

April 12, 2017

VIA Personal Delivery (2 copies)

City Council Members
City of San José
200 E. Santa Clara Street
San José, CA 95113
Attn: Toni Taber, City Clerk

*Re: Appeal of the decision on bid protest of the award of a contract to
Siemens on Request for Proposals RFP 15-16-01*

Dear Mayor and Members of the City Council:

I am writing on behalf of my client, Philips Lighting North America Corporation ("Philips"), to appeal the decision by the City of San José ("City") Purchasing Division Finance Department to deny Philips' protest of the award of a contract on Request for Proposals 15-16-01 ("Decision"). The contract is to convert nearly 40,000 sodium vapor streetlights to LED lights, including a wireless control and management system, by December 31, 2018. City staff has proposed to award the contract to Siemens, who proposed to install (but not provide) a controller manufactured by anyCOMM. Philips protested the intended award on several grounds, including that the Siemens proposal was materially non-responsive to City requirements and unavailable for award, and that both the Siemens proposal and the proposal submitted by Black & Veatch were overscored under the standards established in Request for Proposals RFP 15-16-01 ("RFP"). The Finance Department denied Philips' protest by letter dated April 3, 2017.

Fundamentally, the Decision requires the City to ignore the implementation deadline that it established as necessary for upgrades to lighting technology. Staff proposes to disregard that deadline to allow for a further pilot of the anyCOMM device, a product that has not substantiated performance claims, and may be unable to perform as claimed even after a presumably-lengthy additional pilot. The City would buy into an open-ended extension of a deadline that the RFP indicated was so critical that proposals which could not meet the deadline were required to be rejected. If anyCOMM remains unable to perform as promised after that open-ended extension, then the City will be criticized for wasting substantial time and public resources on a failed public project, and for unnecessary delays in securing the necessary upgrades. Even if anyCOMM could perform, the City would have to resolve substantial public concerns about invasion of privacy from anyCOMM's device.

The Decision also opens the City to criticism for upholding scoring based on something other than what was included in the proposals, which gives the appearance of favoritism

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or unequal treatment of bidders. For example, instead of rejecting Siemens' proposal for trying to shift the substantial risk of the anyCOMM device from Siemens to the City, the Decision states that the City is negotiating a **different** proposal with Siemens, after the RFP's proposal deadline. The Decision also disregards irrational scoring decisions, such as awarding Siemens the maximum points for speed to implementation when it cannot implement by the RFP's deadline, and awarding Siemens points for unproven technology that it will not provide or guarantee. Similarly, the Decision disregards the fact that Black & Veatch will not provide certain revenue-generating measures under its proposal, and that suggested revenue-sharing appears to be below standards obtained by other municipalities. The Decision does not explain why the City should award greater points for proposed lesser financial returns than otherwise might be available, with no financial guarantees.

More specifically, the Decision is fundamentally flawed in five ways, including:

- Proposals unable to meet the 2018 implementation deadline were required to be disqualified from further consideration. The Decision admits that Siemens cannot meet the deadline, in part due to a recommended further pilot of the anyCOMM device. (In a prior eighteen-month pilot, anyCOMM installed only five out of a planned 166 controllers.) The Decision improperly and completely disregards the implementation deadline that the City previously found to be critical.
- Proposals were required to include a wireless control and management device, and scores were awarded based (in part) on the features of the control device. Siemens proposed that the City contract **separately** with anyCOMM, apparently relieving Siemens from responsibility if anyCOMM cannot perform as claimed. The Decision incorrectly excuses Siemens from the requirement to supply and stand behind the control device.
- The Decision fails to address arbitrary scoring raised in the protest related to the anyCOMM device, such as awarding maximum points for implementation speed when Siemens cannot meet the implementation deadline.
- The City impermissibly is allowing Siemens to change its proposal. Siemens proposed a separate contract with anyCOMM. The Decision indicates that the City is negotiating with Siemens for Siemens to be responsible for the controller. Allowing a proposer to substantively change its proposal after the deadline, contrary to RFP requirements, gives the appearance of favoritism or unequal treatment of bidders by the City.
- The Decision fails to address the aspects in which the Black & Veatch proposal was overscored for features not included as part of the proposal.

Philips addresses the five critical flaws in detail below.

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The December 2018 Implementation Deadline, Which The RFP Indicated Was Critical, Cannot Be Waived.

The RFP requires the successful proposer to “complete installation of all LED streetlights with wireless control and management by December 31, 2018.” RFP, ¶ 2.1.3. Proposals that cannot meet that standard “will be disqualified from further consideration.” *Id.*, ¶ 12.1.3. The Decision acknowledges these requirements at page 3.

The Decision then states that the evaluation required longer than anticipated, and concludes that none of the proposers (including Siemens) can meet the deadline. The Decision does not dispute that the RFP was absolutely clear that proposals that could not meet the deadline “will be disqualified.” A public entity **must** comply with evaluation criteria stated in its solicitation document. *See Eel River Disposal and Res. Recovery, Inc. v. Humboldt County*, 221 Cal. App. 4th 209, 238-39 (2013); *Pozar v. Department of Transp.*, 145 Cal. App. 3d 269, 271 (1983). This is true, in part, because the “importance of maintaining integrity in government and the ease with which policy goals underlying the requirement for open competitive bidding may be surreptitiously undercut, mandate strict compliance with bidding requirements.” *Konica Bus. Mach. USA, Inc. v. Regents Univ. of Cal.*, 206 Cal. App. 3d 449, 457 (1988). Thus, the City has no discretion, as implied by the Decision, to refuse to disqualify Siemens’ proposal for failing to meet the December 2018 implementation deadline.

The Decision also concludes that “any impact to the overall project timeline will not be known until the [anyCOMM] pilot agreement is negotiated and the pilot is complete.” Decision at 3. That conclusion is incorrect. Philips could immediately provide an updated completion date if the City amends the RFP and requests revised proposals. The open-ended schedule is necessary only if the City is acting for the purpose of benefitting the proposer with questionable technology.

The City would be acting contrary to law, its own RFP, and the deadlines that it found to be critical if it were to accept the Siemens proposal. Instead, if the implementation deadline can be delayed, then the City should reject all proposals and request revised proposals **that actually can be implemented** by a revised and specific deadline. Delaying implementation of needed upgrades indefinitely to allow anyCOMM **another** opportunity to pilot its controller is inconsistent with the City’s stated urgent need for the streetlight upgrades, and unnecessarily delays important upgrades for the public. No compelling reason exists to grant one competitor such leeway.

