STAFF REPORT – CITY COUNCIL MEETING

May 17, 2023

TO: Honorable Mayor and City Council Members

FROM: Tabatha Miller, Finance Director

PREPARER: Tabatha Miller, Finance Director

DATE: May 08, 2023

TITLE: **Approve an Amendment to the Agreement between OpenGov Inc. and the City of Arcata for Deployment and a Three-Year Subscription of the Budgeting & Planning, and Enterprise Asset Management Software Module in the Amount of $341,739, and Authorize the City Manager to Execute All Applicable Documents.**

RECOMMENDATION:

It is recommended that the Council:
1) Approve the Amendment to the OpenGov Inc. (OpenGov) and City of Arcata Agreement to add three years of Planning & Budgeting and Enterprise Asset Management Subscription Services and One-time Deployment Fees in the amount of $341,739; and
2) Authorize the City Manager to execute all applicable documents.

INTRODUCTION:

In March 2022, as part of the FY 2021-22 Mid-Year Budget Amendments, the Council approved reestablishing the online permit program that had stalled during the pandemic. OpenGov's Permitting & Licensing module was selected to facilitate online submittal and tracking by homeowners and builders of project applications. The OpenGov online system has streamlined the permit process for both the building community and for the City.

Based on the success of the online permit system and for consistency, staff is recommending implementation of the OpenGov Budgeting & Planning module, which will facilitate automation of the City's Asset Management Programs, Capital Improvement Program (CIP), and Capital, Operating and Labor Budgeting.

BACKGROUND:

The City relies heavily on Microsoft Word and Excel to develop operating budgets, plan for and track Capital Improvement Program (CIP) projects, maintain the City's assets and infrastructure and to track and forecast labor and benefit costs. This manual process is time-consuming and error prone because of its heavy reliance on inputting data from the City's Financial System (Springbrook), creating links between worksheets and files, using formulas, and sharing files in a system that only allow one user at a time to be updating and editing data. Springbrook's budgeting and project management modules provide tracking functionality, but it has no structure for developing,

analyzing or sharing the budget development process. The reliance on Word and Excel also hinders the collaborative aspect of budgeting and planning and by its nature excludes the public from the process.

In March 2022, the City Council approved $40,000 to implement the online permitting system that had been delayed during the pandemic. Near the end of calendar year 2022, the City launched the OpenGov Permitting and Licensing online platform. The platform allows homeowners and builders to submit and track applications online. It also created a much more efficient and consistent process for City Staff to review applications and issue permits and licenses. Staff will implement Business Licensing, Vacation Rental Permits, and the Residential Rental Inspection program on the platform over the next year.

In addition to the Permitting and Licensing platform, Staff recommends a sole source procurement for the additional Budgeting & Planning and the Enterprise Asset Management software services. Software services do not require the formal bidding process, and consolidation of the City's software services in one provider creates efficiencies, cost savings and consistency for staff and members of the public who will use these online tools to interact with the City.

DISCUSSION:

The attached Statement of Work for the Enterprise Asset Management module includes four domains: Wastewater Collection/Sanitary Sewer, Water Distribution, Walkability and Stormwater. The Asset Management module, which utilizes the Cartegraph system, will provide the City with the tools to inventory and assess the condition of the City's assets, with a focus on infrastructure where most of the City's financial investment is held. Using that inventory the next step is to create a repair and maintenance plan utilizing work orders and the condition assessments to ensure that the City is planning for and implementing preventative maintenance plans to extend the life of its assets. The workorder systems provide a way to track, manage and budget the staff, materials, vehicles and equipment resources in order to prioritize allocation of those resources. All of this additional data creates the foundation for decision making using analytic tools, benchmarks and progress reporting.

The City has historically used Microsoft Excel to develop its operating and capital budgets. Although we have no specific examples here in Arcata, reliance on Excel spreadsheets for financial and budgeting calculations has created numerous examples of decision makers relying on erroneous data to make critical decisions. For a costly example, search the internet for "The London Whale JP Morgan Excel". OpenGov's Budget & Planning and Enterprise Asset Management products will replace the City's use of Excel spreadsheets and Word Documents, which are typically created by and maintained by individuals with little oversight or quality control. Many of these legacy documents were created years ago and are passed on to new staff with little or no documentation.

