



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Approve Purchase and Implementation of a Customer Information and Utility Billing System

MEETING DATE: April 15, 1998

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: That the City Council approve the purchase and implementation of a Customer Information System from Orcom Systems, Inc. for the City's utility billing and customer service function.

BACKGROUND INFORMATION: The City of Lodi Finance Department provides billing services for electric, water, wastewater, and refuse utilities. The current system is not year 2000 compliant nor does it meet electric deregulation requirements.

Staff members began evaluating various Customer Information System (CIS) packages over a year ago, and at that time studied services and products from over 20 vendors. In addition, staff and two Council Members traveled to Oregon to meet with Orcom representatives and to also meet with an alternative vendor in the state of Washington. The bottom line at the time was a preliminary recommendation to acquire Orcom Systems, Inc.'s Mirror Pond software product. However, the project proposal was quoted at \$977,250 for the package in addition to implementation costs, which put the total project cost at over \$1.2 million. Staff was somewhat hesitant to recommend a project of this magnitude without first evaluating alternatives such as outsourcing the function or becoming a member of a service bureau.

The City subsequently joined efforts with the Northern California Power Agency (NCPA) and with the Southern California Public Power Authority (SCPPA) to collaboratively solicit proposals from CIS vendors. The process was time-consuming yet extremely thorough and involved soliciting Requests for Proposals for four primary options:

1. CIS package acquisition by each individual agency for product of their choice.
2. CIS package acquisition by more than one agency of the same product (volume discounting).
3. Service bureau formation whereby agencies jointly purchase one system and run the system out of one agency.
4. Total outsourcing of the utility billing function.

When the NCPA/SCPPA process was complete, it became quite evident that there were limited choices for immediate, cost-effective solutions; primarily those offered by Enable, SCT, and Orcom. The Finance Director and the Electric Utility Director traveled with representatives from the NCPA/SCPPA group to see first-hand the Enable outsourcing option (which uses Orcom software) and to see the SCT product in service.

Through their review of SCT and Enable, and having previously evaluated the Orcom system, their joint recommendation is the Orcom product. Orcom is "ready-to-go," has the actual software already designed and functional, and is the least costly option to the City on a per customer basis. Mr. Stan Helmle, Information Systems Manager, requested of Orcom that they "refresh" their original proposal cost estimates and has since received a revised proposal of \$793,500 for the package. Total costs associated with the project include the following:

APPROVED: _____

Janet S. Keeter for
H. Dixon Flynn -- City Manager

Initial Costs:

1. *Orcom Software and Quick Start* – The Orcom Mirror Pond software is a customer information and billing system (CIS) software. The Quick Start implementation methodology has been developed to provide a more reliable, cost-effective method of installation, which attributes to the reduction in cost from Orcom's original proposal.

Cost - \$793,500

2. *Hardware Upgrade* – The IBM AS/400 hardware is in place at the City of Lodi. Hardware is needed to ensure that at least 40 gigabytes of useable disk space is available for the implementation of the Mirror Pond CIS.

Cost - \$54,000

3. *Rate Studies Module* – This application allows for the creation and storage of multiple rate scenarios for comparison and analysis. It can create "what-if" scenarios and will help provide quick response to new economic development opportunities and to staying competitive in a deregulated utilities market.

Cost - \$30,000

4. *Project Contingency* – A typical project budget will include a contingency for unforeseen costs in addition to those costs not yet defined. Contingencies will often range from 10% - 20% depending on the project scope. The Orcom project is well defined; however, the current system, like antiquated infrastructure, may present unanticipated problems. Staff is recommending a 15% contingency.

Cost - \$119,025

Annual Costs for First Three Years:

1. *Contract Analyst* – Since current staff members are entrenched in the J.D. Edwards Financial Systems project as well as the day-to-day demands of data processing, the addition of one contract programmer analyst whose main focus will be CIS will be required for a three-year period to see the project through full implementation.

Cost Per Year - \$65,000

Annual Costs:

1. *Orcom Extended Support* – The extended support program will ensure that the information system keeps pace with technological advancements, new ideas and changing regulations, thereby protecting the investment in the system and the training of staff.

Cost Per Year - \$53,820

City staff members have conducted an extremely thorough review of CIS options in order to confidently make the aforementioned recommendation for the Orcom project. The final capital outlay for the project will be \$956,850, which includes one time costs of:

• Orcom package and implementation	\$	793,500
• Hardware upgrade	\$	54,000
• Rate studies module	\$	30,000
• Contingencies	\$	119,025
TOTAL	\$	996,525

Annual costs will include a three-year contract for an analyst for a total of \$195,000 (or, \$65,000 per year including salary and benefits). There will also be annual costs for extended support by Orcom in the amount of \$53,820 per year.

In addition, it is anticipated that in the near future, the Finance Department will find it necessary to focus a considerable amount of resources on customer service functions. This function, although in place now, will grow and change along with the evolution of deregulation and may make it necessary to hire and train employees in a full-time capacity where the Department now has part-time employees.

