AGENDA ITEM SUMMARY
City Council

STAFF

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SUBJECT

First Reading of Ordinance No. 096, 2023, Appropriating Prior Year Reserves and Authorizing Transfers of Appropriations in Multiple Utility Funds for the Purchase of Vendor Services to Support the Replacement of the City's Utilities Billing System.

EXECUTIVE SUMMARY

The purpose of this item is to consider an appropriation from the Light and Power, Water, Wastewater and Stormwater Enterprise Funds available reserves to implement a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution. This appropriation request is the second, and final, request related to the new CIS-CX.

In March 2023, Ordinance No. 036, 2023, appropriated $4,250,000 to begin the process of temporarily increasing staffing for the implementation while contract review and negotiations were being finalized. The City has now identified the Vendor of Choice, reviewed the functional requirements in detail with that vendor and negotiated terms of the contract sufficient to determine the amount of investment needed to successfully deploy a new CIS-CX. This appropriation request of $9,700,000 will provide the additional funding needed for all costs associated directly with the software deployment, software testing, training, and the organizational change management (OCM) associated with moving onto a modern CIS-CX. With this appropriation, the CIS-CX implementation will begin in October of this year and be fully operational by the end of 2025.

The total amount being requested for appropriation here is $9,700,000 and is broken out as follows:

Software as Service Implementation $3,250,000; Software Licensing through Implementation $2,400,000; Organizational Change Management (OCM) $1,500,000; Testing Protocol Development and Management $900,000; Training Development and Initial Training $900,000; and Business Process Analysis and Alignment $750,000.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Replacing Fort Collins Utilities 22-year-old billing system is essential to providing our customers the safest and the best customer experience to interact with their community owned utility. Our priority is to provide accurate billing, convenient billing solutions, comprehensive, real time customer data that enhances our customer's understanding of how they use energy and water and how much it costs. Our goals are to:

• Improve billing and operations functionality for existing utility services.
• Enhance the customer self-service portal capability with single sign-on functionality.
• Incorporate flexible user interfaces with process workflows that increase employee efficiency and billing accuracy.
• Increase the City's ability to manage complex rates such as net metering and time of use, and future rate structures.
• Add a library of standard and user generated reports, including financials, customer transactions, key performance indicators and exceptions.

In March the initial appropriation for $4,250,000 in funding to move ahead with the selection, implementation, and deployment of a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution was authorized by Council. Since that time, the following progress has been made on this effort:

• Following the five weeks of product demonstrations, the Core team deliberated before the Vendor of Choice was selected and recommended to the Leadership team and the Executive team for discussion and review;
• The Leadership team conducted 13 reference checks with Utilities across the United States that were currently using any of the five vendors;
• The Executive team approved the decision to go with the Vendor of Choice;
• The Vendor of Choice and the other four vendors were notified;
• Funding was secured through Ordinance No. 36, 2023, which allowed legal review of the proposed service contract to begin, continued pre-project management and to begin the process to temporarily backfill critical existing positions needed for this implementation;
• Negotiations have been conducted on the City's extensive contract requirements with the Vendor of Choice and refinements made to the full implementation costs; and
• Project staffing requirements and the project timeline have been refined.

In March, it was explained that a second appropriation would be necessary before the capital investment is fully funded and the service contract could be signed. Costs associated with the full scope of the solution including data migration, software interfaces, business process mapping, organizational change management, testing and training, as well as the direct implementation of the selected CIS-CX, have been defined, discussed, and negotiated by the outside project management consultants, the Vendor of Choice and Fort Collins Utilities. The funds being requested for this, the second and final, appropriation associated with this software implementation will be utilized as follows:

Software as a Service Implementation	$3,250,000
Software Licensing through Implementation	$2,400,000
Organizational Change Management (OCM)	$1,500,000
Testing Protocol Development and Management	$900,000
Training Development and Initial Training	$900,000
Business Process Analysis and Alignment	$750,000
Total	$9,700,000

Software as a Service Implementation - $3,250,000

All of the Vendor of Choice's direct costs associated with the implementation itself are included here. The chosen solution is a hosted solution, meaning that it will reside on software servers owned and maintained by the Vendor of Choice. A dedicated implementation is expected to provide over 22,000 hours toward this implementation during the 24-month implementation schedule.

Software Licensing through Implementation - $2,400,000

Because this is a hosted software solution, the Vendor of Choice will begin realizing most direct costs associated with having a dedicated server at the beginning of the implementation. As such, monthly subscription fees will begin with the implementation itself, rather than at the time of going into production. Subscription fees will increase over time due to customer growth over a certain number and with modest, annual inflationary adjustments per contractual terms.

Organizational Change Management (OCM) - $1,500,000

The current utility billing system will have been in place for over 20 years before this 24-month implementation is completed. Software capabilities have increased tremendously over the past 20 years, which is one of the primary reasons for this modernization. This change will require strategic change management to be a successful transformation of the utility customer experience. Outside change management consultants will work together with internal change agents to ensure the success of this implementation while allowing employees to adapt and embrace this change.

