



Los Angeles  
Department of  
Water & Power

RESOLUTION NO. \_\_\_\_\_

BOARD LETTER APPROVAL

A handwritten signature in blue ink, appearing to read 'David H. Wright'.

**DAVID H. WRIGHT**  
Chief Administrative Officer

A handwritten signature in blue ink, appearing to read 'Marcie L. Edwards'.

**MARCIE L. EDWARDS**  
General Manager

**DATE:** September 24, 2015

**SUBJECT:** Amendment No. 2 to Agreement No. 47964 with Wausau Financial Systems, Inc.

**SUMMARY**

The purpose of this proposed amendment is to furnish and deliver software, hardware, equipment, maintenance, support, supplies, and replacement parts for a term of five years and an amount not to exceed \$3,200,000 (budgeted).

The amendment is needed to extend Los Angeles Department of Water and Power's (LADWP) use of Wausau Financial Systems, Inc.'s (WFS) Image-Based Remittance Processing System (System), which manages and tracks mailed customer payments. Additional funds are also needed to integrate the System with LADWP's upgraded remittance equipment and to establish a secondary remittance center to ensure uninterrupted processing of the 10,000 to 15,000 daily mailed customer payments.

This agreement with WFS, as well as the previous one, was established for a five-year period due to WFS's time limitations regarding price commitments. With other current customer technology priorities, LADWP is requesting this amendment rather than evaluating other solutions. This will minimize potential system disruptions and customer impact. LADWP will then issue a request for information (RFI) in 2018 to evaluate the best remittance processing options considering cost, technology, integration complexity, and ease of operation/training process.

City Council approval is required according to Charter Section 373.

**RECOMMENDATION**

It is requested that the Board of Water and Power Commissioners adopt the attached Resolution recommending City Council's approval of Amendment No. 2 to Agreement No. 47964 with WFS, as required in Charter Section 373.

## **ALTERNATIVES CONSIDERED**

WFS is the sole authorized source for hardware, software, maintenance, and support for the System. There are no alternatives for procuring hardware, software, maintenance, and support for the System.

Alternate vendors would have comparable annual software costs, but would require significant additional costs for system setup and integration, bank integration, process changes, and employee training. Furthermore, the recent purchase of 28 WFS workstations and two servers, at a cost of \$358,000, would be abandoned.

Not awarding this Amendment No. 2 would result in manually processing the payments, which average 10,000 to 15,000 checks and \$10 million daily and would cause a processing delay of at least five days. This delay would have significant disruptive customer impact and would delay operational cash flow. Approximately 16 additional staff, at an annual cost of \$1.2 million, would need to be added to achieve the current production of same-day payment processing.

## **FINANCIAL INFORMATION**

The table below indicates the breakdown of costs:

	<b>Term</b>	<b>Total Maximum Expenditure</b>
Original Period	5 years	\$750,000
Amendment No. 1	Additional 6 months	\$738,727
Amendment No. 2 (Proposed)	Additional 5 years	\$1,711,273
<b>Agreement Total</b>		<b>\$3,200,000</b>

The proposed Amendment No. 2 will extend the existing Agreement to December 31, 2020.

## **BACKGROUND**

LADWP's revenue stream is dependent upon the timely processing of customer payments. LADWP receives 10,000 to 15,000 envelopes containing customer payments daily via United States mail at the Remittance Processing Center (RPC). Seventy-five percent of customer payments are processed automatically by the remittance processing equipment, and the remaining 25 percent of customer payments have to be processed manually. Customer payments average \$10,000,000 per day. Payments are generally forwarded to the bank and posted on the same day they are received.

The software platform used to operate LADWP's image-based remittance processing system is WFS's Image RPS. Image RPS is a proprietary product of WFS and requires WFS to support and maintain it. WFS has provided software, hardware, equipment, maintenance, support, supplies, and replacement parts to operate LADWP's image-based remittance processing system since 1999.

On August 3, 2010, the Board of Water and Power Commissioners approved Agreement No. 47964 between LADWP and WFS to provide software, hardware, equipment, maintenance, support, supplies, and replacement parts. Agreement No. 47964 was awarded for a term of five years, starting July 1, 2010, and ending June 30, 2015, with a not-to-exceed amount of \$750,000.

On January 11, 2013, the Board of Water and Power Commissioners approved Amendment No. 1 to Agreement No. 47964 between LADWP and WFS to upgrade existing equipment and to acquire additional equipment for LADWP's remittance processing system. Amendment No. 1 to Agreement No. 47964 increased the contract limit of \$750,000 by \$738,727 for a not-to-exceed amount of \$1,488,727, and extended the expiration date from June 30, 2015, to December 31, 2015.

Amendment No. 2 includes a disaster recovery site setup for the Secondary Remittance Processing Center in Van Nuys. This facility will provide redundancy for processing customer payments.

In the past, WFS only offered five-year quotes. When the previous five-year agreement (No. 47463-6) with WFS expired in 2010, Solicitation Letter No. SL289-10 was issued with the intention to establish a new five-year agreement. Agreement No. 47964 was awarded as a result of SL289-10.

LADWP has worked with WFS in the past and their performance has been satisfactory to date.

The City Administrative Officer (CAO) Report dated September 2, 2015, is attached.

### **ENVIRONMENTAL DETERMINATION**

In accordance with Section 15060 (c)(3) of the California Environmental Quality Act (CEQA) Guidelines, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(2) states that continuing administrative or maintenance activities, such as a mailing service, does not meet that definition.

### **CITY ATTORNEY**

The Office of the City Attorney reviewed and approved the Amendment and Resolution as to form and legality.

### **ATTACHMENTS**

- Procurement Summary
- Resolution
- Amendment
- CAO Report