

Agenda Report

April 25, 2022

TO: Honorable Mayor and City Council
FROM: Water and Power Department
THROUGH: Municipal Services Committee (April 12, 2022)
SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH TMG UTILITY ADVISORY SERVICES INC. TO PROVIDE SUPPORT AND ENHANCEMENT SERVICES FOR THE 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); and
2. Authorize the City Manager to enter into a three year contract, as the result of a competitive selection process, as specified by Section 4.08.047 of the Pasadena Municipal Code, with TMG Utility Advisory Services Inc. for professional services in an amount not to exceed \$6,261,360 with the option for two additional one-year extensions not to exceed \$2,077,920 each at the discretion of the City Manager, for a maximum contract length of five years and total amount not to exceed \$10,417,200.

EXECUTIVE SUMMARY:

The Water and Power Department ("PWP") provides billing services for electricity, water, sewer, and refuse utilities, and several key utility-related taxes. Collectively, the Customer Information System ("CIS") produces customer bills that generate approximately \$280 million of annual revenues. PWP recently completed a multi-year, multi-million dollar project to replace its aging CIS system. The new CIS system is the foundation for the City of Pasadena's commitment to modernizing technology and automating processes to provide excellent customer service.

The City will require specialized resources to keep the new CIS system operating at maximum performance and perform ongoing upgrades and enhancements. It is expected that some tasks will always be performed by consultants and procuring professional services to support a complex CIS system is a common industry practice that has been deployed by many neighboring utilities.

The recommended contract services includes specialized training for City staff to be conducted both on the job and in a classroom setting. Training will enable staff to optimize the CIS solution and reduce long-term reliance on any one particular vendor. Developing these skills in-house over time may ultimately reduce external consultant costs.

PWP is currently in the stabilization period of the CIS implementation. During stabilization, staff resources have been redeployed to support key areas, primarily in customer service and system administration. This is to ensure timely response to the expected increase in customer inquiries about the new system, the accuracy of customer bills and the proper functioning of new business processes.

Red Clay Consulting is contracted to augment internal staff to support the system during the stabilization phase of the new CIS. After this phase is completed, it will be necessary for the City of Pasadena ("City") to procure professional services to maintain adequate levels of support.

BACKGROUND:

PWP provides utility billing, payment processing and comprehensive customer information services for electric, water, sewer, refuse, and utility-related taxes on behalf of the City. In April 2022, PWP completed a multi-year, multi-million dollar project to replace its aging CIS. The CIS project began in July 2017, when a needs assessment and requirements analysis was completed in order to define current and future business billing needs for the City of Pasadena ("City").

In addition to providing standard billing and payment processing functions, the new CIS will provide customers with the ability to manage their utility accounts and access multiple features online. The CIS provides the foundation for furthering the City's automation goals for utility services, including advancements in technology such as smart interactive meters and complex rate structures to meet the needs for water conservation and electric customers with self-generation and energy storage systems. The evolving business needs of City customers will require further enhancement of the new CIS system to meet current and as yet unforeseeable future needs.

Professional services to support and enhance the new CIS system will be necessary to meet the City's strategic goals to provide excellent customer service through automation and self-service options. With time and training, some of the skills will be developed in-house to a reasonable level.

Maintenance and Support

- Focus on keeping the system running smoothly
- Monitoring of nightly batches
- Provides overall system oversight and "best practice"

Roadmap Enhancements

- Focus on enhancing the system to gain full benefit of City's investment
- Examples are new rate structures, customer portal and bill design enhancements
- Will allow for timely turnaround of future initiatives

Support for Major Projects

- Supports projects such as work and asset management systems and smart meters
- Allows for ramp up to support significant changes to the CIS solution

Support Staff Training

- Includes formal classroom and on the job training
- Pairs City staff with specialty consultants
- Cross-departmental staff development and training for sustainable collaboration

RFP and Evaluation Process

A Request for Proposals ("RFP") was issued in December 2021 for professional services to support and enhance the new CIS and provide training for in-house staff. Five (5) proposals were received in response to the RFP on January 14, 2022.

A multiple-department selection team of seven City staff members completed the vendor evaluation. TMG Utility Advisory Services, Inc. ("TMG") received the highest score based on the results of the evaluation process, which measured vendor experience and expertise, proposed methodology/scope of work, similar project experience, and proposed resources. No submissions were received from local Pasadena vendors. CIS support and enhancement is a niche industry and there are no known local firms that provide this service. City staff completed the vendor evaluation and a complete list of proposals and scoring is provided in Attachment A.

TMG Utility Advisory Services, Inc.