Siemens’ Failure To Include A Control Device Cannot Be Waived.

The RFP requires the successful bidder to supply both LED lights and a wireless control and management system. *See, e.g.*, RFP at ¶¶ 1 (City sought proposals to convert all remaining non-LED streetlights to modern LED streetlights “**with a wireless control and management system**”) (emphasis added), 2.1.2 (same), and 2.2.1 (proposals “shall include installation of all streetlights and controller units”). Reflecting that the

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control unit was a critical portion of the proposal, proposers were awarded points for the controller devices that they proposed. See, e.g., City's Detailed Score Sheets (attached as Exhibit C to Philips' protest).

In the staff report regarding award (Exhibit B to Philips' protest), staff notes that Siemens proposes a separate contract between anyCOMM and the City, which "adds additional risk to the City." Staff Report at 10. Not only does it shift risk to the City, it is non-responsive to the RFP's requirement that proposers provide both streetlights **and** the control device. Awarding a contract based on Siemens' proposal will not give the City a contract for the necessary controllers. Thus, the proposal on which staff proposes to award a contract is materially non-responsive and unavailable for award. See, e.g., *Valley Crest Landscape, Inc. v. City of Davis*, 41 Cal. App. 4th 1432 (1996) (a bid containing a material deviation from solicitation requirements is unavailable for contract award); *Taylor Bus Serv., Inc. v. San Diego Bd. of Educ.*, 195 Cal. App. 3d 1331, 1341 (1987) (same).

The Decision concludes that the RFP did not require a single contract. Decision at 2. The Decision misses the point. First, the Decision cites provisions of the RFP permitting the City to award multiple contracts for complete proposals (for example, to convert a portion of the 40,000 lights), not to award separate contracts for partial proposals. Second, the City has no proposal in response to the RFP from anyCOMM. If it awards a contract to Siemens based on Siemens' proposal, the City will not have awarded a complete contract for the required scope of work: both controllers and streetlights. Because award to Siemens based on its proposal will not result in an award for the complete project, and anyCOMM does not have a pending proposal, Siemens' proposal must be rejected and is unavailable for award.

The Decision Failed To Address Arbitrary Scoring Of The Siemens Proposal Based On The anyCOMM Device.

Initially, the Decision recognizes Philips' argument that Siemens should not receive any points for the anyCOMM controller since it is shifting the risk associated with the controller to the City. Decision at 4. The Decision does not address this logical flaw in the scoring. *Id.* Because Siemens is not assuming the substantial risk that unproven technology will not perform as promised, Siemens was not entitled to points associated with the anyCOMM technology. Awarding Siemens credit for something it will not provide is arbitrary and inequitable.

The Decision also acknowledges that Philips challenges the scoring of Siemens' proposal in several respects, largely related to the anyCOMM device. *Id.* However, the Decision then concludes that the proposed **pilot** will address the claims in Siemens' proposal. *Id.* In other words, the Decision seems to agree that the scoring was based on unsubstantiated claims, but does not address the arbitrariness of granting points based on such unsubstantiated claims.

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Moreover, the Decision largely dismisses the fact that the RFP allowed the City to request a demonstration to verify claims of features, “especially for new or emerging technologies” such as the anyCOMM device. RFP, ¶¶ 12.2.4, 12.2.5. If anything, the then-existing anyCOMM pilot indicated that it cannot perform. The Decision does note a “demonstration” occurring in August 2016 (see Decision at 4), but that demonstration apparently did not verify claims or features of the anyCOMM device.¹ Rather, four months later, the staff report of the scoring notes that “the full capabilities of the device are unproven” and recommends a “large-scale testing of the technology prior to embarking on citywide deployment.” January 2017 Staff Report (Exhibit B to Philips’ protest) at 19. Thus, staff apparently awarded Siemens unsubstantiated points.

Instead of addressing the scoring inequities identified by Philips, the Decision identifies areas in which Siemens was scored down for problems with the anyCOMM device. Decision at 4. The fact that Siemens was properly scored down in some areas does not mean that it was not overscored in others. The Decision simply fails to address the material concerns Philips identified about the scoring of Siemens’ proposal. Critically, the Decision does not address that Siemens received the **maximum possible points** for its “speed to deployment,” notwithstanding the recommended “extensive pilot” for the anyCOMM controller and that Siemens cannot meet the mandated implementation deadline. Detailed Scoring Sheets (Exhibit C to Philips’ protest) at 3.

In addition, Siemens improperly received the following high scores based on the anyCOMM device:

- Siemens received 24 out of 25 points for “modernity of technology,” because the anyCOMM controller “offers most modern features.” *Id.* As noted, these features are unproven.
- Siemens received 7 out of 10 points for “user friendly city” for anyCOMM potential, but unproven, characteristics. *Id.* at 5.
- Siemens received 17 out of 20 points for “safe city,” the highest score, based on anyCOMM features that are not in use on the demonstration project. *Id.*
- Siemens received 16 out of 20 points, the highest score, on “inclusive city” for the anyCOMM features that are not in use on the demonstration project. *Id.*
- Siemens received 7 of 10 points on “other benefits,” notwithstanding that the anyCOMM device, including many features of interest to the City, have not been tested or deployed on anywhere near as large a scale as this project. *Id.* at 6.

¹ Philips also is concerned that the “demonstration,” prior to the final proposal deadline and scoring, may have violated the City’s “Procurement and Contract Process Integrity and Conflict of Interest” policy, which prohibits contact with evaluation team members during the procurement. See RFP, ¶ 16.2.

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- Siemens did not lose points under “increased clutter” or “visual or aesthetic impacts,” although implementing certain anyCOMM features, for which Siemens appears to have received credit for innovation, would increase clutter and “be bulky and less attractive.” *Id.* at 6.

Siemens improperly seeks to shift the risk of new technology to the City, but to accept the reward in scoring. Reducing any of these scores to eliminate the scoring bonus for anyCOMM would drop Siemens from first to last in the very-close scoring. For example, dropping Siemens’ score by only 8 points on “speed to deployment” to reflect the substantial uncertainty of the anyCOMM pilot and performance would drop Siemens’ score by 2.4 points, putting it in third place (if it were responsive).²

The City can only conclude that Siemens received points to which it was not entitled based on the unproven anyCOMM device, whose performance Siemens proposes not to guarantee. If anything, the Decision reflects the validity of Philips’ concerns. The City Council should not adopt and accept the arbitrary scoring which was identified in Philips’ protest.

