



July 5, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute contracts and any amendments thereto with: Oracle America, Inc., of Redwood Shores, CA (not an MBE, WBE, SBE or local), for the purchase and maintenance of a utility customer information system (CIS) and related systems to replace the current utility billing system in a total amount not to exceed \$1,999,089 including tax; EP²M, LLC, of Flanders, New Jersey (not an MBE, WBE, SBE, or local), for the implementation and support of the utility CIS and related systems in a total amount not to exceed \$10,916,231 including tax; and Tele-Works, Inc., of Blacksburg, VA (not an MBE, WBE, SBE, or local), for the purchase of an interactive voice response system in a total amount not to exceed \$117,600 including tax; and

Authorize the City Manager to execute a lease-purchase agreement and related financing documents under the Master Lease Agreement with Banc of America Public Capital Corporation in an amount not to exceed \$3,030,000, payable over a seven-year period, for partial financing of the Gas Fund portion of the project expense. (Citywide)

DISCUSSION

City Council approval is being requested to authorize the City Manager to execute contracts for the purchase, implementation, and ongoing support of a utility customer information system (CIS). As requested by the City Council at its meeting on July 10, 2007, City staff has completed a comprehensive Request for Proposal (RFP) solicitation and evaluation process for a new utility CIS to replace the City's existing 32-year-old utility billing system. The current system was developed internally, uses antiquated technology that lacks the capability of being upgraded, and does not offer the customer service functions that are standard in today's utility systems. Due to the existing system's limited capabilities and age, it is imperative that the City transition to a modern, technologically-advanced utility CIS system. The proposed new system will ensure uninterrupted billing service for approximately 177,000 gas, water, sewer, and refuse customer accounts that generate more than \$212 million in annual revenue for the City.

The new CIS will provide the most reliable, up-to-date, user-friendly tools available on the market to support the City's utility functions. Incorporating this new technology will provide the following benefits:

- Improve customer convenience and education by expanding features that will allow customers to receive and pay bills using the internet.
- Allow faster turnaround on revenue receipts by shortening the time between meter reading, billing and payment receipt.
- Facilitate the future implementation of automated gas and water meter reading.
- Encourage energy and water conservation efforts through flexible modifications to rate structures.
- Provide an even better level of customer service quality by improving the speed and quality of customer information available to the utility call center representatives.
- Allow for more efficient dispatching of field personnel to handle utility service calls.

The Request for Proposals (RFP) for Licensing and Implementation of a Customer Information System was issued on September 1, 2009, and 196 potential bidders specializing in information systems were notified. Of those bidders, 32 downloaded the bid via our electronic bid system. The RFP document was made available from the Purchasing Division located on the seventh floor of City Hall, and the Division's website at www.longbeach.gov/purchasing. An RFP announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities, which is sent to 30 local, minority and women's business groups. Ten proposals were received. Of those ten proposers, one was a Minority-owned Business Enterprise (MBE), none were Women-owned Business Enterprises (WBEs), none were Small Business Enterprises (SBEs), and none were a Long Beach business (local). Oracle America, Inc., of Redwood Shores, CA (not an MBE, WBE, SBE or local), and EP²M, LLC, of Flanders, New Jersey (not an MBE, WBE, SBE, or local), are recommended for award. These vendors were chosen based upon cost, established criteria, demonstrated competence, and verification of references for services performed for other utilities and municipal agencies.

The RFP evaluation process included representatives from the following City departments: Long Beach Gas and Oil, Water, Public Works, Technology Services, and Financial Management. Throughout this RFP process, the City has received consulting support from a contracted vendor, Langham Consulting, a leading professional services firm specializing in utility CIS vendor selections. The evaluation process included in-depth vendor demonstrations, reference checks, visits to utility companies using the systems (El Paso, TX - Electric; City of Tempe, AZ - Water; Pittsburgh, PA - Water and Sewer; and Oklahoma City, OK - Water), and fact-finding sessions with the finalists.

HONORABLE MAYOR AND CITY COUNCIL

July 5, 2011

Page 3

Based upon this process, staff recommends the City execute contracts with the following three vendors:

- Oracle America, Inc., to acquire its Customer Care and Billing/Mobile Workforce Management software.
- EP²M, LLC, to implement and support the specialized software.
- Tele-Works to provide an upgraded interactive voice response system to allow utility customers to check their accounts and pay their bills over the telephone.

At the City's request, EP²M has included in its cost, one future major software upgrade when released. This critical feature has been included to ensure that the new system stays current and supportable for years to come. In addition, system maintenance, support and EP²M-managed services for the three years following implementation are also included in the cost.