The OpenGov modules are modern tools that can maintain version control, track progression of the budget, allow for scenario and data analysis, and efficient creation of budget reporting documents and presentations. OpenGov has experience with clients, like Arcata, who use the Springbrook financial system. Implementation of the Budgeting & Planning systems will include automating a daily upload of financial information into OpenGov. The ability to leverage use of the City's existing financial information with a new improved set of tools, not only creates efficiencies but assures that accurate financial data is used in budget development, tracking and benchmark measurement. By updating the data daily, OpenGov eliminates the manual process of downloading information into an Excel Spreadsheet and incorporating it into existing legacy spreadsheets – a time consuming process that is prone to data and integration errors.

Many of OpenGov's customers have reported significant staff time savings by automating the budget process. For example, Alameda, CA reported time savings of more than 50% on budget creation. A more comprehensive list of OpenGov customers can be found on its website.

Springbrook provides an adequate, if dated, process for tracking actual expenditures to budgeted expenditures, but by itself provides no transparency of the City's spending or financial data to the public. The interactive online budget book tool, which is included in the Planning & Budget module, is developed within OpenGov and creates a public facing tool for the public to explore and interact with the City's budget. The online "book" pulls from the budget development process and uses built in branded templates for a cohesive City story. The OpenGov online budget book is structured to meet the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award, which is the gold standard for municipal budget documents.

Two California examples of the interactive online budget book:

> City of Alameda, California

> City of Ukiah, California

Salaries & benefits are the City's most complex and largest operating expenditures and are projected at $19.5 million in FY 2023-24 or 55% of the City's operating budget. Budgeting for this annual expenditure requires manually downloading data from Springbrook and then recreating the payroll process through six complex, formula-driven, linked Excel spreadsheets. Not only is the process of building and updating the model time-consuming, but it is also time-consuming to change and track alternative scenarios. OpenGov's Labor module, which is incorporated into the budgeting module, provides current inputs from the City's Payroll system, and allows for running and tracking various scenario's costs projected out over multiple years. This is a tool that will simplify the City's budgeting process and provide a powerful and timely tool during labor negotiations, where correctly calculating the impact of long-term labor decisions is critical.

Another tool that OpenGov provides to manage the data is customizable dashboard views for staff and management to track capital and operating budgets, project status, maintenance and replacement schedules, workorders and other key matrix or indicators. The dashboards, like the on-line budget book, allow users to drill up and down for more detail, so that the financial and infrastructure data that the City has and will continue to compile is presented in a meaningful relevant way.

BUDGET/FISCAL IMPACT:

OpenGov's quote for the additional Budgeting & Planning and Enterprise Asset Management modules includes three years of subscription service and one-time deployment professional services.

Software Services	Start Date	End Date	Annual Fee
Budgeting & Planning and Enterprise Asset Management	7/1/2023	6/30/2024	$ 67,500
Budgeting & Planning and Enterprise Asset Management	7/1/2024	6/30/2025	$ 70,875
Budgeting & Planning and Enterprise Asset Management	7/1/2025	6/30/2025	$ 74,419
Professional Services	**Start Date**	**End Date**	**Annual Fee**
OpenGov Deployment - One-Time Fee	7/1/2023		$ 128,945
Total 3-Year Cost			$ 341,739

The quote summarized above provides a discount for payment of three years in advance and locks in the annual rate for the three-year period. Funds for the first year of the subscription and the one-time deployment costs are included in the FY 2023-24 Proposed Budget, subject to Council approval of the contract amendment this evening. The first year's costs will be split between the City's General

Fund, Water and Wastewater Funds. Once deployed the software costs will be allocated to all City Departments through the Information Technology Internal Service Fund Charges. Pre-paying the annual subscription fees reduces costs as set forth below:

Software Services	Start Date	End Date	Prepay Fee	Annual Pay	Savings
B & P and EAM Annual Subscription	7/1/2023	6/30/2024	$ 67,500	$ 75,000	$ 7,500
B & P and EAM Annual Subscription	7/1/2024	6/30/2025	$ 70,875	$ 78,750	$ 7,875
B & P and EAM Annual Subscription	7/1/2025	6/30/2025	$ 74,419	$ 82,688	$ 8,269
Total Cost 3-Year Subscription			$ 212,794	$ 236,438	$ 23,644

Staff believes that by creating efficiencies in the budget and asset management processes, the staff time efficiencies will more than cover the costs of the cloud-based software services.

ATTACHMENTS:

    A. OpenGov + Arcata Amendment 07.01.23 (PDF)
    B. Statement of Work Budgeting & Planning   (PDF)
    C. Statement of Work Enterprise Asset Management   (PDF)