



DATE: April 22, 2025

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adopt a Resolution Authorizing the City Manager to Execute Amendment No. 1 to the Agreement with Invoice Cloud Inc. to Extend the Term by Three Years in an Amount Not to Exceed \$1,812,000, with an Option for an Additional Two-Year Extension, for a Total Amount Not-to-Exceed \$3,248,000 over Five Years, to Continue Providing Utility Billing Services

RECOMMENDATION

That City Council adopts the attached resolution (Attachment II) to amend the agreement with Invoice Cloud, Inc., (Invoice Cloud) for electronic bill payment and presentment services for utility billing and extend the Initial Term by three years in an amount not-to-exceed \$1,812,000, with the option for the City, at its sole discretion, to extend and increase the contract for two (2) additional years for a total amount not-to-exceed \$3,248,000 over five years.

SUMMARY

The City's current agreement with (Invoice Cloud) for electronic bill payment and presentment services for utility billing expires May 30, 2025. Staff seeks to amend this agreement to extend services for another three years, after which the City can extend and increase the contract for two additional years. Based on projected development in the City, anticipated increases in utility rates, and anticipated increases in bank fees, staff projects that an extension of the current agreement will cost up to \$3,248,000 over five years.

BACKGROUND

In June 2022, the City launched WaterSmart, an online water customer portal, to provide utility customers with a single platform for viewing water usage data, online bill payment, and customizing notifications for water consumption and bills. The bill payment functionality within WaterSmart requires integration with another software-as-a-service provider, Invoice Cloud.

In addition to facilitating online payments through the water customer portal, Invoice Cloud provides a centralized platform for customers to set up automated bill payment reminders, automated bill pay (autopay), Electronic Fund Transfers (EFT) payments, Automated Clearing House (ACH) payments, online bank direct payments, and payment by phone. The implementation of Invoice Cloud also expanded payment methods for customers, who can now pay their utility bills with cash at participating retail stores or use online methods such as Venmo and Paypal.

Invoice Cloud processes 13,000 to 17,000 transactions for Hayward utility customers per month. In the past year, this platform has processed over \$30.7 million in transactions. Adoption of online payments has increased steadily over time, and most payments are now completed by either credit/debit card (54%) or EFT/ACH (34%). Approximately 40% of customers are enrolled in paperless billing.

DISCUSSION

Factors Impacting the Cost of Utility Billing Services. Utility billing service costs can be broken down into three categories of expenses: (1) monthly fees paid to Invoice Cloud for accessing the utility billing platform, (2) service charges paid to Invoice Cloud per transaction, and (3) bank fees paid to financial institutions per transaction.

The first category, monthly fees paid to Invoice Cloud, makes up around 1% of utility billing service costs. These expenses are not expected to fluctuate drastically from year to year.

Approximately 43% of expenses are associated with the second category, service charges paid to Invoice Cloud. Monthly service charges fluctuate depending on the total number of transactions, transaction amounts, and payment method. Over the next three years, staff expects service charges to increase due to the expansion of the water and sewer systems (increasing the number of transactions and invoices generated) and changes in the utility rates (increasing individual transaction amounts).

The third category, bank fees, represents roughly 56% of total utility billing service expenses and are paid directly to financial institutions, not Invoice Cloud. These costs are expected to increase incrementally on a semi-annual basis and are not negotiated by Invoice Cloud.

ECONOMIC IMPACT

With the implementation of Invoice Cloud, the City reduced the actual cost of paying bills for customers by eliminating the \$3.95 convenience fee (convenience fee model) and absorbing credit/debit card transaction costs into the cost of providing water/sewer service (the fee-free model). Under the convenience fee model, the City paid about 1.87% of every card transaction amount in network fees and customers paid \$3.95 per card transaction. By switching to the fee-free model and choosing to absorb network fees for customers, the City was able to take advantage of lower network fees, which are offered by financial institutions for public utilities. This reduced the amount paid in network fees to just under 1% per card transaction amount.

Other economic benefits include reducing the barrier to paying bills online by increasing the number of accepted payment methods. The City has also seen an increase in registration for automatic bill pay, which improves timeliness of payments and enhances the City's overall revenue collection.

FISCAL IMPACT

City staff estimates that extending the Initial Term for another three years may cost up to \$1,812,000. Should the City elect to extend the contract for two optional years, the cost for the five-year period is approximately \$3,248,000. The table below reflects the estimated amounts needed to extend the agreement for the next five years. Expenses for utility billing services are split between the Water Operating Fund 605 (70%) and Sewer Operating Fund 610 (30%).

Estimated Costs	Year 1	Year 2	Year 3	Year 4 (optional)	Year 5 (optional)
Cost to Water Operating Fund 605	\$357,700	\$383,600	\$411,600	\$441,000	\$472,500
Cost to Operating Fund 610	\$153,300	\$164,400	\$176,400	\$189,000	\$202,500
Total Annual Cost	\$511,000	\$548,000	\$588,000	\$630,000	\$675,000

Not-to-exceed (NTE) amount for Years 1-3, including 10% contingency \$1,812,000
Total NTE to extend for two optional years, including 10% contingency \$3,248,000

The City currently pays an estimated 1.59% of every online transaction amount to provide utility billing services and the fee-free payment model. Based on projected annual growth, anticipated increases in water/sewer rates, and anticipated semiannual increases in bank fees, staff expects the per-transaction cost to increase from 1.59% to 1.63% of each online transaction dollar processed.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Invest in Infrastructure: Invest in Water Supplies, Sanitation Infrastructure, and Storm Sewers. Specifically, this item relates to the implementation of the following projects:

Project N19. Replace an average of 2.5 miles of water pipelines annually.

Project N20. Replace an average of 2.5 miles of sewer pipelines annually.

SUSTAINABILITY FEATURES

The online bill pay functionality is an integral part of the online water customer portal, which promotes efficient water use and enhances the City's ability to create more targeted water conservation programs. Adoption of online bill pay and paperless billing also indirectly promote sustainable practices and reduce emissions associated with the production, transportation, and delivery of six paper bills per customer per year.

PUBLIC CONTACT

No public contact was made for this agenda item.

NEXT STEPS

If approved, the City Manager will execute Amendment No. 1 to the agreement to extend utility billing services with Invoice Cloud, Inc.

Prepared by: Sharon Hu, Management Analyst II

Recommended by: Alex Ameri, Director of Public Works & Utilities

Approved by:

A handwritten signature in dark ink, appearing to read 'Dr. Alvarez', written over a horizontal line.

Dr. Ana M. Alvarez, City Manager