The City Cannot Permit Siemens To Change Its Proposal.

Perhaps the greatest indicia of impropriety and unfair treatment is the suggestion that the City is permitting Siemens to change its proposal after the proposal deadline. The RFP specified that late proposals “shall be rejected” and “shall not be considered.” RFP, ¶ 10. Although the City was permitted to seek written clarification of a proposal, that “process may not be used . . . to make substantive revisions to the original proposal.” *Id.*, ¶ 12.2.3. Rather, the selected proposer “shall enter into a contract with the City in substantial conformity with the selected proposal.” *Id.*, ¶ 21.1.

The Decision admits that Siemens proposed a separate agreement with anyCOMM for the controllers. Decision at 3. However, the Decision then states that “the City is under no obligation to accept the two agreement scenario and in fact is not recommending two agreements. Instead, Staff is recommending that the City negotiate a pilot agreement with Siemens ‘that include appropriate guarantees of anyComm’s performance.’” *Id.* In other words, Siemens is being permitted to make a substantive change in its proposal after the proposal deadline, to correct its material deviation, and to receive a contract which is not in substantial conformity with its proposal.

Under the standards stated in the RFP, which bind the City as noted above, the City cannot permit Siemens to submit a late, revised proposal. Similarly, the City cannot permit Siemens to make substantive revisions to the original proposal, which included Siemens declining to take responsibility for the anyCOMM devices. Again, the Decision is contrary to law, reflects favoritism and inequality, and cannot be upheld.

² Practicality of implementation, which included speed to deployment, was 30% of the total, so the point change would be $8 * .30 = 2.4$.

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The Decision Failed To Address Overscoring Of The Black & Veatch Proposal.

Like the Siemens proposal, the Black & Veatch (“B&V”) proposal was over-scored. B&V’s proposal was more like a brainstorming document, identifying kiosks, banners, or other revenue-generating technology that could be obtained under **separate** contracts. As such, B&V takes no responsibility for supplying the technology or whether the technology performs as claimed in its proposal. In particular, B&V provides no revenue guarantees. See January 2017 Staff Report (Exhibit B to Philips’ protest) at 11 (“the proposal includes no revenue guarantees, which have been a standard component of public agency advertising contracts”); Detailed Scoring Sheets (Exhibit C to Philips’ protest) at 2. Further, “staff is unsure of the actual marketplace and rental rates” for the kiosks and banners. Staff Report (Exhibit B) at 11. For example, staff notes that other public entities have received revenue guarantees plus revenue sharing of 50 to 65 percent (*id.* at 11, n.6), whereas B&V suggested revenue sharing of only 33 percent. *Id.* at 11. Stated bluntly, B&V will neither provide the revenue-generating measures nor guarantee that the City will get fair value for the measures identified.

Because B&V neither provides the benefits under its contract nor guarantees the revenue from its proposed “partners,” the City could receive the same – or greater – benefits independent of the B&V proposal by conducting a separate procurement for digital signage/advertising to ensure that it is receiving appropriate pricing. *Id.* Separating the advertising components to ensure that the City is receiving fair value would not prevent the LED light and controller replacement, but it would impact the revenues and potential benefits claimed by B&V, and might impact B&V’s ability to finance the LED project. Moreover, the advertising components “may require changes to the General Plan, Municipal Code and Council Policy.” *Id.*

Because B&V offers no benefit to the City from features not provided under its proposal, B&V should not have been given credit for either the revenues or the features. B&V improperly received the following high scores, based on claimed features or revenue for which B&V will not be contractually responsible:

- B&V received the highest points for “total proposal valuation,” 50 out of 55, based on revenues that it does not guarantee and which will not be provided under its contract. Detailed Scoring Sheets (Exhibit C to Philips’ protest) at 2.
- B&V received the maximum points (20) for opportunities to generate revenue “from a single source.” *Id.* at 4. However, the revenues will not be generated from a single source – B&V – or under a contract with B&V.
- B&V received 9 of 10 points for “user friendly city,” for providing interactive, touch-screen information kiosks and banners on lightpoles. *Id.* at 5. Similarly, B&V received 15 of 20 points for “safe city” and “inclusive city” for features offered by Smart City Media. *Id.* Again, B&V will not provide those features under a contract awarded under the RFP.

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The Decision dismisses these concerns by stating that staff recognized the problems with B&V's proposal. Decision at 5. However, the Decision fails to address the fact that staff nonetheless awarded B&V substantial points for features which B&V would not provide under its proposal. Philips does not contend that staff was unaware of the flaws, just that B&V was improperly awarded scores for features it would not provide (just as Siemens improperly received credit for the anyCOMM device, which it will not guarantee).

B&V seeks to shift the risk of revenue generation to the City, but to accept the reward in scoring. Reducing these scores to eliminate the scoring bonus for features that will not be provided under B&V's contract with the City would drop B&V's score below Philips' score. For example, a drop of only five points out of the 50 awarded to B&V in "total proposal valuation" would result in an overall drop of 1.75 to B&V's score,³ placing it below Philips.


Conclusion

The City faces substantial risk if it proceeds with the recommended award to Siemens, as permitted by the Decision. Critically, the City will miss its implementation deadline, indefinitely delaying implementation of needed improvements to a pilot a product that already has not performed. The City will expend time and resources to do so, instead of implementing the Philips proposal as soon as possible. The City has no reason to give anyCOMM "another bite at the apple," and every reason to move forward with the compliant proposal. In doing so, the City can consider separately soliciting proposals for revenue-generating measures, such as those identified by B&V, thus ensuring that the City will receive the appropriate benefit and maximize the revenues from use of its resources.

Accordingly, Philips respectfully requests that the City revoke its intent to award to Siemens and issue a revised RFP with a reasonable implementation deadline. Under such an RFP, Philips is confident that it will offer the City the best value for its citizens and the best opportunity to timely implement needed lighting upgrades.

Very truly yours,

DIEPENBROCK ELKIN GLEASON LLP



Jennifer L. Dauer

JLD/syp

³ Total proposal valuation was 35% of the total, so the point change would be $5 * .35 = 1.75$.

