



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Stufflebean

**SUBJECT:** SEE BELOW

**DATE:** 05-17-10

Approved

Date

5/19/10

**COUNCIL DISTRICT:** City-Wide

**SUBJECT: THIRD AMENDMENT TO THE AGREEMENT WITH LANGHAM CONSULTING SERVICES, INC. FOR UTILITY BILLING AND CUSTOMER SERVICE CONSULTANT SERVICES**

## **RECOMMENDATION**

Authorize the City Manager to negotiate and execute the third amendment to the Agreement with Langham Consulting Services, Inc. to provide technical planning and implementation services related to the City's utility billing system; to increase the total compensation by \$180,000 to an amount not to exceed \$430,000; and to extend the agreement term through December 31, 2011.

## **OUTCOME**

Approval of this third amendment would provide consultant support for the Administration to complete the Utility Billing System Technology Strategy. The Strategy addresses options and recommends a course of action for the anticipated end of life of the City's Integrated Billing System (IBS) in 2015 to provide a system that can bill over \$200 million in revenue annually and reduce one-time and on-going operational costs for the Recycle Plus, Storm/Sanitary Sewer, Municipal Water, and City Business Tax programs.

## **BACKGROUND**

The City currently provides residential solid waste billing, customer service, and remittance processing through the IBS, utilizing Oracle/PeopleSoft for licensing and support, Kubra for bill-print services and online payment capabilities, and the Customer Contact Center in the Information Technology Department. The IBS system also maintains the service data and contractor payment rates used to determine monthly compensation for most Recycle Plus

services performed, approximately \$84 million per year. All of these agreements expire in 2015, coinciding with the length of the anticipated useful life of the IBS. As detailed in Information Memoranda sent to Council in early March 2010, subsequent to the City signing the contract with PeopleSoft and Oracle acquiring PeopleSoft, the City was made aware that Oracle was not going to continue with support and maintenance of the PeopleSoft Enterprise Revenue Management (PS-ERM) product that the City purchased. Instead, Oracle was focusing on another Oracle product called Customer Care & Billing. The ramifications of Oracle's decision included their acknowledgement that no future versions of the product would be written and only limited support for PS-ERM would be available.

The City retained Langham in 2005 to evaluate, mitigate risk, and provide quality assurance for the IBS implementation project through 2007. The City executed the current agreement in November 2008 and first amendment in April 2009 to increase total compensation to \$250,000. A second amendment in April 2010 extended the term to December 31, 2010. Langham has completed the following tasks under the current agreement: developed specifications for Recycle Plus hauler billing and customer service; provided support for contract negotiation for the hauler billing option; evaluated forty core business processes for billing, collections, and customer service operations which included several recommendations for efficiency improvements; developed transition plan to consolidate decentralized customer service, including bill payment, for Municipal Water to the City Customer Contact Center.

The Administration determined that Langham qualified as a Unique Service exempt from the competitive procurement requirements of the Municipal Code. The expertise Langham offered could not be found with any other contractor for the following reasons:

- Langham had prior experience in 2005 through 2007 with the customized integration of Revenue Management (RM) and Customer Relationship Management (CRM) into one enterprise application. San José has the only installation of the combined RM/CRM in North America.
- Langham possessed detailed system and business process knowledge and could respond to the immediate need for recommendations on upgrades and how to transition to an alternative system(s).

### **ANALYSIS**

The proposed amendment to the agreement with Langham would support several initiatives underway related to the City's utility billing and related customer service operations including:

- Implementation of the short-term billing and customer service efficiencies, including: Large Item Collection billing, cart exchanges, and hauler payment streamlining which currently reside on IBS;

- Development and implementation of a Utility Billing Technology Strategy to address the anticipated end of life for IBS in 2015; and
- Evaluation of the Recycle Plus hauler billing and customer service option.

One of the principal concerns relating to IBS's future is the end of lifecycle subsequent to Oracle's acquisition of PeopleSoft. If the City continues down the path of supporting robust and comprehensive business processes that require this caliber of a system, a major system migration (either replacing or upgrade/reimplementation) will need to be considered within the next three to five years at an estimated cost of approximately \$10 million for purchase and implementation, not including City staff costs.

If the haulers provide Recycle Plus billing and customer service, the remaining services that reside on IBS (Municipal Water, Storm and Sanitary Sewer, and Business Tax billings) could potentially be supported by a less complex system that fully supports the business need, and costing considerably less to implement than the replacement or upgrade of IBS. The City currently provides services that most haulers already provide as a core part of their business model for other municipalities. This includes business functions such as billing, revenue collection, debt recovery, and customer service. On March 30, 2010, Council authorized the City Manager to negotiate agreements with the existing Recycle Plus haulers for a term that ends in 2021. As part of these negotiations, Staff is including an option for the haulers to provide the billing and customer service operations currently supporting by IBS. Langham is assisting the City in developing this agreement option with the haulers.

There are three alternatives to evaluate in moving forward with the IBS Technology Strategy. These include (1) an in-kind upgrade of the system; (2) moving each service to a separate system designed specifically for the utility type billed ("best-of-breed" model); and (3) a combination of both strategies. Per this recommend amendment, Langham would provide advisory support to the Administration as it evaluates these alternatives for the remainder of calendar year 2010 and implementation support for the selected alternative in 2011. Additional specialized technical support beyond what is specified in the Langham agreement may be needed to address specific aspects of the Technology Strategy.

#### **EVALUATION AND FOLLOW-UP**

Staff will present the proposed terms and conditions of the new Recycle Plus hauler agreements to Council in late June 2010 which will include a City option for hauler provided billing and customer service; and seek authority for the City Manager to negotiate and execute these agreements. In late 2010, staff anticipates bringing an IBS Technology Strategy to Council for consideration.

**PUBLIC OUTREACH/INTEREST**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City.
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach.

This recommendation does not meet any of the criteria listed above. This memorandum will be posted on the City's Internet website for the June 8, 2010 Council agenda.

**COORDINATION**

This memorandum has been coordinated with the City Attorney, Finance and Information Technology Departments, and City Manager's Budget Office.

**COST SUMMARY/IMPLICATIONS**

The hourly rates in the agreement have not increased since 2008.

This amendment is funded through a \$450,000 budget proposal approved as part of the 2008-2009 Adopted Operating Budget for designing and implementing efficiencies in the City's utility billing and customer service operations. Of the \$450,000, \$430,000 is earmarked for this contract, with the balance funding an internet security check performed by the Information Technology Department. The revenue source used to pay for this proposal is Recycle Plus Late Fees.

**BUDGET REFERENCE**

Fund #	Appn #	Appn. Name	Total Appn	Amt. of Recommendation	Adopted 2009-2010 Operating Budget Page	Last Budget Action (Date, Ord. No.)
423	0762	Non-Personal/Equipment	\$5,109,819	\$180,000	XI-50	06/23/2009, Ord. No. 28593
<b>Total Funding for Agreement</b>				<b>\$180,000</b>		

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**CEQA**

Not a project

/s/

JOHN STUFFLEBEAN

Director, Environmental Services

For questions please contact Jo Zientek, Deputy Director, Integrated Waste Management Division, at (408) 535-8557.