order to define current and future business billing needs for the City of Pasadena (“City”). As a result of the needs assessment, a Request for Proposals (“RFP”) was issued in May 2018 for new, state-of-the-art CIS software, System Implementation (“SI”) services, a CSS portal, and EBPP services.

The City Council has previously taken action to award contracts related to the Project. On December 3, 2018, the City Council approved the staff recommendation to award a contract to TMG Consulting for CIS project management, quality assurance and optional test management services.

In response to the CIS software component of the RFP, the City Council approved the staff recommendation to award a contract to Oracle America, Inc. on June 17, 2019 to furnish and deliver the Customer-to-Meter (“C2M”) customer information and utility billing software in a Platform-as-a-Service (“PaaS”) cloud-based format. Staff is now recommending additional contracts, representing the remaining components of the RFP, to Red Clay Consulting, for SI services; Accelerated Innovations, for CSS services; Infosend, Inc., for EBPP services related to electronic bill presentment; and Paymentus, for EBPP services related to payment processing. As the project progresses, approval for separate contracts and appropriations will be recommended for additional costs, including equipment, IT-related charges, testing, training, organizational readiness, data conversion services and project contingency. Annual appropriations for internal labor costs will be requested in the capital improvement program budgets for each fiscal year. The estimated total project cost is about \$27.5 million.

BACKGROUND:

PWP provides utility billing and bill processing services for electric, water, sewer, refuse, and utility-related taxes on behalf of the City. The current utility Customer Information System (“CIS”) was implemented in 2001 and the system’s core platform is based on Vertex software (formerly Orcom Solutions, Inc.) and an IBM Application System/400 (“AS400”) hardware system. As business requirements have evolved over the years, PWP has added several system enhancements and home-grown applications as well as workaround solutions to the existing platform which has significantly added to the complexity and operating risk of the utility billing operation.

The current CIS system cannot support time-based complex rates and Advanced Meter Infrastructure (“AMI”) smart meters; both of these future initiatives are necessary to keep PWP competitive and in line with the trends in the electric and water utility sectors. The current CIS technology is significantly outdated, discontinued by original vendors and has limited functionality to provide customers with access to their account information, receive and pay bills online, and make simple changes to their accounts. Support for the existing CIS is very limited and is provided on a time-and-materials basis with resources that are becoming more difficult to locate due to obsolescence and scarcity of knowledgeable technical support and replacement materials.

Approximately years ago, an evaluation of the current CIS compared to the present and future needs of PWP concluded that it was best to implement a new CIS. Since then, the City Council has approved contracts for TMG Consulting and Oracle America. The CIS provides data to the City’s various financial and business-critical systems including but not limited to:

- Financial System (Tyler Munis)
- Outage Management System
- Geographical Information System
- WaterSmart Conservation Program
- Field Meter Reading
- Large Commercial Metering
- Oracle Data Warehouse Web Reports Portal
- OPower Conservation Program

Over time, customer expectations to manage their utility accounts and ability to generate their own electricity, advancements in technology such as smart interactive meters and evolving business needs leading to complex rate structures have created a need for PWP to have an advanced CIS that can meet current and foreseeable future needs. The existing CIS cannot perform such advanced functions and is not updated by vendors.

In May 2018, an RFP was issued to replace the current CIS and the associated CSS and EBPP services. Sixteen (16) proposals were received in response to the RFP on May 24, 2018. No submissions were received from local Pasadena vendors. CIS implementation is a niche industry and there are no known local firms that provide this service.

City staff completed the vendor evaluation in three phases to assess: (1) the written content and responses to the RFP criteria; (2) onsite product demonstrations and reference checks; and (3) total cost of ownership and proposed statement of work. A complete list of proposals and scoring is provided in Attachment B.

Table I describes the vendors that scored highest for SI, CSS, and EBPP services.

Table I: Implementing the CIS: Recommended Contracts for SI, CSS and EBPP

Recommended Contract Award	Description
Red Clay Consulting (SI)	- Act as prime and sole responsible party for the entire CIS, CSS and EBPP solution implementation
Accelerated Innovations (CSS)	- Develop City of Pasadena branded portal for enhanced customer access - Mobile application to allow customers to make payments and view billing information from a smart phone or tablet - Single web login to manage multiple accounts
Infosend Inc. (EBPP)	- New bill design - Customer has the option to select paperless billing with automatic alerts to bill availability and due dates - Provides single bill for multiple accounts
Paymentus Corp. (EBPP)	- Provides secure payments online with required PCI (Payment Card Industry) compliance

System Implementer (“SI”): Red Clay Consulting

The proposed contract with RCC will provide comprehensive Project Management and SI services, including a prime contractor role with sole responsibility for the management of all third-party software and service providers. In addition to project management, the SI provides system architecture and technical expertise, and brings specific experience with projects of similar size and complexity. Red Clay Consulting will have separate contracts with the third-party vendors during the Project implementation that will include specific deliverables and schedules to ensure that RCC will succeed as the City’s prime contractor. As explained below, Pasadena must also contract directly with these third parties for ongoing services that commence once the CIS is up and running. Entering into these additional contracts at this time provides requisite assurances to the vendors to motivate their investment in the project phase and provides Pasadena with better leverage to ensure advantageous pricing and contract terms for the ongoing services.

Customer Self Service (“CSS”): Accelerated Innovations

The proposed contract with Accelerated Innovation (“AI”) will provide software licensing and support services for a CSS platform that will enable customers to perform a variety of transactions through online or mobile access to their accounts, including bill payment, service requests, and to view and report outage incidents. The City will not incur any direct costs associated with the AI contract until the Project implementation is completed and the CIS is functioning in a production environment.

