

AGENDA ITEM SUMMARY

June 16, 2020

City Council

STAFF

Lisa Rosintoski, Utilities Deputy Director, Customer Connections
Cyril Vidergar, Legal

SUBJECT

Second Reading of Ordinance No. 076, 2020, Appropriating Prior Year Reserves in the Light and Power Fund, the Water Fund, the Wastewater Fund, and the Stormwater Fund, and Authorizing the Transfer of Previously Appropriated Funds in the Broadband Fund for the Utilities Customer Information and Billing System Project.

EXECUTIVE SUMMARY

This item meets the following COVID-19 emergency priorities for being on the Council agenda:

- Priority 6 - Items that relate to funding, operation and business activities that the City must continue despite of the current crisis

This Ordinance, unanimously adopted on First Reading on June 2, 2020, appropriates an additional \$950,000 to purchase a Customer Information System with an Operational Support System (CIS/OSS) for electric, water, wastewater, stormwater and broadband billing services, replacing the legacy billing system. The CIS/OSS is the billing system that will collect revenues for utility and broadband services, serving as the accounting ledger for Utilities revenue, which currently generates over \$212 million in annual total revenue through an average of 84,400 monthly utility bills and service requests for residential and commercial customers.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

ATTACHMENTS

1. First Reading Agenda Item Summary, June 2, 2020 (w/o attachments) (PDF)
2. Ordinance No. 076, 2020 (PDF)

AGENDA ITEM SUMMARY

June 2, 2020

City Council

STAFF

Lisa Rosintoski, Utilities Deputy Director, Customer Connections
Cyril Vidergar, Legal

SUBJECT

First Reading of Ordinance No. 076, 2020, Appropriating Prior Year Reserves in the Light and Power Fund, the Water Fund, the Wastewater Fund, and the Stormwater Fund, and Authorizing the Transfer of Previously Appropriated Funds in the Broadband Fund for the Utilities Customer Information and Billing System Project.

EXECUTIVE SUMMARY

This item meets the following COVID-19 emergency priorities for being on the Council agenda:

- Priority 6 - Items that relate to funding, operation and business activities that the City must continue despite of the current crisis

The purpose of this item is to appropriate an additional \$950,000 to purchase a Customer Information System with an Operational Support System (CIS/OSS) for electric, water, wastewater, stormwater and broadband billing services, replacing the legacy billing system. The CIS/OSS is the billing system that will collect revenues for utility and broadband services, serving as the accounting ledger for Utilities revenue, which currently generates over \$212 million in annual total revenue through an average of 84,400 monthly utility bills and service requests for residential and commercial customers.

The City signed a Master Professional Services Agreement (MPSA) and Software License Agreement with Open International LLC (Open) in August 2018 to implement Open SmartFlex (OSF). The CIS/OSS will be the system interface customers rely on for accurate utility billing that includes a robust customer self-service web-portal interface for utility and broadband services that will assist customers towards understanding utility usage and costs in order to make energy and water conservation/efficiency investments, as well as Connexion product offerings.

The project was scheduled into two phases. Phase I implementation focused on functionality to support Connexion, and Phase II implementation focused on functionality supporting our existing four Utilities. Multiple factors have led to the extension of Utilities Go-Live from June 2020 to QIV 2020, and the additional cost of \$3.3 million in order to complete the project. Therefore, Open and City of Fort Collins Utilities negotiated a cost-share distribution of the \$3.3 million, recognizing the partnership and long-term relationship needed for OSF as follows:

- City of Fort Collins Utilities incurs 55%, for a total of \$1.7 million.
- Open incurs 45%, for a total of \$1.4 million.
- City of Fort Collins Utilities reimburses additional contingency/living expenses, estimated up to \$200,000.

Our existing four Utilities and Connexion will split the City of Fort Collins Utilities share (\$1.9 million), thus totaling \$950,000 each for Connexion and the four utilities. Connexion has appropriated funding within the Connexion project. This funding request will be shared across the four utilities.