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Enclosures

cc: Michelle McGurk, Assistant to the City Manager (via e-mail to michelle.mcgurk@sanjoseca.gov)
Benjamin Brinkert (via e-mail to ben.brinkert@philips.com)

Philips Lighting Bid Protest Letter

January 23, 2017

VIA Personal Delivery (2 copies)

Mr. David Sykes
Assistant City Manager
City of San José
200 E. Santa Clara Street, 17th Floor
San José, CA 95112

*Re: Bid protest of the award of a contract to Siemens on Request for
Proposals RFP 15-16-01*

Dear Mr. Sykes:

I am writing on behalf of my client, Philips Lighting North America Corporation (“Philips”), to protest the award of a contract on Request for Proposals RFP 15-16-01 (“RFP”) by the City of San José (“City”) to any proposer other than Philips. The basis for this protest is that, applying the criteria of the RFP, Philips is the highest-scored responsive, responsible proposer, so is entitled to any contract awarded on the RFP.

Critically, award to the intended awardee, Siemens, will not result in a contract for both LED light replacement **and** the required controllers because Siemens proposes that the City separately contract with a third party for the controllers. Thus, Siemens’ proposal is materially non-responsive and unavailable for award. Moreover, Siemens’ proposal was over-scored because Siemens was given credit for features of the controllers that the City, not Siemens, must acquire. Finally, the proposed controllers are almost wholly untested, and the supplier has been unable to complete the current pilot over the last 18 months. As a result, City staff recommends a further extensive pilot of the controller units. That pilot likely would prevent full implementation by the City’s December 2018 deadline, making Siemens not a responsible proposer.

The Black & Veatch (“B&V”) proposal also was over-scored. B&V proposes certain revenue-generating measures that can be achieved by the City regardless of which proposal the City selects, particularly because B&V does not propose any minimum revenue guarantees. B&V does not even propose to provide the revenue-generating measures under the contract with the City. Rather, a Special Purpose Entity (“SPE”) would hold separate contracts for the revenue-generating measures with contractors other than B&V. B&V was over-scored by being given credit for features that will be achieved, if at all, through separate contracts.

Only 2.1 points separated the Philips proposal from the Siemens proposal, and only 1.6 points separated the Philips proposal from the B&V proposal. After Siemens’ proposal

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is rejected as non-responsive, and both Siemens' and B&V's proposals are re-scored to eliminate credit for features for which they will not be responsible, Philips is the highest scored, responsive, responsible proposer. To ensure completion of the project by the December 31, 2018 deadline and expedite the City realizing the energy savings and other benefits of LED street-lighting, Philips respectfully requests that the City award the contract on the RFP to Philips.

Factual Background

RFP criteria

The City issued the RFP for "Innovative LED Streetlight Replacement" to convert its remaining sodium vapor streetlights to LED lights, with a wireless control and management system, "at a minimal cost to the City," using "little to no public funds." **Exhibit A** (RFP excerpts) at ¶ 1. Approximately one-third of the lights already have been converted. *Id.*, ¶ 1.1.

The successful proposer is required to "complete installation of all LED streetlights with wireless control and management by December 31, 2018." *Id.*, ¶ 2.1.3. Proposals that cannot meet that standard (among others) "will be disqualified from further consideration." *Id.*, ¶ 12.1.3.

The RFP similarly specified that late proposals "shall be rejected" and "shall not be considered." *Id.*, ¶ 10. Although the City was permitted to seek written clarification of a proposal, that "process may not be used . . . to make substantive revisions to the original proposal." *Id.*, ¶ 12.2.3.

Contract award, if any, is to be to the highest ranked responsive proposer. *Id.*, ¶ 13.

On January 11, 2017, the City issued a notice of intent to award to Siemens as the highest scored proposer, at 67.6 points. Black & Veatch scored second with 67.1 points, and Philips scored third with 65.5 points. The staff report recognized that the three proposals had "widely varying approaches." **Exhibit B** (Report excerpts) at 2.

This protest is timely filed on the first business day following the tenth calendar day after announcement of the intent to award.

Scoring of the Siemens proposal

In discussing the Siemens proposal, the City staff report states that "Siemens has partnered on this proposal with anyCOMM . . ." *Id.* at 9. However, the staff report later recognizes that Siemens actually "proposes **separate contracts** between Siemens and the City and between anyCOMM and the City." *Id.* at 10 (emphasis added). Staff recognizes that "[t]his approach adds additional risk to the City." *Id.* For that reason, and "because of the relatively untested nature of the anyCOMM nodes," staff recommended an "extensive pilot process to test the technology." *Id.*; see also *id.* at 19

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(recommending “large-scale testing” because the capabilities of the anyCOMM device are “unproven”). As noted in that report, anyCOMM already has a “demonstration partnership” with the City, entered into in June 2015, under which anyCOMM was supposed to place 166 of its nodes on streetlights and test sensor features. *Id.* at 9. Eighteen months later, anyCOMM had installed only five nodes and was running only “preliminary” tests. *Id.* As noted:

staff is concerned that the anyCOMM technology is not market-proven and has only been deployed in 300 test locations worldwide. Because Siemens proposes separate contracts between Siemens and the City and between anyCOMM and the City, the proposal carries additional risk should anyCOMM fail to realize or bring to market its technology.

Id. at 15.

Siemens received significant scoring credit for the anyCOMM controller. For example, Siemens received 24 out of 25 points for “modernity of technology,” with the comment that the anyCOMM controller “offers most modern features.” **Exhibit C** (Detailed Scores) at 3. Siemens also received 7 out of 10 points for “user friendly city” for anyCOMM “potential” characteristics, notwithstanding that Siemens will not be responsible for executing the (unproven) features. *Id.* at 5. Similarly, Siemens received 17 out of 20 points for “safe city,” the highest score, based on anyCOMM features that are not in use on the demonstration projects, and although Siemens will not be responsible for executing the features. *Id.* On “inclusive city,” Siemens received 16 out of 20 points (again the highest score) for the anyCOMM features that were not in use on the demonstration projects, where anyCOMM has no contracts with carriers, and where Siemens would not be responsible for executing the hypothetical benefits. *Id.* Under “other benefits,” where Siemens received 7 of 10 points, the Detailed Scoring report reiterated concerns that the anyCOMM device has never been deployed on anywhere near the scale of the City’s project, that “[m]any of the features of interest to the City have not been tested on a large scale in the real world,” and that Siemens will not be responsible for the performance of that device. *Id.* at 6.¹

Further, notwithstanding that an “extensive pilot” would be required for the anyCOMM controller, Siemens received the maximum points and highest score for its “speed to deployment,” evaluating whether conversion was “at fastest speed possible.” *Id.* at 3. However, the staff report notes that the recommended pilot “would lengthen the time before LED streetlights are deployed citywide.” **Exhibit B** at 21. Similarly, unlike Philips, Siemens did not lose any points under “increased clutter” or “visual or aesthetic impacts,” although implementing certain anyCOMM features, for which Siemens

¹ The only apparent deduction for the fact that, based on the pilot, anyCOMM’s performance is questionable, is a 10-point deduction under “stability and reliability” (which nets to 3 points after applying the 30% factor) because “Siemens solution is untested in the marketplace.” **Exhibit C** at 3.

