



DATE: September 28, 2021

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adopt Resolutions Authorizing the City Manager to Execute Agreements with Invoice Cloud, Inc., and InfoSend, Inc., for Utility Billing Services Related to the Water Customer Portal, and Increasing the FY22 Appropriation of Water Customer Portal Project 07125 by \$105,000, from \$250,000 to \$355,000, to Support these Services

RECOMMENDATION

That Council adopts the below resolutions (Attachments II and III):

1. Authorizing the City Manager to execute an agreement with Invoice Cloud, Inc. (Invoice Cloud), for electronic bill payment & presentment services for utility billing and the water customer portal for a three-year term in a total amount not-to-exceed \$1,470,000, and increasing the appropriation of Water Customer Portal Project 07125 by \$105,000 to support these services.
2. Authorizing the single source procurement of utility bill printing, mailing, and archiving services from InfoSend, Inc. (InfoSend), and authorizing the City Manager to execute an agreement with InfoSend, Inc. for provision of these services for a three-year term in a total amount not-to-exceed \$411,000.

SUMMARY

Staff is seeking authorization to enter into three-year agreements with Invoice Cloud and InfoSend for services which will enable single-sign-on (SSO) bill payment functionality within the Advanced Metering Infrastructure (AMI) water customer portal. Staff also recommends eliminating the \$3.95 transaction fee currently charged to all credit and debit card-paying utility customers, which will ultimately reduce total costs to the Utility Enterprise. To support the first six months of Invoice Cloud's services, staff requests a \$105,000 appropriation for the Water Customer Portal Project 07125 in Water Replacement Fund 603, increasing the project budget in FY22 from \$250,000 to \$355,000. No additional budget is necessary to fund InfoSend's services, which will be replacing other current bill distribution services and will be funded from Water Operating Fund 605.

BACKGROUND

In Fall 2019, the City released a Request for Proposals (RFP) for the implementation of an AMI water customer portal with single-sign-on (SSO) bill payment functionality. SSO bill payment would enable customers to pay their bill through the customer portal platform, as opposed to being redirected to the City's current bill payment portal, Hayward Self Service (HSS).

To make the most informed decision regarding which water customer portal platform to partner with, the City piloted two of the responding vendors' platforms: AquaHawk (a product developed by American Conservation & Billing Solutions, Inc.) and WaterSmart (a product developed by WaterSmart, Inc.). The Pilot took place from October 2020 to February 2021 with a group of approximately 100 customer volunteers. Additional details regarding the RFP process, vendor selection, and results of the Pilot Program can be found in the reports delivered to the CSC on March 9, 2020¹ and March 8, 2021². Based on the customer feedback received during the Pilot, at the May 18, 2021³ Council meeting, Council authorized the City Manager to execute a three-year agreement with WaterSmart for Citywide implementation of a customer portal platform.

WaterSmart's response to the City's RFP included a subproposal from Invoice Cloud, the electronic bill payment and presentment vendor they proposed to partner with to embed SSO bill payment functionality in Hayward's WaterSmart platform. As such, staff have spent the past six months investigating the feasibility of implementing the Invoice Cloud platform within the AMI customer portal, as well as the City's other utility billing functions.

During these discussions, staff learned that some necessary services to complete Invoice Cloud's implementation are not possible with the City's current bill production vendor. Invoice Cloud referred the City to InfoSend, the vendor they work with to provide this service to other clients desiring it.

DISCUSSION

Recommended Partnership with Invoice Cloud

Invoice Cloud will provide utility customers a single-sign-on method to pay their bills directly from the WaterSmart customer portal, as opposed to being rerouted to HSS, where they would be required to input separate log in credentials. Invoice Cloud also offers more payment methods and features than HSS, including automated bill-due reminders, autopay for card-paying customers, payment by Automated Clearing House (ACH), payment through online bank direct methods, and payment over the phone via an Interactive Voice Response (IVR) service. ACH, online bank direct, and IVR payment methods are currently available to Hayward water customers via other vendors, but not through the main payment portal, HSS. Partnering with Invoice Cloud would enable all payment methods to be provided by one vendor, directly from the WaterSmart customer portal. In addition to its online bill payment systems, Invoice Cloud also provides a service called "Retail Cash"

¹ <https://hayward.legistar.com/LegislationDetail.aspx?ID=4389832&GUID=F46CB11A-247F-400F-AE74-907A02B58D6C&Options=&Search=>

² <https://hayward.legistar.com/LegislationDetail.aspx?ID=4816829&GUID=09108CFF-23E6-4179-8AD1-5A0C4732D469&Options=&Search=>

³ <https://hayward.legistar.com/LegislationDetail.aspx?ID=4955269&GUID=10EF9795-0805-4832-BAFC-666221A843E9&Options=&Search=>

through which customers can bring their utility bills to Wal-Mart and other participating stores to pay their outstanding balances with cash.