Change management will be approached from both an organizational perspective as well as a more direct project perspective. From an organizational perspective, outside change management consultants will work with Utility staff and leadership to mature the OCM capability within the organization. More specifically, focusing on how the new CIS-CX solution will be a major change itself, change management strategies will be developed and deployed to ensure the success change to this transformational application.

Testing Protocol Development and Management - $900,000

Testing is critical to any software upgrade, especially those that are intended to be seamless and consistent with previous software. This implementation will require rigorous functional testing, system integration testing, operational readiness testing, stress testing, and regression and user acceptance testing. Testing scripts will have to be developed consistent with current and anticipated rate structures and business processes.

Software as a Service (SaaS) is becoming more and more common with modern utility billing systems. There are several advantages to SaaS over traditional utility-hosted billing systems including having access to the latest releases of the software solution. However, in order to most efficiently manage all SaaS clients, it is necessary for software vendors to minimize the number of different release configurations clients are running at any given time. This is done through required software releases to clients throughout the year. Because of this, testing is done not just during the initial implementation but also throughout the life of the solution with new releases.

Training Development and Initial Training - $900,000

Any new application requires some training but a software application that is this critical to Utilities' success requires extensive training to ensure that employees understand and are confident and capable of utilizing the new CIS-CX. A Training Manager will help the City conduct a training needs assessment before developing training strategies, course curriculums and end user training materials specific to the job duties of each end user. All employees who will be utilizing the new CIS-CX will be trained prior to using the solution in their capacity.

Business Process Analysis and Alignment - $750,000

The new CIS-CX will be capable of supporting current rate structures and customer services and through regular updates will adapt as those change in the future. To understand how changes to any existing business processes may affect customers, it is necessary to understand all business processes that are part of the Meter to Cash lifecycle of each utility service provided. All existing business processes with touch points to the Meter to Cash lifecycle will be documented in an "as is" state and then refined into a "to be" state through workshops with subject matter experts and end users. These documented business processes will then serve as the basis for developing the necessary testing, training and future business process improvements.

Appropriation by Enterprise Fund

As the customer information and billing system is needed by each utility to generate monthly operating revenues, each utility should contribute to the upgrade or replacement of the system. While some rates are more complicated than others and some require meter consumption data to assess, billing for each utility requires much of the same information as any other utility. Because electric monthly charges are more complicated than flat stormwater rates and unmetered wastewater use, there are additional billing components for billing electric customers. It is appropriate to attribute more of the shared costs to Light and Power and a similar argument applies to Water. The annual subscription costs for this system are divided between the four utilities as follows:

Light and Power	50.0%
Water	25.0%
Wastewater	12.5%
Stormwater	12.5%

This same cost sharing ratio is proposed for the implementation costs.

Light and Power	$4,850,000
Water	$2,425,000
Wastewater	$1,212,500
Stormwater	$1,212,500
	$9,700,000

CITY FINANCIAL IMPACTS

The capital improvement plans that were included in the discussion for the 2023 utility rate ordinances assumed up to $15M would be needed for this investment. As such, the financial impact of this investment is already included in the 10-year rate and debt issuance forecasts. The ongoing annual licensing and maintenance expenses associated with this solution are expected to be comparable to what the current solution costs. The funds being requested herein will need to come from available reserves of each utility enterprise. These funds are above and beyond funds set aside within the reserves to meet minimum fund balance requirements and any previous appropriations made but not yet spent. As the table below shows, each Enterprise Fund has sufficient available reserves for both anticipated appropriations related to modernizing the CIS-CX solution.

($ are in millions)	Light & Power	Water	Wastewater	Stormwater
Available Reserves EOY 2022	$29.0	$45.1	$19.5	$15.0
LESS 2023-24 BFO Investments	($4.7)	($19.1)	($7.2)	($1.6)
LESS Initial CIS-CX Appropriation	($2.1)	($1.1)	($0.5)	($0.5)
Estimated Available Reserves	$22.2	$24.9	$11.8	$12.9
Amount Being Requested	($4.9)	($2.4)	($1.2)	($1.2)
Remaing Available Reserves	$17.3	$22.5	$10.6	$11.7

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

This appropriation will be presented to the Water Commission and Energy Board at their July meetings which will occur before First Reading but after the agenda materials are due for publication. The meeting minutes will be included in the materials submitted for Second Reading.

This ordinance will be presented to the Council Finance Committee at the July 6 meeting. Due to the timeline for the implementation, it is necessary to bring this item to the Council at the next available regular meeting of the Council to be able to fully execute the contract and begin the implementation by October of this year.

PUBLIC OUTREACH

Public outreach and a solid communications plan focused on the customer experience will be forthcoming. This will also be represented in our change management strategy and approach throughout the project. There are many enhancements we expect to see for our customers including chat functionality, texting capabilities, better ways to educate and make informed decisions on consumption and use, a streamlined and more robust billing portal, single sign on solutions and more. The intention is to roll out new functionality as it is available which may be before the implementation is complete.

ATTACHMENTS

1. Ordinance for Consideration