



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean
Scott P. Johnson

SUBJECT: SEE BELOW

DATE: 06-09-11

Approved

Date

6/9/11

COUNCIL DISTRICT: City-Wide

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

RECOMMENDATION

Authorize the City Manager to approve the fourth amendment to the Agreement with Langham Consulting Services, Inc. to provide professional services related to the City's Integrated Billing System; to increase the total compensation by \$410,000 to an amount not to exceed \$840,000; and to extend the agreement term through December 31, 2012.

OUTCOME

Approval of this fourth amendment would provide consultant support for the Administration to complete and implement the Integrated Billing System ("IBS") Business and Technology Strategy ("Strategy"), and provide further analysis to complete the Service Delivery Evaluation ("SDE") for Recycle Plus Billing and Customer Service. The Strategy addresses options and recommends a course of action to replace the City's current, aging IBS by 2015 to provide a system that can bill over \$250 million in revenue annually and reduce one-time and on-going operational costs for the Recycle Plus, Storm and Sanitary Sewer, Municipal Water, and Business Tax programs. The SDE will provide a decision-making framework by which to evaluate the feasibility and benefit of contracting out Recycle Plus Billing and Customer Service to the City's solid waste haulers.

BACKGROUND

The City currently provides residential solid waste billing, customer service, account maintenance, and remittance processing; business tax billing; municipal water billing; and storm and sanitary billing through the IBS. IBS utilizes Oracle/PeopleSoft for licensing and system support, Kubra for bill-print services and online payment capabilities which the Finance Department and the Information Technology Department's Customer Contact Center use in the course of business. IBS also maintains the service data and contractor payment rates used by the Environmental Services Department ("ESD") to determine monthly compensation for most Recycle Plus services performed which totals approximately \$84 million in payments to the haulers per year. ESD also uses IBS to manage municipal water service order requests.

All of these agreements with Oracle/PeopleSoft and Kubra expire in 2015, coinciding with the projected implementation date for the IBS replacement solution(s). As detailed in the Information Memorandum sent to Council in early March 2010, subsequent to the City signing the contract with PeopleSoft to acquire IBS and Oracle acquiring PeopleSoft, the City was made aware that Oracle was not going to continue to provide updates or develop critical fixes for the PeopleSoft Enterprise Revenue Management ("PS-ERM") product purchased by the City. Instead, Oracle has been focusing on another Oracle product called Customer Care & Billing. Oracle has acknowledged that as a result of this business decision no future versions of PS-ERM would be developed and only limited support for PS-ERM would be available.

The City retained Langham Consulting Services, Inc. ("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. A third amendment in June 2010 increased the total compensation to \$430,000 and the term through December 31, 2011.

The Administration has determined that Langham qualifies as a Unique Service exempt from the competitive procurement requirements of the Municipal Code for the work under this Agreement. 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).
- Langham has specific knowledge related to the system requirements needed for the City's business operation as it relates to Business Tax billing, Municipal Water billing, and

Storm and Sanitary Sewer billing, in addition to the Recycle Plus system requirements and the Customer Contact Center operations.

ANALYSIS

Tasks that have been completed to date under the original agreement include:

- In-depth needs assessment of internal stakeholders and users of IBS;
- In-depth assessment of, and recommended changes to, the core business processes which are a part of IBS and the consolidated Call Center, and of the organizational aspects of the operation;
- Evaluation of the City's full collection processes, including lien process with recommendations on business process efficiencies;
- Evaluation of the Call Center operations and Finance Account Maintenance functions, with recommendations on business process efficiencies;
- Development of a host of options the City could implement to address the eventual new IBS system replacement with corresponding financial modeling;
- Consultation on the implementation of Municipal Water consolidated customer service;
- Development of a financial model that will be able to be used throughout the life of the project to track project spending to date and project costs over the remainder of the project, including cost details of individual staff who work on IBS;
- Compilation of the IBS Technology Strategy report, which is a 160 page document detailing benefits, risks, and estimated costs of several options that the City could implement to address the need to replace IBS by or before 2015;
- Detailed hauler billing provision for incorporation into the new Recycle Plus agreements with Garden City Sanitation and GreenTeam of San Jose that Council approved in 2010; and
- Initial work on the hauler billing contract negotiations and amendment, contract language and implementation plan for the large item pick-up program modifications, updating the financial model to reflect salary savings associated with the salary cuts, IBS operational efficiencies.

