



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

DAVID H. WRIGHT
Chief Administrative Officer

MARCIE L. EDWARDS
General Manager

DATE: January 20, 2016

SUBJECT: Amendment No. 1 to Agreement No. 47005 for Customer Remittance Processing Center With Opex Corporation

SUMMARY

The proposed Amendment No. 1 (Amendment) increases Agreement No. 47005 (Agreement) amount by \$2,745,628 (budgeted) from \$554,372 to a not-to-exceed amount of \$3,300,000 and extends the term by five years to September 12, 2021.

The Amendment is to: 1) purchase bill envelope extractor equipment to establish a secondary remittance center and ensure reliable handling of customer payments; 2) establish five years of maintenance and support for the existing and new remittance equipment; and 3) consolidate the various Opex support service agreements under this Agreement.

LADWP's primary remittance processing center handles 12,000 customer payments daily and has the capacity to handle over 30,000 payments if monthly billing is implemented. With the establishment of a secondary remittance center, the Los Angeles Department of Water and Power (LADWP) will ensure uninterrupted processing of customer payments in case the primary center is unable to. The total cost of the new equipment for the backup center and replacement of ten-year old equipment at the John Ferraro Building (JFB) is \$1,038,392, which will consist of: one (1) Opex Eagle high-speed envelope extractor, and six (6) Falcon Rapid Extraction Desks. The equipment purchase cost will include installation services for the replacement equipment at the JFB main remittance center and the new equipment at the Van Nuys center.

The five-year maintenance and support services for all of LADWP's Opex equipment is \$1,707,236, or approximately \$342,000 annually. Service maintenance coverage will consist of full-time coverage (Monday through Friday, eight consecutive hours per day) for the primary remittance processing center at JFB and disaster readiness coverage (Dark Site Services) for the secondary remittance processing center in Van Nuys.

City Council approval is required according to Charter Section 373.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval of Amendment No. 1 to Agreement No. 47005 with Opex Corporation (Opex) as required in Charter Section 373.

ALTERNATIVES CONSIDERED

There is no short-term alternative to this Amendment. To minimize billing system changes and the introduction of new related systems during the current stabilization period, the use of the existing Opex bill remittance equipment will be extended for another five years. Opex is the sole authorized source for sales, parts, and service on its equipment; therefore, no alternatives are currently available without a full system replacement. No third party has been authorized to provide service maintenance for Opex equipment, and all warranty items and equipment support are handled directly through the Opex World Headquarters in Moorestown, New Jersey. However, a Request for Information (RFI) will be developed and issued within the next two years to identify potential remittance equipment options and potential back-up options.

FINANCIAL INFORMATION

The proposed Amendment No. 1 will extend the term five years and increase the contract limit by \$2,745,628. The table below indicates the breakdown of costs for the proposed Agreement and for the additional Opex Agreement being combined with this Agreement:

Opex Agreement Summary: 2011 - Present		
	Term	Total Maximum Expenditure
Bid No. N-7406	1 year	\$ 1,263,662
Agreement No. 47005 - Original	5 years	\$ 554,372
Sub-Total Previous Opex Agreements	5 years	\$ 1,818,034
Agreement No. 47005- Amendment No. 1 (Proposed)	5 years	\$ 2,745,628
Agreement No. 47005 Total		\$3,300,000
Opex Total Expenditures	10 years	\$ 4,563,662

BACKGROUND

On June 21, 2011, the Board approved Agreement No. 47005 between LADWP and Opex to provide hardware and software maintenance, support services, and licensing fees for equipment that was previously purchased in 1998 and 2005, which consisted of an Opex System 150 high-speed remittance processor, four (4) Opex Model 60 rapid extraction desks, and an Omaton Model 2100 envelope opener. The Agreement was awarded for a term of five years, starting September 13, 2011, and ending September 12, 2016, with a maximum not-to-exceed amount of \$554,372.

On May 24, 2013, the Board approved a separate sole source award to Opex to furnish two (2) Eagle high-speed remittance processors in accordance with Bid No. N-7406, which were delivered in February 2014 and included the first year of maintenance.

LADWP's revenue stream is dependent upon the timely processing of customer payments received by mail. The primary remittance processing center can process in excess of \$20 million on any given day. Inability to process customer payments at the primary site due to fire, water leak, and/or power outage will affect the revenue stream and can create increased call volume for the Customer Contact Center and increased work for the Field Groups. The secondary remittance processing center is a Dark Site facility which will be placed into service to process customer payments if the primary remittance processing center is unavailable.

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

The City Administrative Officer (CAO) Report dated December 24, 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 hardware and software support services, does not meet that definition.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved Amendment No. 1 to Agreement No. 47005 and the Resolution as to form and legality.

ATTACHMENTS

- Procurement Summary
- Resolution
- Amendment No. 1 to Agreement No. 47005
- CAO Report Dated December 24, 2015