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appears to have received credit for innovation, would increase clutter and “be bulky and less attractive.” Exhibit C at 6.

Scoring of the Black & Veatch proposal

The Black & Veatch proposal was very different from the Siemens or Philips proposals because it proposed a separate revenue source, unrelated to the upgrade of the lights and installation of controllers. Specifically, B&V proposed to have a “partner,” Smart City Media, “install 150 information kiosks around the City . . . as well as 400 interactive digital banners on streetlight poles.” Exhibit B at 11. Smart City Media would then pay the City a portion of the advertising revenues. *Id.* B&V also proposed another entity, 5 Bars, to install telecommunications equipment on up to 2,500 streetlights.² *Id.* at 10. The contracts with Smart City Media and 5 Bars would be separate from the contract with B&V, so that B&V would not be directly responsible for the contract performance. See Exhibit D (B&V proposal excerpt, figure 7, showing that 5 Bars and Smart City Media would contract with a Special Purpose Entity, not B&V).

The B&V proposal was problematic to evaluate because “the proposal includes no revenue guarantees, which have been a standard component of public agency advertising contracts,” and “staff is unsure of the actual marketplace and rental rates” for the kiosks and banners. Exhibit B at 11. A footnote in the staff report reflects that other public entities have received minimum revenue guarantees plus revenue sharing of 50 to 65 percent (*id.* at 11, n.6), whereas B&V proposed no minimum guarantee and revenue sharing of only 33 percent. *Id.* at 11. As staff noted, it could “issue a procurement for digital signage/advertising through traditional procurement channels” to determine the appropriate pricing. *Id.* Separating the advertising components to ensure that the City is receiving fair value would not prevent the LED light and controller replacement, but it would impact the revenues and potential benefits claimed by B&V, and might impact B&V’s ability to finance the LED project. Moreover, the advertising components “may require changes to the General Plan, Municipal Code and Council Policy.” *Id.*

The B&V proposal also differs because it depends on creating a Special Purpose Entity through which the project would be financed, and which would bear the risk that revenues or savings are not as projected. Exhibit B at 11, 15. As reflected by Figure 7 in the B&V proposal, the SPE would hold the various contracts with B&V, 5 Bars, Smart City Media and others. Exhibit D. B&V’s “partners” would not be its subcontractors, so B&V would have no contract with the City to provide the benefits in its proposal.

Notwithstanding that B&V would not be responsible for the performance of its “partners,” the B&V proposal received the highest points for “total proposal valuation” because B&V

² The Philips proposal also included telecommunications capabilities, but Philips will be directly responsible for installing and implementing that portion of its proposal under a contract awarded to Philips by the City.

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proposed the highest revenue, through the kiosks, digital banners, and other unrelated revenue. Exhibit C at 2. B&V also received the maximum points (20) for opportunities to generate revenue “from a single source,” which evaluated the number of opportunities that “the contract” would offer. *Id.* at 4. B&V received 9 of 10 points for “user friendly city,” with the comment that “Black & Veatch would provide interactive, touch-screen information kiosks and banners on lightpoles.” *Id.* at 5. Similarly, B&V received 15 of 20 points for “safe city” and “inclusive city” for features offered by Smart City Media, not B&V. *Id.*

Legal Principles

The selection of Siemens instead of Philips was due to the failure to reject the Siemens proposal as materially non-responsive to the RFP requirements. In addition, or in the alternative, Siemens should have been found not to be a responsible bidder because it cannot meet the December 31, 2018 implementation deadline using the anyCOMM controller. Finally, the scoring of proposals by both Siemens and B&V was excessive because each proposer was given credit for features for which it would not be responsible, if the contract were awarded to them. The legal principles applicable to these challenges are discussed below.

Public entities engage in competitive procurements to eliminate favoritism; to avoid misuse of public funds; and to stimulate competition. See *Ghilotti Constr. Co. v. City of Richmond*, 45 Cal. App. 4th 897, 907 (1996); Pub. Cont. Code § 100. The “importance of maintaining integrity in government and the ease with which policy goals underlying the requirement for open competitive bidding may be surreptitiously undercut, mandate strict compliance with bidding requirements.” *Ghilotti*, 45 Cal. App. 4th at 907-08; see also *Konica Bus. Mach. USA, Inc. v. Regents Univ. of Cal.*, 206 Cal. App. 3d 449, 457 (1988). To avoid even the appearance of or potential for impropriety, the procurement must permit bidders to compete on a level playing field. See *Domar Elec., Inc. v. City of Los Angeles*, 9 Cal. 4th 161, 173 (1994); *Associated Builders & Contractors v. San Francisco Airports Comm’n*, 21 Cal. 4th 352, 367 (1999). Further, a public entity must comply with evaluation criteria stated in its solicitation document. *Eel River Disposal and Res. Recovery, Inc. v. Humboldt County*, 221 Cal. App. 4th 209, 238-39 (2013).

Complying with the evaluation criteria in the solicitation document may include rejecting a bid which fails to meet requirements. A bid is responsive if it promises to do what the solicitation document requires. See *Valley Crest Landscape, Inc. v. City of Davis*, 41 Cal. App. 4th 1432, 1438 (1996); *Taylor Bus Serv., Inc. v. San Diego Bd. of Educ.*, 195 Cal. App. 3d 1331, 1341 (1987). A bid that deviates from the solicitation’s requirements is non-responsive. Further, a materially non-responsive bid is unavailable for award. See *MCM Const., Inc. v. City & Cnty. of San Francisco*, 66 Cal. App. 4th 359 (1998). A deviation from the requirements of the solicitation document is material if it allows a bidder an advantage not available to other bidders. *Valley Crest*, 41 Cal. App. 4th at 1442; *Konica*, 206 Cal. App. 3d at 454.