Staff recognizes there is a potential for future risks, primarily related to employee turnover and illness, due to the pandemic environment that continues into the foreseeable future. As such, there is a degree of risk to meeting the fourth quarter Utilities Go-Live date. Therefore, staff is working with the vendor to develop mitigating actions

that will minimize vendor resource costs on the project in order to eliminate and/or reduce those costs if there needs to be an extension of the project.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Fort Collins Utilities has historically used a system from the vendor Banner, which is now Hanson. This legacy system is over 20 years old, with “home-grown” integrations, and is currently hosted by Platte River Power Authority. Utilities began the process of selecting a replacement system in the 2017/2018 BFO process, appropriating just under \$3M in 2018 with anticipation of appropriating another \$7M, in the 2019/2020 BFO. As the City finalized plans for a municipal broadband service offering, this effort was expanded to identify a system that would support all five utilities.

The City of Fort Collins Utilities signed a Master Professional Services Agreement (MPSA) and Software License Agreement with Open International LLC (Open) in August 2018 to implement Open SmartFlex (OSF). The CIS/OSS will be the system interface customers rely on for accurate utility and broadband billing that includes a robust customer self-service web-portal interface for utility and broadband services that will assist customers towards understanding utility usage and costs in order to make energy and water conservation/efficiency investments, as well as FC Connexion product offerings.

Initially in 2018, functional and technical resources were divided in parallel paths to complete work on OSF implementation for both broadband and utilities. The original project timeline put the FC Connexion go-live date in June 2019 and the other four utilities going live in October 2019. However, it was determined in March 2019 that all Utilities resources needed to be focused on broadband to meet an August 30, 2019 go-live date, which simultaneously pushed back the Utilities go-live date to around June 2020.

Several factors subsequently led to the project taking longer and costing more than originally anticipated, including the following:

1. **Aggressive Timeline** - The Open contract timeline had FC Connexion going live August 2019 followed by Utilities three months later. Time to mobilize the team and the complexity of configuring a system for a business that was new and undefined made the 12-month plan unrealistic in hindsight.
2. **Project Management & Resources** - Initial project management was insufficient with several turnovers of the City’s Project Manager during the last 6 months, and Open’s Project Manager in October 2019. IN addition, critical skilled staff turnover within City IT and Utilities Customer Connections has occurred over the past 18 months
3. **Maturity of Connexion Business Model** - Related to the aggressive timeline, new processes and products plus the decision to add video to the product offering required significant time and rework as the processes and product configuration were developed.
4. **Software was less mature than anticipated to meet the needs of the North American marketplace.** - After 20 years of the City operating on the Banner system with dozens of home-grown system developments, additional time was needed by Open to fully engineer and develop the functionality needed by Utilities.

On August 30, 2019, residential Broadband internet and phone services were launched. However, Utilities and FC Connexion resources needed further configuration and testing across the remaining FC Connexion product offerings, thus, project resources continued to be focused on the FC Connexion production environment within the CIS/OSF project for several months.

Utilities formally re-launched the Utilities phase of the billing system project on September 24, 2019. Resources from Utilities were not generally available until December 2019, following significant transitions in project management both on the Utilities side and the Open side, including replacement of the Open Project Manager.

In December 2019, the Utilities Project Manager transitioned to an external contractor, Vanir. The Utilities Project Manager performed a thorough analysis with the Open Project Manager regarding costs Open itemized, and the project plan for an extended Utilities Go-Live date. The analysis determined the optimal Utilities Go-Live date could be achieved in early fourth quarter of 2020 with additional resources.

Alternatives to additional funding are limited and unattractive. Without additional funding the project cannot be completed as designed and Utilities may be left with a non-functioning billing system. Both Open and the City share responsibility for the issues driving the added cost. Accordingly, staff negotiated a cost split of 55% for the City and 45% for Open, which equitably reflects each party's commitment to the success of the new Utilities billing system in support of all five utility services.