TMG was founded in 1992 and has offices in Buda, Texas and Henderson, Nevada. For more than 25 years, TMG has focused on providing independent advisory services for critical business process improvements and information technology-based decisions to the utility industry, assisting more than 271 utilities on 543 separate projects nationwide.

TMG provides client-side professional services for utilities by augmenting in-house project teams with assistance and resources. They act as an extension of the City, providing professional services that focus on the client's best interest. TMG is an Oracle certified partner and have been retained by neighboring utilities (including Burbank Water and Power and the City of Long Beach) to provide similar services.

Proposed Contract Amount and Fee Basis

The recommended contract with TMG includes a Core Support Team of six named resources at a fixed price. These named resources will be required to work 40 hours per week dedicated to the City. It will be necessary for key support roles to work a portion of the year onsite at City offices. Travel is a requirement in the RFP and included in the

cost proposal. Table 1 shows the Core Support Team's roles, allocation and required travel. The vendor's Program Manager will work with City staff to schedule support and enhancement deliverables. Service Level Agreements ("SLAs") will be established and monitored by PWP staff to ensure performance of the contract. TMG will invoice the City on a monthly basis upon satisfactorily meeting the defined SLAs and deliverables.

Table 1: Core Support Staffing

Core Support Role	Role Percentage Allocated	Onsite Travel
Program Manager	25%	Once Per Month
Solutions Architect	100%	Twice Per Month
Designer C2M/OFSC	100%	Twice Per Month
Technical Architect	100%	Twice Per Month
Designer Developer 1	100%	None
Designer/Developer 2	100%	None

Based on the hourly rates and proposed schedule provided by TMG, Table 2 shows the proposed base contract amount of \$6,261,360 with the option for two additional one-year extensions not to exceed \$2,077,920 each at the discretion of the City Manager, for a maximum contract length of five years and total amount not to exceed \$10,417,200.

Table 2: CIS Support and Enhancement Contract

Contract Year	Core Support	Professional Services (as needed)	Training	Total
Year 1	\$1,713,920	\$364,000	\$27,600	\$2,105,520
Year 2	\$1,713,920	\$364,000		\$2,077,920
Year 3	\$1,713,920	\$364,000		\$2,077,920
Year 4	\$1,513,920	\$564,000		\$2,077,920
Year 5	\$1,513,920	\$564,000		\$2,077,920
Total	\$8,169,600	\$2,020,000	\$27,600	\$10,417,200

TMG has previously been awarded four City contracts cumulatively valued at \$4,304,910:

- Contract 30,967, in the amount of \$285,120 for a Needs Assessment analysis
- Contract 31,367, in the amount of \$2,747,510 for Project Management, Quality Assurance, and optional Testing services
- Contract 31,635, in the amount of \$1,123,200 for Organizational Change Management Services for the CIS Project
- Contract 31,922, in the amount of \$150,000 for Professional Services for the CIS Project

COUNCIL POLICY CONSIDERATION:

The proposed contract with TMG Utility Advisory Services Inc. supports 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 professional services 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.

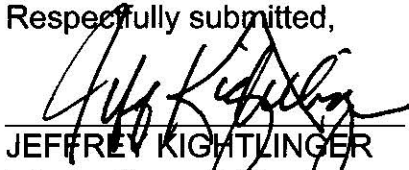
FISCAL IMPACT:

The maximum cost of this action will be \$10,417,200, including the original three-year contract term and two optional one-year extensions. Funding for the action will be addressed by the utilization of existing and future budget appropriations in the Water and Power Capital funds and Operating funds as shown in Table 3 below. It is anticipated that \$346,320 will be expended during the current fiscal year. The remainder of the costs will be spent over the next five fiscal years 2023-2027.

Table 3: Summary of Fiscal Impact

Fiscal Year	Operating		Capital		Total
	Power (42209210- 811600)	Water (42207920- 811600)	Power (CIP 3271)	Water (CIP 1096)	
FY 2022	\$102,121	\$54,988	\$122,987	\$66,224	\$346,320
FY 2023	\$630,666	\$339,590	\$737,922	\$397,342	\$2,105,520
FY 2024	\$612,726	\$329,930	\$737,922	\$397,342	\$2,077,920
FY 2025	\$612,726	\$329,930	\$737,922	\$397,342	\$2,077,920
FY 2026	\$612,726	\$329,930	\$737,922	\$397,342	\$2,077,920
FY 2027	\$510,605	\$274,941	\$614,935	\$331,119	\$1,731,600
Total	\$3,081,570	\$1,659,309	\$3,689,610	\$1,986,711	\$10,417,200

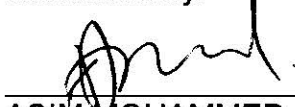
Respectfully submitted,


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Attachments:

Attachment A – CIS Support and Enhancement Proposals and Scoring