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In contrast to responsiveness, responsibility addresses a bidder. “A bidder is responsible if it can perform the contract as promised.” *Taylor Bus*, 195 Cal. App. 3d at 1341. Responsibility involves considerations of “the quality, fitness and capacity of the low bidder to satisfactorily perform the proposed work.” See *City of Inglewood-Los Angeles County Civic Center Auth. v. Superior Court*, 7 Cal.3d 861, 867 (1972); see also Pub. Cont. Code § 1103.

Siemens’ Proposal Is Unavailable For Award.

Although the RFP allowed for great flexibility, it does require the successful bidder to supply both LED lights and a wireless control and management system. See, e.g., Exhibit A at ¶¶ 1 (City sought proposals to convert all remaining non-LED streetlights to modern LED streetlights “**with a wireless control and management system**”) (emphasis added), 2.1.2 (same), and 2.2.1 (proposals “shall include installation of all streetlights and controller units”). In the staff report, staff notes that Siemens “. . . proposes separate contracts between Siemens and the City and between anyCOMM and the City. This approach adds additional risk to the City.” Exhibit B at 10. Not only does it add more risk to the City, it is non-responsive to the RFP’s requirement that proposers provide both streetlights **and** the wireless control and management unit. Siemens’ deviation, allowing it to avoid the substantial risk of a largely untried product manufactured by a small start-up without significant revenues, and to shift that risk to the City, gives Siemens an advantage over Philips, which is fully responsible for the risks of its technology. Thus, Siemens’ proposal to have the City separately acquire the controller units from a third party makes its proposal materially non-responsive and unavailable for award.

Further, because Siemens does not propose to supply the controllers under its contract, and takes no responsibility for whether they perform as claimed in its proposal, Siemens should not have been scored for the features of the anyCOMM controllers. Siemens improperly received the following high scores, based on claimed features of the anyCOMM controller, for which Siemens takes no responsibility:

- Siemens received 24 out of 25 points for “modernity of technology,” because the anyCOMM controller “offers most modern features.” Exhibit C at 3.
- Siemens received 7 out of 10 points for “user friendly city” for anyCOMM potential, but unproven, characteristics. *Id.* at 5.
- Siemens received 17 out of 20 points for “safe city,” based on anyCOMM features that are not in use on the demonstration project. *Id.*
- Siemens received 16 out of 20 points on “inclusive city” for the anyCOMM features that are not in use on the demonstration project. *Id.*

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- Siemens received 7 of 10 points on “other benefits,” notwithstanding that the anyCOMM device, including many features of interest to the City, have not been tested or deployed on anywhere near as large a scale as this project. *Id.* at 6.
- Siemens received the maximum points for its “speed to deployment,” notwithstanding the recommended “extensive pilot” for the anyCOMM controller. *Id.* at 3.
- Siemens did not lose points under “increased clutter” or “visual or aesthetic impacts,” although implementing certain anyCOMM features, for which Siemens appears to have received credit for innovation, would increase clutter and “be bulky and less attractive.” *Id.* at 6.

Siemens improperly seeks to shift the risk of new technology to the City, but to accept the reward in scoring. Reducing any of these scores to eliminate the scoring bonus for anyCOMM would drop Siemens from first to last in the very-close scoring. For example, dropping Siemens’ score by only 8 points on “speed to deployment” to reflect the substantial uncertainty of the anyCOMM pilot and performance would drop Siemens’ score by 2.4 points, putting it in third place (if it were responsive).³

Moreover, the RFP provided that the City could request a demonstration or examples of other installations to verify claims of features, “especially for new or emerging technologies” such as the anyCOMM claims. Exhibit A, ¶¶ 12.2.4, 12.2.5. However, the City did not request a demonstration of the anyCOMM devices, perhaps because it is aware from the current pilot that the device has not been able to provide the benefits claimed.⁴ Certainly, the City is not required to request a demonstration. But, giving a proposer points for features which must be viewed as hypothetical is unreasonable and arbitrary, and unfairly penalizes proposers that proposed proven technology. Thus, not only should Siemens not receive points for technology risks it is not taking, but it should not receive points for unproven technological benefits.

One of the other few standards set by the City in the RFP was that the contractor is required to “complete installation of all LED streetlights with wireless control and management **by December 31, 2018.**” Exhibit A, ¶ 2.1.3 (emphasis added). Nearly 40,000 streetlights must be upgraded in less than 24 months. City staff recognizes that, in 18 months, anyCOMM was able to install only 5 of the 166 devices it was supposed to install in the current pilot project. Exhibit B at 9. Thus, staff recommends a further pilot period to test whether anyCOMM is even capable of providing the features that interest the City. Staff states no expected time period for such a “pilot,” noting only that

³ Practicality of implementation, which included speed to deployment, was 30% of the total, so the point change would be $8 * .30 = 2.4$. A drop of 7 points would put Siemens in a tie with Philips ($7 * .3 = 2.1$).

⁴ Staff recommended a further and extensive pilot, which is much more involved and time-consuming than a “demonstration” that the product can produce the claimed benefits.

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the recommended pilot “would lengthen the time before LED streetlights are deployed citywide.” *Id.* at 21.

If the City were to give Siemens any credit for the anyCOMM controller that is not supplied with its proposal, then the City still must reject Siemens’ proposal because it cannot be completed within the required time. That is, given that anyCOMM has installed only 5 devices over the last 18 months, Siemens appears unable to meet the December 31, 2018 deadline for installation. The RFP requires that proposals that cannot meet the installation deadline “**will be disqualified** from further consideration.” Exhibit A, ¶ 12.1.3 (emphasis added). It is particularly critical to disqualify Siemens because, since it is requiring the City to supply the controllers, Siemens would not be responsible for a delay in implementation due to unavailability of functioning controllers. The RFP requires rejection of Siemens’ proposal, essentially because Siemens is not capable of installing the lights and the specified controllers within the City’s timeframe, *i.e.*, is not responsible.⁵

Siemens’ proposal should be rejected as materially non-responsive for failing to provide the required controllers, and to assume the risk of doing so. Siemens also was over-scored by being given credit for technology features that are not only unproven, but for which it is not taking the risk. Finally, Siemens should be rejected because it cannot meet the December 31, 2018 deadline to install the LED lights and controllers, given the need for a substantial additional anyCOMM pilot. For these reasons, Philips requests that the City reject the recommendation to award to Siemens.