CITY FINANCIAL IMPACTS

This Ordinance will appropriate \$950,000 from Utility Enterprise Reserves for the completion of the new billing system implementation. In addition to these funds, the amount of \$950,000 will be transferred from unexpended FC Connexion appropriations to increase the project budget by \$1,900,000, bringing the total contribution from FC Connexion to \$1,899,000. The total expected cost of this investment is \$11,446,001.

The following is a summary of the project funding:

Enterprise Fund	Prior Appropriations	Appropriated outside of this Ordinance *	Appropriated with this Ordinance	Total Appropriations
Light & Power Enterprise Fund				
501 Electric	\$3,314,506		\$366,265	\$3,680,771
505 Connexion	\$949,000	\$950,000		\$1,899,000
Water Enterprise Fund	\$2,226,934		\$246,084	\$2,473,018
Wastewater Enterprise Fund	\$1,605,464		\$177,410	\$1,782,874
Stormwater Enterprise Fund	\$1,450,097		\$160,241	\$1,610,338
Total Prior Appropriation	\$9,546,001	\$950,000	\$950,000	\$11,446,001

* This is funded from prior appropriations for Connexion build out.

These additional appropriations from the available reserves in each of these Enterprise Funds is not expected to delay any significant capital work to the extent that there will be an impact to the level of service being provided to the community.

PUBLIC OUTREACH

Utilities regularly captures customer preferences for utility bill enhancements, as well as additional service features both on the utility bill, web-portal, and on-line. Customer feedback is captured through telephone interactions, electronic mail, and in-person at the customer service counter. Themes on the feedback include near real-time payment application, easy access and visual display of use, and useful bill data. The annual statistically valid customer satisfaction survey recognizes the importance the billing system and online services provide towards exceptional customer service. Below are the 2018 ratings, to which the target is 80%, for both residential and commercial customers.

Fort Collins Utilities customers were asked to rate performance on each of the following:

- “Information and tools provided to help you manage your use and costs.” Satisfaction ratings were 66% for residential and 69% for commercial.
- “Technology tools, similar to those used by banks, cell phone or cable companies.” Satisfaction ratings were 62% for residential and 77% for commercial.

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- “Convenience of bill payment options, including in-person locations and online.” Satisfaction ratings were 89% for residential and 90% for commercial.
- “Online security provided to protect your personal and financial data.” Satisfaction ratings were 81% for residential and 88% for commercial.

ATTACHMENTS

1. PowerPoint Presentation (PDF)

COPY

ORDINANCE NO. 076, 2020
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING PRIOR YEAR RESERVES IN THE LIGHT AND POWER FUND, THE
WATER FUND, THE WASTEWATER FUND, AND THE STORMWATER FUND, AND
AUTHORIZING THE TRANSFER OF PREVIOUSLY APPROPRIATED FUNDS IN THE
BROADBAND FUND FOR THE UTILITIES CUSTOMER INFORMATION AND
BILLING SYSTEM PROJECT

WHEREAS, in August 2018, the City of Fort Collins signed a Master Professional Services Agreement (MPSA) and Software License Agreement with Open International LLC (“Open”) to develop and implement the Open SmartFlex (OSF) integrated utility customer billing software system and web portal (“CIS/OSF project”); and

WHEREAS, contemporaneous with Open’s development, the City began building a city-wide broadband utility system to deliver high-speed data, video, and telecommunication services, as previously approved by City voters in general elections; and

WHEREAS, in late 2019, the City began offering city-wide broadband utility services, branded as “Fort Collins Connexion”, and agreed with Open to adjust CIS/OSF project delivery requirements to accommodate the functionality needed for Fort Collins Connexion services and other unanticipated project requirements; and

WHEREAS, thereafter, the City and Open documented the adjusted CIS/OSF project requirements and schedule in a change order to the MPSA, including updating contract pricing and extending the final CIS/OSF project go-live date from June 2020 to October 2020 (the “Change Order”); and

