

Minutes - Standing Committee on Fiscal Issues - September 12, 2006

REPORTS

**Minute No. 49 Customer Information and Services System (CISS) Status Report
No. 2 for the period January 1, 2006 to June 30, 2006
File FT-1**

STANDING COMMITTEE DECISION:

The Standing Committee on Fiscal Issues concurred in the administrative recommendation and received the report as information.

Minutes - Standing Committee on Fiscal Issues - September 12, 2006

DECISION MAKING HISTORY:

Moved by Councillor Pagtakhan,

That the administrative recommendation be concurred in.

Carried

**RE: CUSTOMER INFORMATION AND SERVICES SYSTEM (CISS) STATUS
REPORT NO. 2 FOR THE PERIOD JANUARY 1, 2006 TO JUNE 30, 2006**

FOR SUBMISSION TO: Standing Committee on Fiscal Issues

ORIGINAL REPORT SIGNED BY: **Barry D. MacBride, P. Eng.**
Director, Water and Waste Department

REPORT DATE: September 5, 2006

RECOMMENDATION(S): That this report be received as information.

REPORT SUMMARY

KEY ISSUES:

- The RFP for the provision of consulting services for utility billing software selection, and project quality assurance and control was issued, and the contract was awarded to TMG Consulting, Inc.
- Release of the RFP for the new billing system is targeted for December 2006.

IMPLICATIONS OF THE RECOMMENDATION:

General Implications

- | | |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | None |
| <input type="checkbox"/> | For the organization overall and/or for other departments |
| <input type="checkbox"/> | For the community and/or organizations external to the City of Winnipeg |
| <input type="checkbox"/> | Involves a multi-year contract |
- Comment(s):

Policy Implications

- | | |
|-------------------------------------|-------------------|
| <input checked="" type="checkbox"/> | No |
| <input type="checkbox"/> | Yes – Comment(s): |

Regulatory Implications

- | | |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | None |
| <input type="checkbox"/> | Eliminates or reduces regulatory impact |
| <input type="checkbox"/> | Proposes regulatory impact |
- Comment(s):

Environmental Implications

- | | |
|-------------------------------------|-------------------|
| <input checked="" type="checkbox"/> | No |
| <input type="checkbox"/> | Yes – Comment(s): |

Human Resources Implications

- No
- Yes – Comment(s):

Financial Implications

- Within approved current and/or capital budget
 - Current and/or capital budget adjustment required
- Comment: Funds are included in the approved 2003 and 2004 Capital Budgets, \$5 million for Water and \$5 million for Sewer.

REPORT

REASON FOR THE REPORT:

At its meeting held on December 16, 1999, City Council adopted a policy whereby all capital projects with a total estimated cost of \$10 million or more be submitted by the associated Civic Department to the Standing Committee on Fiscal Issues for review and recommendation prior to any bid solicitation being issued.

HISTORY:

- 2003 On March 11, 2003 Standing Policy Committee on Public Works reviewed the report “Customer Information Billing System Update and Related Initiatives, March 3, 2003” which advised that the replacement utility billing system was targeted for a 2007 implementation.
- 2003 On March 28, 2003 Council approved the 2003 capital budget of \$5 million, \$2.5 million each for Water and Sewer, for the implementation of a replacement utility billing system. On December 16, 2003, Council approved the 2004 capital budget of \$5 million, \$2.5 million each for Water and Sewer, for the implementation of a replacement utility billing system, for a total capital budget of \$10 million.
- 2006 On April 11, the Standing Committee on Fiscal Issues received “Customer Information and Services System (CISS) Status Report No. 1” as information.

DISCUSSION:

MAJOR CAPITAL PROJECT STEERING COMMITTEE

Administrative policy for projects with capital cost exceeding \$10 million requires formation of a Major Capital Project Steering Committee. The Committee members are:

Barry D. MacBride	Director, Water and Waste Department, Chair
Mike Ruta	Corporate Controller
Cliff Jeffers	Chief Information Officer

The fourth member of the committee was the City Assessor and a replacement will be assigned.

The Committee has reviewed this report and recommended that the report be sent to the Standing Committee on Fiscal Issues.

DESCRIPTION OF PROJECT

A replacement for the current mainframe based water billing system is required as the existing system presents several issues:

- Lacks the flexibility and functionality needed to keep the department's billing services competitive. The current system is impeding the Department from implementing planned business initiatives such as cost of service rates, land drainage utility, lifeline rates, and winter cost averaging.
- Not responsive enough to support rapid business changes.
- Significant risk in continuing to sustain the operation of the current system.

CHANGES FROM LAST REPORT

The Department prepared and released a Request for Proposals (RFP NO. 153-2006) to contract a consultant to assist with the RFP creation and selection process for a replacement billing system, and to provide quality assurance and quality control (QA/QC) during the implementation process.

The contract in the amount of \$447,349.00 was awarded to TMG Consulting, Inc. (TMG). TMG is an industry leader, specializing in utility billing systems, and brings the critical experience and expertise needed to ensure a successful project. Work with TMG begins in August 2006.