Partnering with Invoice Cloud will not only maximize the usefulness of the WaterSmart customer portal by enabling customers to pay their bills directly from it—it will also increase the ease of signing up for services like paperless billing and autopay, helping improve timeliness of bill payments and the environmental impact of billing processes.

Recommended Elimination of Convenience Fee

Currently, utility customers pay a \$3.95 convenience fee for every debit or credit card transaction. These fees are intended to offset the pass-through network fees paid by the City to the credit card brands in order to fund their rewards systems.

The City currently, on average, pays 1.87% of every card transaction amount in network fees, but credit card companies offer lower network fees to public utilities who do not charge credit card convenience fees. Invoice Cloud estimates that the City's network fee would be reduced from 1.87% to approximately 1% should the convenience fee be eliminated.

Currently, the Utility Enterprise, as a whole, pays approximately \$505,000 every year to provide a variety of utility bill payment methods to customers. Eliminating this convenience fee expense, coupled with being charged the lower network fee by credit card companies, would bring total costs associated with bill payment services down significantly. See Table 1 below for more details.

Table 1.

	Current*	Elimination of Convenience Fee*
Per-Transaction Convenience Fee Expense	\$ 240,000	\$ -
Other Fees to Provide Various Payment Methods	\$ 265,000	\$ 392,000
Total Cost to Enterprise	\$ 505,000	\$ 392,000

*Amounts estimated based on current customer payment trends.

Eliminating this convenience fee will be particularly advantageous when the City eventually transitions from bimonthly billing to monthly billing. If the City continues to charge a flat, per-transaction convenience fee when it shifts to monthly billing, Enterprise costs to support those transactions will essentially double because every customer will be paying twice the number of bills, requiring twice the number of transactions. However, by eliminating the flat, per-transaction convenience fee, the majority of fees paid will instead be a percentage of each transaction amount. As such, costs to the Enterprise will remain similar.

Most other Bay Agencies have also moved away from the flat convenience fee model. After surveying eleven agencies, staff found the following:

Agencies that charge a credit card convenience fee:

- East Bay Municipal Utility District (EBMUD) - \$2.99
- Mid-Peninsula Water District - \$3.00
- San Jose Water Company* - \$1.75

Agencies that do not charge a credit card convenience fee:

- Alameda County Water District (ACWD)
- City of Milpitas
- City of Palo Alto
- City of Pleasanton
- City of Redwood City
- Dublin San Ramon Services District (DSRSD)
- San Francisco Public Utilities Commission (SFPUC)
- Town of Hillsborough

**Unlike the other utilities included on this list, which are public agencies, San Jose Water Company is an investor-owned public utility.*

Recommended Partnership with InfoSend

During implementation discussions with Invoice Cloud, it was revealed that in order to provide customers electronic access to PDF copies of their bills on the portal, a specific print image archiving service is required. This functionality is important because the water customer portal will only be able to display total bill amounts on customer accounts—customers will have to view their bill PDF to see a breakdown of their water consumption charges, service charges, sewer charges, and excise tax charges.

This service is not available through the City's current bill production platform, so Invoice Cloud referred the City to InfoSend, the partner they work with to provide this service for other clients desiring it.

InfoSend can perform all of the City's physical bill distribution functions, like bill printing, sorting, and mailing, in addition to the necessary PDF archiving and water customer portal integration services, at lower rates than those currently paid four vendors to provide limited versions of the same services. InfoSend can also provide pre-sorting, forwarding, address verification, and bill redesign services, which are not possible with the City's current bill production and distribution vendors.

Currently, the Enterprise pays a total of approximately \$162,000 annually, including postage, to send out 256,000 bills to all water, sewer, and excise tax customers. With InfoSend's rates, the various bill printing and mailing functions could take place with one vendor for approximately \$137,000 per year, or 15% less. Based on the range of critical and highly desired services that can be provided by InfoSend for lower rates to those currently paid, it is staff's recommendation that the City enter into a three-year agreement with InfoSend.