Electronic Bill Presentment (“EBPP”): Infosend, Inc.

The proposed contract with InfoSend, Inc. will provide new bill design, electronic billing, and paper print and mailing services for the City’s utility bills. Infosend will provide expertise and bill design software that will assist the City in the development of a comprehensive new bill design with flexibility to communicate more effectively with customers. Infosend will work with the City to develop an outreach plan for online bill presentment and payment options, and will also provide physical bill printing and mailing services. The City will not incur any direct costs associated with the Infosend contract until the Project implementation is completed and the CIS is functioning in a production environment.

Payment Processing (“EBPP”): Paymentus Corp

The proposed contract with Paymentus Corp. will provide the City’s utility customers with secure payment processing service, including detailed revenue reporting. The service will allow customers to pay bills online using a secured bill payment platform. Customers may also choose recurring payment options using Paymentus. The City will not incur any direct costs associated with the Paymentus contract until the Project implementation is completed and the CIS is functioning in a production environment.

None of the selected vendors have previously been awarded contracts with the City of Pasadena.

Table II shows the projected seven-year cost of ownership for each of the proposed contracts. During the Project implementation, the City will not incur any direct costs associated with the CSS and EBPP contracts. The defined scope of work performed by each third-party vendor during Project implementation is the responsibility of Red Clay Consulting as the prime contractor for the Project. After the Project is completed and the CIS is functioning in a production environment, the City will become responsible for the licensing, maintenance and support costs for the CSS and EBPP software and services.

Table II: Seven Year Cost of Ownership for Proposed Contracts

Contractor	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Red Clay Consulting	\$2,322,862	\$4,580,431	\$1,305,755	-	-	-	-	\$8,209,048
Accelerated Innovations	-	-	\$107,300	\$107,300	\$107,300	\$107,300	\$107,300	\$536,500
Infosend Inc.	-	-	\$477,904	\$477,904	\$477,904	\$477,904	\$477,904	\$2,389,520
Paymentus Corp.	-	-	\$96,800	\$101,640	\$106,722	\$112,058	\$117,661	\$534,881
Total	\$2,322,862	\$4,580,431	\$1,987,759	\$686,844	\$691,926	\$697,262	\$702,865	\$11,669,949

The cost breakdown for the recommended vendors is included in Attachment C.

The estimated total project cost is approximately \$27.5 million. Estimated project budget does not include the contract expenses for Accelerated Innovations, Infosend Inc., and Paymentus Corp. Contracts for Accelerated Innovation, Infosend, Inc., and Paymentus, are for licensing and support and will be budgeted annually as operating expenses.

The estimated total project budget breakdown is included in Attachment D.

COUNCIL POLICY CONSIDERATION:

The proposed contracts with Red Clay Consulting, Accelerated Innovations, Infosend Inc. and Paymentus Corp. support the City Council's goals to maintain fiscal responsibility and stability, and align with PWP's Strategic Initiatives to enhance customer satisfaction and confidence, improve efficiency and business continuity and maintain PWP's fiscal health and stability. The contract also supports the City Council goal to maintain and enhance public facilities infrastructure, and promote the quality of life in the City and increase its attractiveness through more efficient management of resources.

ENVIRONMENTAL ANALYSIS:

The proposed contract for the installation of software is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. The subject software would be used in existing facilities and not result in any new development or physical changes. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

The total estimated cost of the recommended contract awards is \$11,669,950 without extensions and \$14,504,941 including extension options.

The recommended contract with for Red Clay Consulting is considered a fixed price of \$8,209,048 and payments are based on defined milestone deliverables. It should be noted that the majority of System Implementer costs will be incurred in the first two years during the Project implementation. Staff is recommending an additional appropriation from the Light and Power Fund balance of \$5,335,881 to Capital Improvement Program (“CIP”) #3022 in the Power Capital Fund and from the Water Fund balance of \$2,873,167 to CIP #1012 in the Water Capital Fund. It is anticipated that \$2,322,862 will be spent during the current fiscal year.

Contracts for Accelerated Innovation, Infosend, Inc., and Paymentus, are for licensing and support and will be budgeted annually as operating expenses beginning in FY2022. Total support and transactional costs are estimated to be \$3,460,902 for the five-year period of FY2022-2026 after implementation.

Table III: Summary Power Funds

Fiscal Year	Capital	Operating	Total
FY 2020	\$1,509,860	-	\$1,509,860
FY 2021	\$2,977,280	-	\$2,977,280
FY 2022	\$848,741	\$443,303	\$1,292,044
FY 2023	-	\$446,449	\$446,449
FY 2024	-	\$449,752	\$449,752
FY 2025	-	\$453,220	\$453,220
FY 2026	-	\$456,862	\$456,862
Total	\$5,335,881	\$2,249,586	\$7,585,467

Table IV: Summary Water Funds

Fiscal Year	Capital	Operating	Total
FY 2020	\$813,002	-	\$813,002
FY 2021	\$1,603,151	-	\$1,603,151
FY 2022	\$457,014	\$238,701	\$695,715
FY 2023	-	\$240,395	\$240,395
FY 2024	-	\$242,174	\$242,174
FY 2025	-	\$244,042	\$244,042
FY 2026	-	\$246,003	\$246,003
Total	\$2,873,167	\$1,211,315	\$4,084,482

Respectfully submitted,



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Attachments:

- Attachment A – Vendor Experience and Information
- Attachment B – CIS Project – SI, CSS & EBPP Vendor Scoring
- Attachment C – CIS Related Contract Pricing
- Attachment D – Estimated Project Budget