The RFP for acquiring this consultant was originally scheduled for the first quarter of 2006 but could not be awarded until the second quarter of 2006. This has led to a revised release date for the RFP for the new billing system from the second to the fourth quarter of 2006. The implementation/go-live date is expected to be mid 2008. All timelines will be reviewed once the implementer has been selected.

Continued discussions regarding the strategic direction of the billing system have resulted in the decision to consider all options in the RFP including the acquisition of a system operated by City staff as well as outsourcing.

RISKS AND RISK MITIGATION STRATEGIES

Mechanisms are in place to manage the risk on this project.

- The Department regularly reports to the Major Capital Steering Committee and the Standing Committee on Fiscal Issues.
- The Project Steering Committee meets regularly to discuss and review issues as the project proceeds.
- TMG, project team members and key functional experts will meet regularly to discuss and review risks as the project proceeds.
- TMG will conduct a risk workshop to identify key mitigation strategies prior to the release of the RFP for the new billing system.
- A QA/QC committee will be formed. Participants will include:
 - TMG - provide quality assurance and control advice during the implementation phase
 - CIO - provide external review and advice
 - Departmental representatives - provide functional expertise

ISSUES/RISKS REQUIRING FURTHER ATTENTION

None at this time.

FINANCIAL ANALYSIS

Tenders issued and pending as of the date of this report are as follows.

Number	Issued to	Description	Budget	Tender Price	Variance	Variance
RFP 153-2006	TMG Consulting	RFP preparation and third party oversight	\$ 1,000,000	\$ 447,349	\$ (552,651)	-55.3%
	Total		\$ 1,000,000	\$ 447,349	\$ (552,651)	-55.3%

TENDERS TO BE ISSUED

Estimated Date of issue	Description	Pre-tender Estimate
December 2006	Supply and install billing system	\$ 6,000,000
Total		\$ 6,000,000

Total Tendered Amount & Un-issued Pre-tender Estimate	\$ 7,000,000
Items not issued by tender	3,000,000
Total Approved Budget	<u>\$ 10,000,000</u>

Project Funding

The approved capital and projected budget balance are as follows:

Year	Capital Program	Actual plus Projected Cashflows	Cumulative Capital Budget
(1) to 2005	10,000,000	144,168	9,855,832
2006	-	491,509	9,364,323
2007	-	5,708,859	3,655,464
2008	-	3,102,813	552,651
Total	10,000,000	9,447,349	552,651

(1) Capital Budget approved by Council \$5m for 2003 and \$5m for 2004

Financial Analysis

A summary of the budget to forecast comparison is contained in Appendix 1.

FINANCIAL IMPACT:

As this report is submitted for informational purposes only, there is no financial impact associated with this recommendation.

Moira L. Geer, C.A.
Manager of Finance and Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

External Consultation With:

n/a

THIS REPORT SUBMITTED BY:

Department	Water and Waste
Division	Finance and Administration Division
Prepared by	Derek Osborne, Lucy Szkwarek
File No.	010-07-10-07-00

APPENDIX 1

WATER AND WASTE DEPARTMENT - CUSTOMER INFORMATION AND SERVICES SYSTEM (CISS)
As at June 30, 2006

Project Component	Capital Budget		Capital Expenditure Forecast					Surplus (Deficit) From Budget	Variance Last Report	Change In Variance	No.
	Original	Approved to date	Actual to June 30	2006	2007	2008	Total				
Servers	\$ 500,000	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000	\$ -	\$ -	\$ -	
Software	925,000	925,000	-	-	925,000	-	925,000	-	-	-	
Services	2,960,000	2,960,000	1,376	-	1,976,000	982,624	2,960,000	-	-	-	
Vendor Expenses	555,000	555,000	-	-	370,000	185,000	555,000	-	-	-	
Project Staffing	985,000	985,000	146,436	126,000	424,000	288,564	985,000	-	-	-	
Project Staff Expenses	597,000	597,000	-	85,300	341,200	170,500	597,000	-	-	-	
Integration and Software Maintenance	485,000	485,000	-	-	-	485,000	485,000	-	-	-	
Third Party Products and Support	400,000	400,000	34,377	-	165,623	200,000	400,000	-	-	-	
RFP Consultant and QA/QC Oversight	1,000,000	1,000,000	-	144,688	210,536	92,125	447,349	(552,651)	-	(552,651)	1
RFP Expenses	195,000	195,000	-	97,500	97,500	-	195,000	-	-	-	
Contingency	1,398,000	1,398,000	-	-	699,000	699,000	1,398,000	-	-	-	
TOTAL	\$ 10,000,000	\$ 10,000,000	\$ 182,189	\$ 453,488	\$ 5,708,859	\$ 3,102,813	\$ 9,447,349	\$ (552,651)	\$ -	\$ (552,651)	

Note:

¹ Successful bidder for consulting and QA/QC services provided a total cost that was under budget.

Components and associated costs are estimated and will be confirmed by the consultant.
This budget is based on procuring a system for City operation. The billing system RFP will also consider outsourcing.