ECONOMIC IMPACT

Eliminating credit card convenience fees and implementing the services described in this report will benefit all utility customers by reducing costs to the Enterprise while also providing significantly expanded bill payment options and functionality.

FISCAL IMPACT

Partnering with Invoice Cloud and eliminating the \$3.95 convenience fee is expected to cost approximately \$490,000 per year, or \$1,470,000 over three years, including an annual contingency of \$94,000 to support potential 25% growth in electronic payments. However, because these services will be replacing other current services at more competitive rates, the Enterprise will, as a whole, see an annual cost reduction. See Table 2 below for more details.

Table 2.

	Current \$3.95 Convenience Fee		Elimination of Convenience Fee	
	<i>Based on Current Trends</i>	<i>Based on 25% Growth</i>	<i>Based on Current Trends</i>	<i>Based on 25% Growth</i>
Per-Transaction Convenience Expense Fee	\$240,000	\$300,000	\$ -	\$ -
Other Fees to Provide Various Payment Methods	\$265,000	\$331,000	\$392,000	\$ -
Total Cost to Enterprise	\$505,000	\$631,000	\$392,000	\$490,000

Because the water customer portal will not be fully integrated with Invoice Cloud's services and launched until after January 1, 2022, only six months of the projected annual cost is required to support Invoice Cloud for the remainder of FY22. As such, staff recommends funding the first six months of Invoice Cloud's services, which is estimated to cost \$245,000, with AMI Water Customer Portal Project 07125 in Water Replacement Fund 603 of the Capital Improvement Program. The project currently has an available budget of \$140,000 in FY22, and requires an additional appropriation of \$105,000 to cover these initial expenses.

After Invoice Cloud has launched and been live for four to six months, staff will have a better idea of the true annual costs to expect based on the number of customers using various Invoice Cloud methods to pay their bills. As such, staff anticipate being able to recommend a more refined budget amount during the FY23 budget process, at which time staff will also recommend shifting these expenses to Water Operating Budget 605.

Partnering with InfoSend is anticipated to cost approximately \$137,000 annually, or \$411,000 over three years, which is \$25,000 less per year than the City currently pays for

equivalent services. There are sufficient funds in Water Operating Fund 605 to support partnering with this vendor and no additional budget is necessary.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Improve Infrastructure. Specifically, this item relates to the implementation of the following project:

Project 13, Part 13.a: Develop and launch Advanced Metering Infrastructure (AMI) customer portal.

This agenda item also supports the Strategic Priority of Improve Organizational Health. Specifically, this item relates to the implementation of the following project:

Project 18.: Analyze and shift technology solutions and services to external web based platforms and providers (cloud-first transition).

SUSTAINABILITY FEATURES

The AMI Customer Portal and larger AMI Project promote efficient water use and water conservation. The water consumption data provided by AMI technology will aid in the City's efforts to measure the overall effectiveness of targeted conservation initiatives, and will also be used to inform customers about potential leaks or overly high consumption. Additionally, improving paperless billing enrollment with the launch of Invoice Cloud will have paper-saving and many other indirect environmental benefits by eliminating six bill production, mailing, and transportation/delivery service requirements per enrollment per year.

PUBLIC CONTACT

During Spring 2020, staff sought approximately 100 Pilot customer volunteers via a number of methods, including posts in social media, the City's environmental newsletter, The Leaflet, and physical handouts, as well as letters to targeted groups like those who have recently received a leak notification letter. Staff also regularly engaged with the Pilot Customers for the duration of the four-month Pilot from October 2020 to February 2021. When the WaterSmart Customer Portal and Invoice Cloud integration is complete, additional outreach will take place leading up to and following the Portal launch to maximize Portal signups, enrollment in paperless billing, and utilization of all the various electronic payment options that will become available to them.

NEXT STEPS

If approved, staff will complete negotiations with Invoice Cloud and InfoSend, and execute their respective agreements. Additionally, staff will increase the appropriation amount of Project 07125 in Water Replacement Fund 603 by \$105,000.

Prepared by: Kait Byrne, Management Analyst

Recommended by: Alex Ameri, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written over a horizontal line.

Kelly McAdoo, City Manager