



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

Handwritten signature of Donna I. Stevener in blue ink.

DONNA I. STEVENER
Chief Administrative Officer

Handwritten signature of David H. Wright in blue ink.

DAVID H. WRIGHT
General Manager

DATE: January 19, 2018

SUBJECT: Amendment No. 3 to Agreement No. 47930 for Automated Document Factory and Customer Bill Redesign Services – Ricoh Production Print Solutions, LLC

SUMMARY

The proposed Amendment No. 3 (Amendment) extends Agreement No. 47930 (Agreement) by adding 5 years to the term beginning on July 1, 2018, for a cumulative term of 13 years, and increases the Agreement amount by \$7,696,233 from \$14,968,750 to a new not-to-exceed amount of \$22,664,983 (budgeted).

The Amendment allows Ricoh Production Print Solutions, LLC (Ricoh) to continue furnishing and delivering hardware and software maintenance support services, software licenses and upgrades, equipment upgrades and purchases, and professional services for the existing Ricoh IP 5000 mainframe printers. The services will ensure that the equipment is well maintained to support the customer bill printing process and minimize any disturbances that will negatively impact LADWP's ability to bill customers and generate revenue, particularly as LADWP transitions from bi-monthly to monthly billing.

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 the Amendment to the Agreement with Ricoh.

ALTERNATIVES CONSIDERED

The following alternatives to the proposed Amendment were considered:

- A. Develop and advertise a new solicitation and award a new contract.
- B. Do not amend the Agreement and terminate the services as scheduled on June 30, 2018.

Alternative A is not a cost-effective option because LADWP would be required to abandon all the time and funding invested in the current printer equipment, software licenses and upgrades in support of the automation of the print-to-mail process. Moreover, due to the proprietary nature of the Ricoh equipment and software products, maintenance services can only be performed by Ricoh technicians.

Alternative B is not a desirable option at this time. It is not in LADWP's best interest to be without maintenance support coverage for the Ricoh IP 5000 mainframe printers. The maintenance support available through this Agreement is crucial to generate a steady cash flow for LADWP to support its normal business operations. Any disturbances in the bill printing process will negatively impact LADWP's ability to bill customers and generate revenue.

As a result of the ongoing settlement efforts to the recent litigation associated with incorrect customer billing, it is critical for LADWP to ensure that customer billing is accurate and that no interruptions occur in the customer bill print process. Any changes in the printing equipment would require modification to all related printing materials simultaneously to maintain compatibility; any of these changes could cause an unstable bill print environment. LADWP deemed it most practicable to amend the existing Agreement at this time to minimize uncertainty.

FINANCIAL INFORMATION

The Amendment will extend the term from June 30, 2018 through June 30, 2023; and increase the not-to-exceed amount by \$7,696,233 from \$14,968,750 to \$22,664,983 (budgeted).

The table below provides the cost breakdown:

	Current Maximum Expenditure	Amendment Increase Amount	Total Maximum Expenditure
Original Agreement: Total Term: 3 Years	\$8,019,388 (plus 5% Contingency, \$400,969)		\$ 8,019,388
Amendment No. 1		\$1,999,783	\$10,019,171
Amendment No. 2 (Add 5 years, 5 months and 2 days: Total Term: 8 years, 5 months and 2 days)		\$4,949,579	\$14,968,750
Amendment No. 3 (Add 5 years) Total Term: 13 years		\$7,696,233	\$22,664,983
Agreement Total			\$22,664,983

BACKGROUND

On January 19, 2010, the Board approved the Agreement with Ricoh under Resolution No. 010 209, allowing for the purchase of two IP 5000 printers and peripheral devices with maintenance services, Automated Document Factory (ADF) software system, and professional services for the redesign, development, and implementation of customer bills. The original Agreement was for an amount not-to-exceed \$8,019,388 and a period of three years to January 29, 2013.

On September 20, 2011, the Board approved Amendment No. 1 to the Agreement to increase the contract limit by \$1,999,783 to a not-to-exceed amount of \$10,019,171 with no extension of time. The increased Agreement amount provided modifications to the existing equipment and interface in support of the bill print requirements for Customer Information System Connection (CISCON) operations.

On May 3, 2013, the Board approved Amendment No. 2 to the Agreement to provide maintenance services of LADWP's large bill production and backup disaster recovery printers and maintenance of the software that supports the automation of the print-to-mail process. The Agreement amount was also increased by \$4,949,579 to a not-to-exceed amount of \$14,968,750 and the Agreement term was extended for an additional five years, five months, and two days from January 29, 2013 through June 30, 2018.

Since the inception of the Agreement, Information Technology Services Division (ITSD) processed miscellaneous Administrative Amendments to the Agreement to address programming changes, enhancements in application and related software configuration to continuously support production activities of CISCON.

LADWP utilizes Ricoh printing equipment and associated software licenses to print customer bills. It is critical for LADWP to maintain an uninterrupted bill print process to ensure a constant cash flow to support its daily business operations. Ricoh equipment and software licenses are of proprietary nature; only Ricoh personnel have the skillset and expertise required to perform maintenance and professional services. Additionally,

the existing Agreement guarantees a two-hour response time and expedited parts, which are both essential to minimize the equipment down time should any problems arise.

ITSD has been monitoring the printer performance since 2010. The printers function satisfactorily and have not shown any dire need for replacement at this time. Ricoh informed ITSD that there is no definite product life span for its IP 5000 printers. As such, ITSD determined to continue using the existing printers while constantly evaluating the printer performance and replacement plan.

ITSD currently utilizes the Ricoh Processing Director (RPD) software during the customer bill print-to-mail process ensuring all customer letters and bills are addressed correctly. This software was customized and configured specifically to meet LADWP's customer bill design and redesign requirements and support its print-to-mail process. Any changes associated with the printer model, print-to-mail process, bill design, etc. will require reconfiguration and testing of the existing RPD software or other vendor software for compatibility with the printer, which would take a minimum of one year to complete.

The paper and ink used for the customer bill print process are also specially configured to comply with the printer and associated software requirements. Similarly, any changes in the printer and software will require modifications in the product specifications of paper and ink and administration of a lengthy testing process to ensure technological compatibility.

Ricoh has performed satisfactorily under this agreement.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's (CAO) Report was approved on March 23, 2018.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines 15060 (c)(3). In accordance with Section 15060 (c)(3) of the CEQA Guidelines, an activity is not subject to CEQA if it does not meet the definition of a Project. Section 15378 (b)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. Since the work under this Amendment would provide support for hardware and software maintenance services, software licenses, printer equipment purchase, and professional services, the proposed action is not subject to CEQA.

CITY ATTORNEY

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

ATTACHMENTS

- Procurement Summary
- Resolution
- Amendment
- CAO Report