Black & Veatch’s Proposal Was Over-Scored, And Should Not Have Been Ranked Higher Than Philips’ Proposal

Like the Siemens proposal, the B&V proposal was over-scored. B&V does not propose to supply the kiosks, banners, or other revenue-generating technology under its contract, and takes no responsibility for whether they perform as claimed in its proposal. In particular, B&V provides no revenue guarantees. See Exhibit B at 11 (“the proposal includes no revenue guarantees, which have been a standard component of public agency advertising contracts”); Exhibit C at 2. Because B&V neither provides the benefits under its contract nor guarantees the revenue from its proposed “partners,” the City could receive the same – or greater – benefits independent of the B&V proposal. See Exhibit B at 11 (“staff is unsure of the actual marketplace and rental rates”) and 11, n.6 (reflecting that the proposed City share is less than what other public entities have received in revenue sharing); *see also id.* at 10 (B&V proposed telecommunications rate for 5 Bars is “approximately 65 percent of the rate charged to carriers under the City’s Master Lease Agreement for Telecommunications”). The City could conduct a separate

⁵ Although the standard set in the RFP is essentially a responsibility standard, a responsibility determination may have significant future effects on a bidder. As a result, the City can and should reject Siemens by applying the RFP that a proposal that will not meet the deadline will not be considered, rather than making a finding as to responsibility.

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procurement for digital signage/advertising to ensure that it is receiving appropriate pricing. *Id.* at 11.

The City can secure all benefits of the kiosks and banners independent of the B&V proposal, and should be able to secure revenue guarantees in addition. The City also may be able to achieve higher telecommunications rates under its Master Agreement. Because **B&V** offers no benefit to the City from these aspects of its proposal, B&V should not have been given credit for either the revenues or the features. B&V improperly received the following high scores, based on claimed features or revenue for which B&V will not be contractually responsible:

- B&V received the highest points for “total proposal valuation,” 50 out of 55, based on revenues that it does not guarantee and which will not be provided under its contract. Exhibit C at 2.
- B&V received the maximum points (20) for opportunities to generate revenue “from a single source,” which evaluated the number of opportunities that “the contract” would offer. *Id.* at 4. However, the revenues will not be generated from a single source – B&V – or under a contract with B&V. Instead, any revenues would be generated under separate contracts, which B&V proposes to be sole-sourced to its “partners,” without verification from the competitive marketplace as to whether the revenue-sharing is appropriate.
- B&V received 9 of 10 points for “user friendly city,” with the comment that “Black & Veatch would provide interactive, touch-screen information kiosks and banners on lightpoles.” *Id.* at 5. Similarly, B&V received 15 of 20 points for “safe city” and “inclusive city” for features offered by Smart City Media. *Id.* Again, the features for which B&V was given credit will not be provided under a contract with B&V.

B&V seeks to shift the risk of revenue generation to the City, but to accept the reward in scoring. Reducing these scores to eliminate the scoring bonus for features that will not be provided under B&V’s contract with the City would drop B&V’s score below Philips’ score. For example, a drop of only five points out of the 50 awarded to B&V in “total proposal valuation” would result in an overall drop of 1.75 to B&V’s score,⁶ placing it below Philips. Or, B&V received 70 points in the sub-categories of “community benefit” challenged above as unwarranted, including opportunities to generate revenue, “user friendly city,” “safe city,” and “inclusive city.” A drop of 17 points under community benefit would reduce B&V’s final score by 1.7 points, also placing it below Philips.⁷

B&V was over-scored by being given credit in its proposal for features that the City could secure regardless of which proposal it selects. B&V did not guarantee any of the revenues, and ultimately would not be responsible for performance in accordance with

⁶ Total proposal valuation was 35% of the total, so the point change would be $5 * .35 = 1.75$.

⁷ Community benefit was 10% of the total, so the point change would be $17 * .10 = 1.7$.

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proposal representations since the contracts would not be directly with B&V. When B&V's score is reduced to eliminate benefits that the City can obtain without accepting its proposal, B&V's score would fall well below Philips'.

Conclusion

For the reasons stated above, Siemens' proposal is non-responsive, over-scored, and puts unreasonable risk on the City, so should be rejected. Similarly, B&V's proposal was over-scored for benefits which the City can obtain independent of any contract with B&V. As a result, Philips respectfully requests that the City revoke its intent to award to Siemens and, instead, issue a notice of intent to award to Philips as the highest scored, responsive proposer on the RFP.

Very truly yours,

DIEPENBROCK ELKIN GLEASON LLP

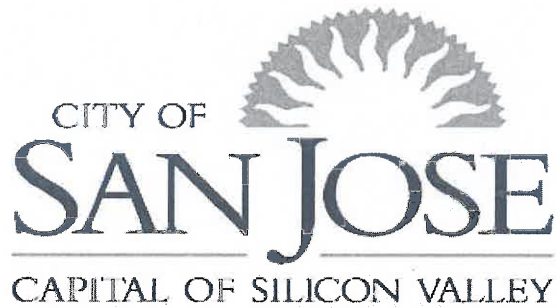


Jennifer L. Dauer

JLD/syp

cc: Michelle McGurk, Assistant to the City Manager (via e-mail to michelle.mcgurk@sanjoseca.gov)
Benjamin Brinkert (via e-mail to ben.brinkert@philips.com)

Exhibit A



**REQUEST FOR PROPOSAL
 RFP 15-16-01**

**INNOVATIVE LED STREETLIGHT
 REPLACEMENT**

| | |
|--|---|
| RFP release date: | August 3, 2015 |
| Contact name: Address: | Teri Killgore, Assistant to the City Manager 200 E. Santa Clara Street, 17 th Floor San José, CA 95113 |
| Phone: | 408-535-8102 |
| Fax: | 408-920-7007 |
| E-mail address: | LEDrfp@sanjoseca.gov |
| Pre-proposal conference (optional) | August 26, 2015 |
| Deadline for questions and objections | September 14, 2015 |
| City response to written questions | September 28, 2015 |
| RFP due date: | October 15, 2015 |
| Time: | 5 p.m. |
| Location: | 200 E. Santa Clara Street, 17 th Floor San José, CA 95113 |

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1 INTRODUCTION

The City of San José (City) is in the process of converting its streetlights citywide to brighter, whiter Light Emitting Diode (LED) streetlights with a wireless control and management system. Of the 63,000 streetlights citywide, approximately 40,000 remain to be converted. Unfortunately, the City doesn't have the funds to complete the conversion. Therefore, the City is seeking one or more innovative partnerships to convert the remaining streetlights at a minimal cost to the City.

