



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

AGENDA ITEM NO.: 40
AGENDA DATE: Thu 05/27/2004
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SUBJECT: Ratify Amendment No. 2 to the contract with ORCOM SOLUTIONS, INC., Bend, OR, DBA ALLIANCE DATA SYSTEMS, for costs incurred for the Customer Information System's production services rendered in excess of authorized spending limits in an amount not to exceed \$261,337, for a revised total contract not to exceed \$52,389,937.

AMOUNT & SOURCE OF FUNDING: Funding in the amount of \$261,337 is available in the 2003-2004 Amended Operating Budget for the Electric Utility Department.

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

REQUESTING Purchasing **DIRECTOR'S**
DEPARTMENT: for Austin Energy; **AUTHORIZATION:** Vickie Schubert

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

PRIOR COUNCIL ACTION: 01/14/98-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.

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.

All of the City's utilities including electric, water, wastewater, solid waste, drainage and the transportation user fee are included in the services provided under this service agreement. The implementation of the CIS included software installation, software configuration and enhancement, testing, training, etc. The CIS provides a process whereby each City of Austin customer bill is generated based upon applicable rates and the services received. The bill includes pertinent customer billing information such as address, location, consumption history, and account number. The CIS also prepares the bills for mail out to the customers, performs processing of service orders, conducts meter inventory, stores usage history, and maintains accounts receivable. The CIS is interfaced with other systems used by Austin Energy including those for meter reading, remittance processing and the City's financial system. Production services include processing of credit card payments, collections, and adding item inserts.

The ten-year service agreement included the following costs: 1) the CIS implementation fee in an amount



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not to exceed \$4,500,000; 2) the annual estimated utility billing fee in the amount of \$4,545,360; and 3) the annual production services cost in an amount not to exceed \$150,000, for a total not to exceed \$51,453,600. On September 9, 1999, Amendment No. 1 to the contract increased the project implementation fee by an amount not to exceed \$675,000 because AE delayed the "go live" date to increase the scope of work. The amount authorized by Council for the original contract and Amendment No. 1 was for a total not to exceed \$52,128,600.

This request is for ratification of expenditures in the amount of \$261,337 made by Austin Energy for unforeseen CIS production expenses in excess of the authorized spending limit primarily due to an increased customer base. While performing its due diligence, Austin Energy discovered that the annual \$150,000 bill production services' ceiling was exceeded in FY 2000-2001 by \$34,331, in FY 2001-2002 by \$26,018, and in FY 2002-2003 by \$200,988, for a total of \$261,337. The three primary reasons for exceeding the authorized amount are: 1) account growth of the utility system in the late 90's, was higher than anticipated; 2) collection efforts by Austin Energy were increased significantly; and 3) expenditures were made for excess postage and on-going, annual SAS 70 audits of the Orcom Solutions, Inc. contract that were not included within the scope of the original contract. The requested ratification of Amendment No. 2 will result in a total contract amount not to exceed \$52,389,937.

Contract Awarded	1/14/98	\$51,453,600
Amendment No. 1	9/9/99	\$ 675,000
Ratification of Amendment No. 2		<u>\$ 261,337</u>
		\$52,389,937

A companion item requests approval of Amendment No. 3 to the Agreement with Orcom Solutions, Inc., DBA Alliance Data Systems, for a new online customer care and electronic bill payment functionality.