FUNDING: Enterprise Capital Funds:
65% Electric Utilities
17.5% Water
17.5% Wastewater

Funding Available:


Vicky McAthie, Finance Director

Respectfully,



Janet S. Keeter
Deputy City Manager

Prepared By: Stan Helmle, Richard Prima, Roy Todd,
Vicky McAthie, and Alan Vallow

Attachment

cc: Electric Utility Director
Finance Director
Information Systems Manager
Public Works Director
Data Processing Manager

Summary of Costs

SOFTWARE

Mirror Pond CIS

Customer Information System \$ 259,000

Includes:

Utility Billing

Service Orders

Utility Contacts

Utility-Defined Screen Facility

40 Orcom Panel Licenses

Facilities Data Manager \$ 30,000

CIS Interfaces & Complementary Software

Itron Meter Reading Interface \$ 10,000

Third-Party Products

Seagull Charge (40 @ \$250/User) \$ 10,000

Total Orcom Systems' Software \$ 309,000

Summary of Costs

QUICKSTART IMPLEMENTATION SERVICES

Estimated Project Management Cost (500 hours billable at \$150 per hour, per person)	\$ 75,000
Estimated Hardware Installation and Setup (50 hours billable at \$150 per hour, per person)	\$ 7,500
Estimated Core Group Project Orientation (40 hours billable at \$100 per hour, per person)	\$ 4,000
Estimated Business Analysis (400 hours billable at \$150 per hour, per person)	\$ 60,000
Estimated Software Installation (50 hours billable at \$100 per hour, per person)	\$ 5,000
Estimated Core Group Training (15 student weeks; \$2,000 per student)	\$ 30,000
Estimated Custom Programming (500 hours billable at \$150 per hour, per person)	\$ 75,000
Estimated Interface Programming (200 hours billable at \$150 per hour, per person)	\$ 30,000
Estimated Conversion Programming (600 hours billable at \$150 per hour, per person)	\$ 90,000
Estimated Acceptance Testing (120 hours billable at \$150 per hour, per person)	\$ 18,000
Estimated End User Project Orientation (40 hours billable at \$150 per hour, per person)	\$ 6,000
Estimated End User Training (300 hours billable at \$100 per hour, per person)	\$ 30,000

Summary of Costs

QUICKSTART IMPLEMENTATION SERVICES (continued)

Estimated Go-Live Support (300 hours billable at \$150 per hour, per person)	\$ 45,000
Estimated Audit Support (60 hours billable at \$150 per hour, per person)	\$ 9,000
Total Estimated QuickStart Implementation Cost	\$ 484,500
Total Proposed Cost	<u>\$ 793,500</u>

***NOTE:** The hours that we have quoted are estimates only. Clients will be billed for installation and training services as outlined on Orcom's Rate Structure. Installation and training costs do not include any travel, meal and lodging expenses.*

Summary of Costs

ORCOM SUPPORT

Orcom Premium Extended Support \$ 53,820

(18% of the total Orcom Software Cost, billed annually.
Please see Extended Support for details)

RESOLUTION NO. 98-61

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE PURCHASE AND IMPLEMENTATION
OF THE CUSTOMER INFORMATION SYSTEM FROM
ORCOM SYSTEMS, INC. FOR THE CITY'S UTILITY
BILLING AND CUSTOMER SERVICE FUNCTION

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WHEREAS, Lodi Municipal Code, §3.20.070, authorizes dispensing with bids for purchases of supplies, services or equipment when it is in the best interests of the City to do so; and

WHEREAS, the current billing services provided by the Finance Department is not year 2000 compliant, nor does it meet electric deregulation requirements; and

WHEREAS, the staff and Council began evaluating various Customer Information System (CIS) packages over a year ago; and

WHEREAS, the preliminary recommendation was to acquire Orcom Systems, Inc.'s Mirror Pond software product, but due to the total project cost of \$1.2 million, staff sought to evaluate other alternatives such as outsourcing the function or becoming a member of a service bureau; and

WHEREAS, the City subsequently joined efforts with the Northern California Power Agency (NCPA) and with the Southern California Public Power Authority (SCPPA) to collaboratively solicit proposals from CIS vendors; and

WHEREAS, the process involved soliciting Requests for Proposals for four primary options:

1. CIS package acquisition by each individual agency for the product of their choice.
2. CIS package acquisition by more than one agency of the same product (volume discounting).
3. Service bureau formation whereby agencies jointly purchase one system and run the system out of one agency.
4. Total outsourcing of the utility billing function.

WHEREAS, it was determined that there were limited choices for immediate, cost-effective solutions; primarily those offered by Enable, SCT, and Orcom; and

WHEREAS, the Finance Director and the Electric Utility Director traveled with representatives from the NCPA/SCPPA group to see the Enable outsourcing option (which uses Orcom software) and the SCT product in service; and

WHEREAS, through their review of SCT and Enable, and having previously evaluated the Orcom System, the NCPA/SCPPA group and the City of Lodi's representatives recommend the Orcom product.

WHEREAS, it is staff recommendation that the City purchase and implement the Customer Information System from Orcom Systems, Inc. for the City's utility billing and customer service function.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lodi does hereby approve the purchase and implementation of the Orcom Information System from Orcom Systems, Inc., in the estimated amount of \$996,525.00.

Dated: April 15, 1998

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I hereby certify that Resolution No. 98-61 was passed and adopted by the City Council of the City of Lodi in a regular meeting held April 15, 1998 by the following vote:

- AYES: Council Members - Johnson, Land, Pennino and Sieglock (Mayor)
- NOES: Council Members - Mann
- ABSENT: Council Members - None
- ABSTAIN: Council Members - None

Alice M. Reimche
 ALICE M. REIMCHE
 City Clerk