Approval of the recommended amendment will provide funding for Langham for the following initiatives related to the City's utility billing and related customer service operations including:

- Supporting the development of the hauler billing option and related hauler contract terms;
- Updating and implementing IBS Business and Technology Strategy to address the anticipated need to replace the system by or before 2015;
- Supporting the implementation of shorter term IBS operational efficiencies for Recycle Plus, including the hauler billing of large item collection services approved by Council as part of the new Recycle Plus agreements in June 2011;
- Modeling the cost/benefit for the SDE of Recycle Plus Billing and Customer Service;

- Providing assistance with the procurement of a replacement solution for IBS for Municipal Water and incorporate replacement solutions for IBS for Storm and Sanitary Sewer and Business Tax billing, including the development of technical and services requirements, and proposal evaluation support;
- Providing detailed project planning for Municipal Water service billing: assisting with schedule and milestone development; coordinating project team; managing testing and determining criteria for the City related to new system acceptance; and assisting in the identification and implementation of a business process to support staff and organizational changes;
- Preparing quarterly status reports to assess process, schedule and financial feasibility forecasts documenting status for all projects considered by the strategic plan:
 - Business Tax system replacement;
 - Solid Waste hauler contracts for billing and customer service;
 - Municipal Water system replacement;
 - Storm and Sanitary Sewer system replacement;
 - Bill printing and electronic bill pay services replacement.
- Identifying risks and recommendations for mitigation measures for possible solutions identified to replace IBS.

EVALUATION AND FOLLOW-UP

In late summer 2011, staff anticipates bringing the SDE to Council regarding Recycle Plus billing and customer Service. A Request for Proposal will also be issued in late summer 2011 for a Business Tax system replacement. In early 2012 an RFP will be issued for a replacement system or systems for Municipal Water and Storm and Sanitary Sewer which are also currently billed on IBS.

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 the criteria above. This memorandum will be posted on the City's Internet website for the June 21, 2011 Council agenda.

COORDINATION

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

COST SUMMARY/IMPLICATIONS

1. TOTAL AMOUNT OF 2011-12 RECOMMENDATION: \$410,000

2. SOURCE OF FUNDING:

Integrated Waste Management (423)	\$150,000
Storm Water Operating (446)	\$50,000
Water Utility (515)	\$40,000
Sewer Service & Use Charge (541)	\$70,000
General Fund (001)	\$100,000

TOTAL RECOMMENDED AMOUNT: \$410,000

3. FISCAL IMPACT: The project has been reviewed and staff has determined that it will have no adverse impact on the General Fund operating budget.

Langham Consulting rates have not increased since 2005.

The Proposed 2011-2012 Operating Budget contains two one-time proposals which would be used to fund this recommendation:

- A \$400,000 City-wide proposal titled Business Tax System in the Strategic Support CSA, of which up to \$100,000 would be used for this amendment.
- A \$165,000 proposal titled Integrated Billing System Transition Support in the Environmental Services Department which would fund professional services for the development of IBS replacement solutions for Storm and Sanitary Sewer and Municipal Water service billing.

Additional funding \$150,000 is available in the proposed 2011-2012 Environmental Services Non-Personal/Equipment appropriation in Integrated Waste Management Fund.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. of Recommendation	Proposed 2010-2011 Operating Budget* Page
423	0762	Non-Personal/Equipment	\$3,840,697	\$150,000	XI-48
446	0762	Non-Personal/Equipment	\$3,451,421	\$50,000	XI-84
515	0762	Non-Personal/Equipment	\$19,763,336	\$40,000	XI-90
541	0762	Non-Personal/Equipment	\$332,649	\$70,000	XI-80
001	TBD**	Business Tax System	\$400,000	\$100,000	IX-13
Total Funding for Agreement				\$410,000	

*The 2011-2012 Proposed Operating Budget is scheduled for consideration by the City Council on June 21, 2011.

** As this appropriation is being established for the first time in 2011-2012, the appropriation number will not be available until the adoption of the budget.

CEQA

Not a Project, File No. PP10-066 (e), Services that involve no physical changes to the environment.

/s/
 JOHN STUFFLEBEAN
 Director, Environmental Services

/s/
 SCOTT P. JOHNSON
 Director of Finance

For questions please contact Wendy Sollazzi, Division Manager, Finance Department at (408) 535-7005, or Jo Zientek, Deputy Director, Environmental Services Department, at (408) 535-8557.