



SENT TO COUNCIL:

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City Manager's Office

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julia H. Cooper

**SUBJECT: REQUEST FOR PROPOSALS
(RFP) PROCESS**

DATE: November 17, 2011

Approved 

Date 11/18/11

INFORMATION

BACKGROUND

This memorandum is in response to an inquiry from Council at the September 27, 2011, Council meeting, requesting additional information about the process, cost, and time to complete several Request for Proposal (RFP) processes. Specific information was requested regarding the following RFP's:

- Employee Assistance Program and Critical Incident Stress Management (CISM)
- Insurance Broker
- Solar Installations on City Facilities

Section 4.12.210 of the San José Municipal Code requires a competitive RFP as the procurement method for services with an estimated value greater than \$100,000.

Pursuant to Municipal Code Section 4.12, the Finance Department is responsible for the procurement of supplies, materials and equipment as well as non-professional services and information technology. Contracting for professional/consulting services is typically the responsibility of the requesting Department. Departments are required to follow the competitive bidding guidelines established by the Finance Department, and the Finance Department staff provides guidance to Departments as required, pending the availability of resources.

The Request for Proposal (RFP) process generally involves the following steps:

RFP Preparation: RFPs are prepared using standard template documents that are tailored for each specific requirement including the following: statement of proposal requirements, proposal response information, evaluation criteria and their respective weighting factors, a timeline, and an explanation of the evaluation process leading to the recommendation of award. The time to

prepare an RFP varies depending on the complexity of the requirement and the availability of resources.

RFP Issuance/Vendor Outreach (2 weeks): RFP's are published using BidSync which is a web application designed for this purpose. Registered vendors automatically receive notification of the RFP. Vendors register on BidSync for the types of goods and services for which they wish to receive notification. RFPs and addenda are only distributed through BidSync. Although the use of the Internet has greatly facilitated outreach and exposure to the City's solicitations, sufficient time must be given for vendors to receive and review the RFP.

RFP Clarification; Q&A and Pre-Proposal Conference (4 to 6 weeks): During this period of the RFP process, vendors may ask questions to gain a better understanding of the City's requirements and seek clarification. The City responds to RFP participants through a formal written addenda process. All registered vendors receive notification of the availability of the addenda on BidSync. Additional time must be allowed if the process includes a mandatory or non-mandatory pre-proposal conference and/or a site visit.

Proposal Evaluation (4 – 20 weeks): This step includes evaluators independently reviewing and scoring written proposals. In addition to scoring written proposals, the City may also include oral presentations, product demonstrations, and a Best and Final Offer as part of the proposal evaluation process. The length of time to complete the proposal evaluation process is driven by the complexity of the solicitation, availability of evaluators and number of proposals received.

Recommendation of Award / Protest Period (2 weeks): Proposers are notified of the final scores, all of the proposals and related information are available for public inspection, and the City's Municipal Code regarding procurement rules allows any interested party to submit a written protest within ten days. The City is required to respond to all protests in writing. Process time for a recommendation of award varies depending on the number of requests for documents, if debriefings are requested, if protests are received and the nature of the protest. For RFPs greater than \$100,000, the protestor has appeal rights to the Council, which may further add to the recommendation process time.

Contract Negotiations / Final Agreement, Council Approval (6 - 16 weeks): The time required to complete these steps vary depending on the size and complexity of the project. Contracts greater than \$250,000 require Council approval and the timeline for agendaizing an item for Council approval is three weeks. This includes the time necessary for final review and approval and meeting any sunshine requirements for the early distribution of memos.

ANALYSIS

This section provides specific information on the three RFPs listed above and respond to the Council referral.

RFP: Employee Assistance Program and Critical Incident Stress Management (CISM)

- This RFP process was facilitated by the Human Resources Department.
- Four proposals were received.
- The process took five months to complete from release of the RFP to Council approval and execution of the agreement.
- Estimated RFP cost was \$70,000 of which \$34,000 was paid to an outside consultant to provide market research, analysis of proposals, and facilitation of the selection process and \$36,000 was internal staff. Internal staff costs were estimated by identifying the individuals that participated in the process, and their self-reporting of the estimated percentage of time spent on the RFP process. Estimated staffing costs include average base salary plus overhead. Rarely are there sufficient internal resources 100% dedicated to an RFP.
- Outcome was a one year agreement with four one-year options to renew for a total cost not to exceed \$3,251,140.

RFP: Insurance Broker

- This RFP process was facilitated by the Human Resources Department.
- Five proposals for brokerage services were received.
- The process took five months to complete from release of RFP to Council approval of the Agreement.
- RFP was conducted by internal staff at an estimated cost of \$29,000. Internal staff costs were estimated by identifying the individuals that participated in the process, and their self-reporting of the estimated percentage of time spent on the RFP process. Estimated staffing costs include average base salary plus overhead.
- The outcome was a one year \$180,000 agreement, with four one-year options to renew at the same annual cost.

RFP: Solar Installations on City Facilities

- This RFP process was facilitated by the Finance Purchasing Division.
- Seven proposals were received.
- The process took 15 months to complete from release of RFP to Council approval of the Agreement.
- RFP was conducted by internal staff at an estimated cost of \$115,000. Because the administrative costs related to City solar initiatives are reimbursable under a grant, a dedicated charge number was assigned for the purpose of data collecting and reporting. Internal staff costs for this RFP were determined by running a report of actual staff costs for all individuals charging into the dedicated charge number.
- Due to the complex nature of the requirement, this was a very comprehensive two phase RFP process that included a pre-proposal conference, site visits to multiple City facilities, multiple rounds of questions and answers between the vendors and the City, and a Best and Final Offer. There was also considerable financial analysis to compare proposed solar rates with

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PG&E rates for conventional energy. The negotiation phase alone took approximately four months to complete.

- The outcome established framework Power Purchase Agreements for solar installations at 28 specific City facilities by December 2012, and additional facilities by December 2013.

SUMMARY

The RFP process and timeline described above is the result of the City's desire to incorporate "best practices" as well as lessons learned from past RFP's. The objective of the RFP process to procure a service or solution that is determined to be the "best value" for the City is based on criteria set forth in the RFP. This is achieved by writing a requirement that does not favor a particular vendor or solution, facilitating a pre-defined evaluation process as described in the RFP, instilling public confidence that the process was followed, and providing an avenue for recourse if anyone feels that the process was not fair. Not following these steps leads to a greater risk of protests, with the possibility of having to re-issue the RFP. The timeline and expense of a particular RFP will depend on the complexity of the section process and the level of definition of what is being procured.

Factors such as a soft economy and the implementation of BidSync for improved vendor outreach have had the desirable effect of generating more competition resulting in a greater number of responses. However, the number of proposals to evaluate coupled with reduced staffing levels across the organization are impacting the availability of evaluators and lengthening the evaluation process. These are additional pressures affecting the timeline and expense of engaging in the RFP process.

/s/

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Acting Director of Finance

For additional information, please contact Mark Giovannetti, Purchasing Division Manager, at 535-7052.