Long Beach will be joining municipal and private utility companies throughout the nation that are moving to the Oracle system. It is technically more intuitive, has greater functionality, is less costly to upgrade and enhance, and incorporates best business practices proven in this industry. Among those that have recently implemented or are implementing the Oracle system are: Los Angeles Department of Water and Power, San Francisco Public Utilities, City of Austin Energy, Denver Water Department, Albuquerque/Bernalillo County Water Utility Authority, Golden State Water Company, Pacific Gas and Electric, City of Phoenix, and many others.

Upon receiving City Council approval to purchase and implement Oracle's utility CIS, the next step is to retain professional service resources to manage project implementation to ensure it is completed on time, within budget, and fully meets the needs of the City. The complex and technical implementation involves the lengthy transition from existing supporting systems to new ones with compatible technology. This requires dedicated specialized temporary resources to complete these tasks. Staff will return to City Council requesting approval for support services contracts for project management, quality assurance, and temporary technical staffing contracts. Currently, these support services are in a competitive bidding process, and it is anticipated that Council approval will be sought within the next month.

This letter was reviewed by Deputy City Attorney Gary Anderson on June 16, 2011 and Budget Management Officer Victoria Bell on June 15, 2011.

SUSTAINABILITY

With the implementation of a utility CIS system, the City will achieve a number of environmental and sustainable benefits. It will reduce the volume of paper used for utility bills and mailings, as customers opt for online, paperless billing and payment. It will also facilitate the future transition to automated meter reading, which will reduce vehicle emissions by eliminating the need for meter readers to travel by vehicle on a daily basis to all parts of the City's 50 square miles of utility service territory. Additionally, it will raise awareness of increased energy and water usage through rate structures that make consumers more aware of the need to conserve.

TIMING CONSIDERATIONS

City Council action on this matter is requested on July 5, 2011 to move toward implementation of the new system. The implementation is projected to take 18 months with six additional months of stabilization with the new system.

FISCAL IMPACT

The total overall cost of the software system and implementation of the project, including the agreements with Oracle, EP²M, and Tele-Works, as well as the referenced project support services and City staff time, is an estimated \$14.91 million, spread out over three fiscal years, FY 11, FY 12, and FY 13. This cost will be allocated among the four enterprise operations (gas, water, sewer, refuse), which fund the City's current utility billing function. The allocation is equal to each enterprise's proportionate usage and dependence on the system.

Estimated costs for the project by fund are: Gas Fund (EF 301) \$5.68 million; Refuse Fund (EF 330) \$3.89 million; Water Fund (EF 310) \$3.08 million; and Sewer Fund (EF 311) \$2.26 million. The participating departments will request increases in budget appropriation as needed, as the project moves forward.

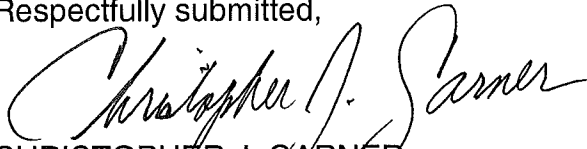
The proposed financing component of \$3,030,000 would be repaid over seven years at an approximate interest rate of 2.48 percent, for an estimated annual cost of \$473,455 to the Gas Fund. The financing would provide approximately 53 percent of the \$5.68 million in project expense that will be paid by the Gas Fund, thus lessening the short-term impact on the cash flow from gas operations in order to maintain the FY 12 and future operating transfers to the General Fund.

The ongoing annual cost of \$1.4 million for Oracle and EP²M-provided support and maintenance for each of the three years after project implementation and stabilization is included in the cost and will be allocated as follows: Gas Fund \$534,000; Refuse Fund \$365,000; Water Fund \$289,000; and Sewer Fund \$212,000.

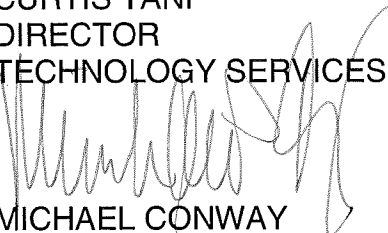
SUGGESTED ACTION:


Approve recommendation.


Respectfully submitted,


CHRISTOPHER J. GARNER
DIRECTOR
LONG BEACH GAS AND OIL


CURTIS TANI
DIRECTOR
TECHNOLOGY SERVICES


MICHAEL CONWAY
DIRECTOR
PUBLIC WORKS


KEVIN WATTIER
GENERAL MANAGER
LONG BEACH WATER


DAVID NAKAMOTO
ACTING DIRECTOR
FINANCIAL MANAGEMENT

APPROVED:


PATRICK H. WEST
CITY MANAGER