



**Purchasing Modification
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

AGENDA ITEM NO.: 41
AGENDA DATE: Thu 05/27/2004
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SUBJECT: Authorize negotiation and execution of Amendment No. 3 to the service agreement with ORCOM SOLUTIONS, INC., Bend, OR, DBA ALLIANCE DATA SYSTEMS, to purchase additional software modules and services (Online Customer Care and Electronic Bill Presentment and Payment) and to pay for increased volume and services to the Customer Information System in an amount not to exceed \$14,996,505, for a revised total agreement amount not to exceed \$67,386,442.

AMOUNT & SOURCE OF FUNDING: Funding in the amount of \$1,367,345 is available in the 2003-2004 Amended Operating Budget for the Electric Utility Department. Funding for future years is contingent upon available funding in future budgets.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Purchasing
DEPARTMENT:for Austin Energy;

DIRECTOR'S
AUTHORIZATION: Vickie Schubert

FOR MORE INFORMATION CONTACT: Mario Guerrero, Senior Buyer/322-6307

PRIOR COUNCIL ACTION: 1/14/98-Approved original Contract; 09/9/99-Approved Amendment No.1.

BOARD AND COMMISSION ACTION: N/A

PURCHASING: N/A

MBE / WBE: This contract was awarded in compliance with Chapter 2-9 of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

Approval is being requested for Amendment No. 3 in the total amount of \$14,996,505, which will 1) implement online access for utility account inquiries and for electronic bill payment – Online Customer Care and Electronic Bill Presentment and Payment (OCC/EBPP); 2) increase the authorization for other production services; and 3) increase the authorization for the billing fee.

On January 14, 1998, Council approved a ten-year service agreement in the amount of \$51,453,600 with en.able for a Customer Information System (CIS) and subsequent production services. en.able and its successors have been acquired since the original contract was approved by Council as follows: 1) 1999, en.able assigned contract to Orcom a wholly owned subsidiary of en.able; 2) March 2000, LiveWire acquired Orcom and en.able was dissolved; 3) December 2003, ADS Alliance Data Systems, Inc. acquired Orcom (now operating as Orcom Solutions, Inc., DBA Alliance Data Systems). On September 9, 1999, Council approved Amendment No. 1 in the amount of \$675,000 for a total not to exceed \$52,128,600. By companion RCA, Council is being requested to ratify Amendment No. 2 in the amount of \$261,337, for a total not to exceed \$52,389,937. (See RCA #5074 for description of services)

As a result of advances in technology and the deregulation of the electric utility industry in Texas, customer demands have changed and customer service expectations have increased. To address these



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changes and maintain a favorable position in the market, Austin Energy (AE) must be able to offer customers online electronic review, payment of utility accounts, and online requests for service. Customers already have the capability to pay for utility service by paper billing, walking into AE, going to pay stations around town, or by telephone. The OCC/EBPP program will allow customers to review their utility bills and pay online. All City utility services currently included in the billing statement, e.g., electric, water, wastewater, solid waste, drainage and the transportation user fee, will be viewable and payable online. This functionality was approved as a future option in the original RCA.

Implementation of the OCC/EBPP functionality will offer City of Austin customers: 1) secure, timely and accurate bill presentment and payment capabilities for residential, commercial and industrial customers; 2) an option that allows customers to review payment and usage history; update account information, such as mailing address; and initiate a bill inquiry; 3) an option that allows customers to connect, disconnect or transfer utility services; and 4) customer access to the online system at the AE website on a 24-hour/ 7-day a week basis. Utility customers will have three options for online bill payment: 1) an electronic check, 2) credit card, or 3) debit card. Implementation costs of EBPP services are an estimated \$562,000.

The cost of production services has increased due to account growth, use of collection services, excess postage charges and ongoing SAS 70 audits. This increase, in addition to the annual costs for OCC/EBPP, requires an annual cap of \$616,000 for production services with a 3% annual growth factor. The current cap is \$150,000. The total increase for the balance of the contract for these services is \$2,812,738 (\$1,566,000 for OCC/EBPP, and \$1,246,738 for other production services).

AE originally estimated the utility billing fee based on 321,000 customer accounts a month at \$1.18 per bill for an estimated \$4,545,360 per year. That estimate has been exceeded since going live in 1999. Currently, AE is billing over 400,000 accounts per month. AE will need an additional \$11,621,767 over the remaining 5 years and 5 months of the 10-year contract to allow for the currently anticipated 3% account growth per year.

Contract Awarded	1/14/98	\$51,453,600
Amendment No. 1	8/19/99 (for additional implementation costs)	\$ <u>675,000</u>
		\$52,128,600 (Total w amend #1)

Amendment No. 2	pending Council action (for ratification)	\$ <u>261,337 *</u>
		\$52,389,937 (Total w amend #2)

Amendment No. 3 Requested as follows:

OCC/EBPP Implementation	\$ 562,000
Production Services Increase	\$ 2,812,738
Billing Fee Increase	<u>\$11,621,767</u>
	\$ 67,386,442 (Rev. total w amend #3)

*A companion item requests ratification of Amendment No. 2 to the agreement with Orcom Solutions, Inc. DBA Alliance Data Systems, for increased bill production expenditures.