



# AGENDA ITEM SUMMARY

City Council

## STAFF

Lance Smith, Sr. Director of Finance for Utilities  
Gretchen Stanford, Utilities Deputy Director - Customer Connections  
Cyril Vidergar, Legal

## SUBJECT

**Second Reading of Ordinance No. 036, 2023, Appropriating Prior Year Reserves and Authorizing Transfers of Appropriations in Multiple Utility Funds for the Purchase of Vendor Services to Support a Major Upgrade to the Utilities Billing System.**

## EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on March 21, 2023, appropriates from reserves in the Light & Power, Water, Wastewater and Stormwater enterprise funds. The use of these reserves is necessary to implement a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution. These funds are being requested to maintain project momentum as the City completes the selection of a solution partner and prepares to contract for professional services. This proposed appropriation will allow the City to secure CIS-CX project management and solution quality assurance services through go-live, provide legal review of professional services contracts, and provide funding to hire contractual staff throughout the implementation.

The total amount being recommended for appropriation is \$4,250,000 as detailed in the background section.

Implementation Project Management and Quality Assurance	\$1,500,000
Contract Review and Counsel	\$100,000
Contractual Implementation Staffing	<u>\$2,650,000</u>
Total	\$4,250,000

Once the full solution scope with the City’s preferred vendor is negotiated, another appropriation will be requested for the direct solution costs including licensing and hardware.

## STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second 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 in interacting with their community owned utilities. Our priority is to provide accurate and convenient billing solutions; and comprehensive, real time customer data that enhances our customers’ 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 online customer self-service portal capability with single sign on functionality.
- Incorporate flexible user interfaces with process workflows that increase employee efficiency and billing accuracy.
- Have the ability to manage complex rates such as net metering and time of use.
- Add a library of standard and user generated reports, including financials, customer transactions, key performance indicators and exceptions.

A team of staff from Utilities (billing, customers service and metering), IT and Purchasing are contributing to the selection of the solution. As of today, Fort Collins Utilities is in the process of conducting five weeks of onsite product demonstrations as the final review of proposals received for a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution. The proposals were received after a deliberate 12-month process. The process focused on identifying solution requirements, scrutinizing and rating every proposal received, performing reference checks of each solution provider with other utilities that have implemented the proposed solutions, planning the solution implementation schedule, staffing needs and quality assurance milestones, and having employees involved in the solution selection throughout the process and asking questions of the solution providers. This due diligence and deliberation are necessary to ensure that the selected solution partner and their CIS-CX will serve our community and support the evolution of how we serve our ratepayers while enhancing their customer experience.

By Q3 2023, a solution partner or vendor of choice will be selected, at which time a second appropriation will be proposed Council before the 24-month solution implementation can begin. It is anticipated that the City will successfully implement the new CIS-CX within 24 months, at which point, the existing 22 year old system will be retired. The Capital Improvement Plans presented to Council ahead of the 2023-24 Budgeting for Outcomes included up to \$15M for this capital investment including the licensing and hardware.

This appropriation is being brought forward to maintain the continuity of the implementation schedule and to ensure that pricing reflected in recent vendor proposals remain current and complete. Momentum for this implementation is building, as staff is valuating the options and benefits to modernizing and enhancing our customer’s experiences, focusing on simplifying the architecture and processes behind the ultimate customer interface, to provide a stable, upgradable platform.

There are three categories of funding in this next phase of the CIS-CX modernization.

I. Professional Quality Assurance and Project Management Services

While many existing City employees have worked for decades with the current customer information and billing system, operating such a system requires a different skill set than upgrading or implementing an existing system into a new system. The new system may be hosted “in the cloud” or a more traditional in-house physical solution with different hardware requirements and interfaces. It may include different modules for a customer portal, social media, bill printing, etc. To effectively implement these new features and ensure that the City is receiving the functionality it is expecting, professional software implementation project management and quality assurance are required.

A scope of work has been developed for these services with a maximum fee through the implementation and go-live of the new solution. Because most of this work will be done remotely, travel expenses have been excluded from the not-to-exceed price for these services. Estimating some travel will nevertheless be necessary, raising the amount being requested for these services to \$1,500,000.