WHEREAS, the City and Open agreed to divide the CIS/OSF project costs described in the Change Order, totaling \$3,300,000, 55% and 45%, respectively; and

WHEREAS, Utility Services staff recommends allocation of the City’s portion of the Change Order costs among the benefited utility enterprises, including appropriating the amount of \$950,000 from prior year reserves in the Light & Power Fund, Water Fund, Wastewater Fund, and Stormwater Fund, as applicable, for expenditure from the Utilities Customer Information & Billing System capital project fund; and

WHEREAS, the City Manager recommends the appropriation described herein and determines that this appropriation is available and previously unappropriated from the Light & Power Fund, Water Fund, Wastewater Fund, and Stormwater Fund, as applicable, and will not cause the total amount appropriated in the Light & Power Fund, Water Fund, Wastewater Fund, or Stormwater Fund, as applicable, to exceed the current estimate of actual and anticipated revenues to be received in these funds during this fiscal year; and

WHEREAS, the City Manager further recommends the transfer of \$950,000 from the Fort Collins Connexion Fiber Feeder & Distribution Network capital account to the Utilities Customer Information & Billing System capital project, with the purpose for which the transferred funds are to be expended remaining unchanged; and

WHEREAS, Article V, Section 9 of the City Charter permits the City Council, upon the recommendation of the City Manager, to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated; and

WHEREAS, Article V, Section 10 of the City Charter authorizes the City Council, upon recommendation by the City Manager, to transfer by ordinance any unexpended and unencumbered appropriated amount or portion thereof from one fund or capital project to another fund or capital project, provided that the purpose for which the transferred funds are to be expended remains unchanged, the purpose for which the funds were initially appropriated no longer exists, or the proposed transfer is from a fund or capital project in which the amount appropriated exceeds the amount needed to accomplish the purpose specified in the appropriation ordinance; and

WHEREAS, the proposed appropriation and transfer benefit the public's health, safety and welfare and serve utility rate payers by providing funding to timely complete integrated billing system enhancements designed to automate billing processes, simplify customer bills, and thereby increase collections and reduce billing operation expenses for all utility rate payers.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That the City Council hereby makes and adopts the determinations and findings contained in the recitals set forth above.

Section 2. That there is hereby appropriated from prior year reserves in the Light & Power Fund the sum of THREE HUNDRED SIXTY-SIX THOUSAND TWO HUNDRED SIXTY-FIVE DOLLARS (\$366,265) for expenditure from the Light & Power Fund for the Utilities Customer Information & Billing System project.

Section 3. That there is hereby appropriated from prior year reserves in the Water Fund the sum of TWO HUNDRED FORTY-SIX THOUSAND EIGHTY-FOUR DOLLARS (\$246,084) for expenditure from the Water Fund for the Utilities Customer Information & Billing System project.

Section 4. That there is hereby appropriated from prior year reserves in the Wastewater Fund the sum of ONE HUNDRED SEVENTY-SEVEN THOUSAND FOUR HUNDRED TEN DOLLARS (\$177,410) for expenditure from the Wastewater Fund for the Utilities Customer Information & Billing System project.

Section 5. That there is hereby appropriated from prior year reserves in the Stormwater Fund the sum of ONE HUNDRED SIXTY THOUSAND TWO HUNDRED FORTY-ONE DOLLARS (\$160,241) for expenditure from the Stormwater Fund for the Utilities Customer Information & Billing System project.

Section 6. That the unexpended and unencumbered appropriated amount of NINE HUNDRED FIFTY THOUSAND DOLLARS (\$950,000) is hereby authorized for transfer from the Fiber Feeder & Distribution Network capital account to the Utilities Customer Information &

Billing System capital project.

Introduced, considered favorably on first reading, and ordered published this 2nd day of June, A.D. 2020, and to be presented for final passage on the 16th day of June, A.D. 2020.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 16th day of June, A.D. 2020.

Mayor

ATTEST:

City Clerk