

## IMPACT STATEMENT

**Legislation title:** Authorize a Contract for Integrated Tax System Software and Implementation for an initial term of five years and an initial not-to-exceed value of \$21,000,000 (Procurement Report)

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**Presenter name:** Scott Schneider, Interim Procurement Manager

**Purpose of proposed legislation and background information:**

The purpose of this Report is to update Council on the results of RFP 00001061 for Integrated Tax System Software and Implementation, and to authorize the Chief Procurement Officer (CPO) to execute the resulting contract. The contract will have an initial term of five years and an initial value not-to-exceed \$21,000,000 which covers the implementation, maintenance and support through FY 2023-24.

**Financial and budgetary impacts:**

Acceptance of this report will authorize the CPO to execute a contract with FAST Enterprises, LLC for a value not-to-exceed \$21,000,000 for the initial term of five years. The contract will cover both the implementation of a new Integrated Tax System (ITS) and several years of support after the 13-month implementation timeline.

Estimated cost are outlined below

1. The total estimated project (implementation in FY 2019-20 and FY 2020-21) cost is \$22.9 million.
  - a. The total project contract cost is \$13.3 million.
  - b. The total project non-contract (mostly City staff) cost is \$9.6 million.
2. The total estimated annual ongoing cost is \$5,367,296.
  - a. The City GF share of the estimated total annual ongoing cost is \$1,767,438.
  - b. Multnomah County's share of the estimated total annual ongoing cost is \$1,866,930.
  - c. The Clean Energy Surcharge share of estimated total annual ongoing costs is \$948,050.
  - d. All other funds on the ITS platform estimated annual ongoing costs are \$784,879.

The Approved FY 2019-20 budget currently includes \$9.68 million in one-time General Fund resources to fund this project. The remaining one-time project costs are anticipated to be funded via a bond issuance, with debt service costs of \$1.1 million per year for 10 years.

A new integrated tax system will ensure continued revenue collection for the City as well as collection for the County and multiple managed funds. Absent this new system, the City and its partners are at serious risk of revenue loss. It is anticipated that the City and some partners will benefit from enhanced revenue generation through additional system

functionality. Pursuant to established City financial policy, the City intends to apply a cost recovery methodology for the Integrated Tax System project, allocating project costs and support based across multiple collection programs. The cost recovery methodology is based on a percentage of total revenues collected on ITS.

On the recommendation of the City's finance and budget staff, Council has included a budget note in the Approved FY 2019-20 budget that reads as follows:

*Funding Plan for Integrated Tax System*

*Council directs the Office of Management & Finance (OMF) and the City Budget Office to develop a funding plan for the Integrated Tax System project. The one-time and ongoing costs included in the plan shall be optimized to lessen the total life-cycle costs of the system. This plan shall also maximize cost-recovery from City-managed funds and from the County, up to and including non-remittance of funds. The funding plan will be finalized and shared with Council Offices prior to September 15th, 2019, in order to inform Fall BMP actions.*

*Additionally, based upon the conclusions of the ITS funding plan, Council directs the City Budget Office to increase OMF's Current Appropriation Level to fund both the financing of project costs and ongoing system costs beginning in FY 2020-21.*

Exhibit A shows the breakout of these cost estimates allocated across payers under full cost recovery. The dollar amounts are still subject to change as the project costs, system support, and debt issuance details are finalized, but the exhibits give a sense of the potential total impact across payers. The total ongoing General Fund impact of this project is estimated to be \$1,767,438 assuming 100% cost recovery from all funds and revenue programs on the ITS platform.

The ongoing debt service costs and the ongoing costs for system support are preliminary and subject to change, but current estimates can be seen in Exhibit B Project Funding Plan.

The proposed costs and cost allocations outlined in Exhibits A and B will be further analyzed by the City Budget Office in the months leading up to the Fall BMP, and a CAL adjustment will be made in the Fall BMP to fund the ongoing General Fund impact of this project. The CAL adjustment will either take "first claim" on new available General Fund resources going into FY 2020-21, or drive reductions across other General Fund bureaus if insufficient new revenues are forecasted. The Revenue Division will also establish arrangements with the County and various managed funds, once this contract is approved by Council, to recover proportional funding for this project.

**Community impacts and community involvement:**

This contract resulted from a formal Request for Proposals (RFP). The RFP was publicly available on the City's BuySpeed website, and all proposals were evaluated by a

committee. The committee included a community volunteer from the Minority Evaluator Program. No protests to the procurement process were received.

**100% Renewable Goal: n/a**

**Budgetary Impact Worksheet**

**Does this action change appropriations?**

☐ **YES:** Please complete the information below.

☒ **NO:** Skip this section

<b>Fund</b>	<b>Fund Center</b>	<b>Commitment Item</b>	<b>Functional Area</b>	<b>Funded Program</b>	<b>Grant</b>	<b>Sponsored Program</b>	<b>Amount</b>