## II. Contract Review and Counsel

Prior to the City entering into a binding services agreement with the solution provider, specialized outside legal counsel will be retained as needed to ensure the terms of the final agreement are in the best interest of the City and ratepayers. It is requested that an amount of \$100,000 be appropriated for this purpose to cover these funds and related expenses.

## III. Contract Staffing

Many of the City's employees who work in and with the current customer information system will be involved in the implementation of the new solution. This is a best practice to ensure that the proposed solution is consistent with customer expectations and operational requirements. To have these employees available to focus on the implementation, staff will be augmented by contractual staff throughout the implementation, and post go-live quality assurance and testing. Based on the staffing plan developed for the solution implementation, the following contractual positions are needed before implementation:

4 Customer Service Providers	\$288,000 / year
1 Customer Experience Provider	\$64,000 / year
1 Billing & Accounts Receivable Specialist	\$80,000 / year
1 Field Service Lead	\$100,000 / year
5 Information Technology Solution Providers	<u>\$575,000 / year</u>
	\$1,107,000 / year (approx.)

Throughout the 24-month implementation, there is a need to retain some staff earlier in the project and retain others later in the project, depending on their respective scope of work. This anticipated work would total almost 2.5 years of augmentation:

Contractual Staffing Appropriation = \$2,650,000

In addition, there will be a need for additional staffing for the duration of the project to focus on leading solution testing, developing and engaging in training Utilities employees, implementing organizational change management, reviewing existing business processes, and developing business analytics for the future solution. Even though this additional support is not needed immediately, it is important to note that a request for additional staffing will be included in the later implementation appropriation after a solution partner is selected.

## Appropriation by Enterprise Fund

As the customer information and billing system is needed by each City-owned utility (except FC Connexion) 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. Because electric monthly charges are more complicated than flat stormwater rates and unmetered wastewater use, there are additional billing components for billing electric customers. As such, it is appropriate to attribute more of the shared costs to Light & Power, and a similar argument applies to Water. The proposed annual subscription costs for this system are therefore divided between the four utilities as follows:

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

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

Light & Power	\$2,125,000
Water	\$1,062,500
Wastewater	\$531,250
Stormwater	\$531,250
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	\$4,250,000

## CITY FINANCIAL IMPACTS

The Capital Improvement Plans included in the 2023 utility rate ordinances discussions 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 Council reviewed in 2023. 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 for appropriation herein would come from existing reserves of each utility. These funds are above and beyond funds set aside within the reserves to meet minimum fund balance requirements under the City Charter 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.

	Light & Power	Water	Wastewater	Stormwater
Available Reserves EOY 2021	\$41.4	\$41.3	\$19.1	\$14.5
Mid-year 2022 Appropriations	(\$26.1)	\$0.0	\$0.0	\$0.0
2023-24 BFO Use	(\$1.0)	(\$29.3)	(\$7.7)	(\$2.3)
2022 Revenues Above Budget	\$11.2	\$3.5	\$1.2	\$0.2
2022 Expenses Below Budget	\$1.9	\$7.4	\$1.8	\$2.2
Estimated Available Reserves	\$27.4	\$22.9	\$14.4	\$14.6
Amount Being Requested	(\$2.1)	(\$1.1)	(\$0.5)	(\$0.5)
Remaining Available Reserves (\$M)	\$25.3	\$21.8	\$13.9	\$14.1

## BOARD / COMMISSION / COMMITTEE RECOMMENDATION

This appropriation was presented to the Water Commission on March 9 and will be presented to the Energy Board on March 16, 2023, before First Reading but after the agenda materials are published. The meeting minutes will be included in the materials submitted for Second Reading.

This Ordinance was presented to the Council Finance Committee on March 2, 2023. The Committee had a full discussion of the proposal and supported bringing this appropriation forward for the full City Council's consideration.

## PUBLIC OUTREACH

Public outreach and a solid communications plan focused on the customer experience will be forthcoming. There are many enhancements we expect to see for our customers including a potential chat bot, better ways to educate and make informed decisions on consumption, a streamlined and more robust online billing portal, single sign on solutions and more. The intention is to rollout new functionality as it is available which may be before the full CIS-CX implementation is complete. Once we pick a vendor, we will work with them to include outreach, communications and change management to offer a good experience to our customers.

## **ATTACHMENTS**

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1. Ordinance for Consideration