The City is seeking proposals from private, non-profit and philanthropic entities to partner with the City in creative ways with the end goal of converting all remaining streetlights to LED with little to no public funds.

The City has a variety of valuable assets available to proposers, including:

- Real estate that could be leased or developed;
- Sites that could be used by the telecommunications industry for small-cell technology;
- Facilities that could be reused or repurposed;
- Buildings or properties—such as an animal shelter, playground, or community room—that could be named in honor or recognition of a person or entity;
- Some existing conduit that could be used for fiber or the potential to build new;
- And many more additional opportunities for partnership.

The City is not limiting responses to any particular type of partnership (i.e. telecommunications, naming rights, etc.). However, the City is **not** simply seeking a financing mechanism to convert the remaining streetlights or solely recoup costs through energy savings. Nor is this solely a bid process for installing LED streetlights.

1.1 BACKGROUND ON SAN JOSE STREETLIGHTS

Since 2008, the City has been replacing sodium vapor lights with LED streetlights that are more energy-efficient, longer-lasting and that can be programmed to optimize energy consumption, monitor and report energy consumption, protect the night sky, as well as produce minimal to no hazardous waste upon disposal.

This project helps to complete one of San José's Green Vision goals (Goal 9, the City by 2022 will "Plant 100,000 New Trees and Replace 100 Percent of Our Streetlights with Smart, Zero Emission Lighting."). Significant progress has been made toward this goal. Of the 63,000 streetlights in the City of San José, one-third has been or will be converted by Summer 2015. The remaining 40,000 streetlights include low-pressure and high-pressure sodium, as well as some metal halide streetlights. Some of the remaining streetlights are ornamental or have special fixtures. For a description of San José's streetlight inventory, see Appendix 2, San José Streetlight Network Overview.

In addition to the obvious energy savings, the conversion of the existing sodium-vapor and metal halide streetlights to LED streetlights has yielded other benefits. The LED streetlights produce a brighter, whiter light than the more yellow hues of the existing streetlights. The LED streetlights cast light downward and their dedicated wireless controller units and management system allow the lights to be dimmed, resulting in further energy savings and less light pollution in the night sky.

Finally, the wireless controller units and management system signal when a streetlight is malfunctioning or taken offline, enabling quicker repairs.

For these reasons, the City desires to convert the remaining 40,000 streetlights in its system to modern LED fixtures with wireless control and management as soon as possible. However, given current funding levels, the City is not able to fund the capital investment needed to convert the streetlights in the near term.

The City completed the majority of the initial conversions with grant funds and through demonstration partnerships, energy services company (ESCO) partnerships and small City projects. The City seeks similar creative approaches to completing the conversion of the remaining streetlights citywide. However, the City will not consider responses that only provide a mechanism to finance the project or solely rely on long-term strategies to recoup costs through energy savings.

2 PROJECT GOALS, OBJECTIVES AND REQUIREMENTS

2.1 GOALS AND OBJECTIVES

2.1.1 The City seeks creative proposals from private, non-profit, or philanthropic entities for partnerships that put civic assets to use in ways that allow for the conversion of 40,000 streetlights to LED with wireless control and management using little to no public funds.

2.1.2 The City seeks proposals to convert all remaining non-LED streetlights to modern LED streetlights with wireless control and management or provide in lieu payments as outlined in 2.2.2 below. All design, permits and installation will be the responsibility of the proposer(s).

2.1.3 Successful proposer(s) will complete installation of all LED streetlights with wireless control and management by December 31, 2018.

2.2 GENERAL PROJECT REQUIREMENTS

2.2.1 Proposal shall include installation of all streetlights and controller units in at least one of four designated zones citywide minimum, although a single proposer may be chosen to complete installation in all four zones.

2.2.1.1 Proposals for installation in less than an entire zone will be rejected. The proposer shall select one or more of the zones shown in Appendices 2 and 2A, San José Streetlight Network Overview and Streetlight Map.

2.2.1.2 Proposer shall be responsible for determining streetlight conversion equivalencies per San José Streetlight Design Guide. The Streetlight Design Guide is online at www.sanjoseca.gov/DocumentCenter/Home/View/242.

2.2.2 Proposals may provide cash compensation in lieu of installing streetlights with wireless control and management. The minimum in lieu cash payment shall be \$2 million.

3 MINIMUM QUALIFICATIONS

- 3.1** Proposer and proposer's contractor and/or installation partner shall provide three (3) references per Section 11.4.8.
- 3.2** Proposer or proposer's contractor and/or installation partner shall have completed prior municipal led streetlight installations.
- 3.3** Proposer or proposer's contractor and/or installation partner shall hold a California State Contractor's license.
- 3.4** Proposer or proposer's contractor and/or installation partner shall hold a California State Electrical contractor's license.
- 3.5** Proposer or proposer's contractor and/or installation partner shall possess any required professional engineering licenses to design and engineer the project, including signature of plans.
- 3.6** Proposer or proposer's contractor and/or installation partner shall be manufacturer-authorized installer of the LED streetlights and wireless controller units and management system.
- 3.7** In cases where proposal is for In Lieu Cash Payment to the City, items 3.2 through 3.6 shall not apply.

10 LATE PROPOSALS

Late proposals shall be rejected and returned to the proposer. This deadline is absolute and proposals received after the due date and time shall not be considered. Proposers must select a method of delivery that ensures proposals will be delivered to the correct location by the due date and time.

11 RESPONSE DOCUMENTS / SUBMISSION REQUIREMENTS

In order to expedite the evaluation process, each proposal shall be organized in accordance with this section. Proposals that do not follow the specified format outlined below, or fail to provide the required documentation, may receive lower scores, or if found to be non-responsive, be disqualified. In the event of any conflict between any of the proposal documents, resolution thereof shall be in the City's sole discretion. Proposals shall include the following information in the format indicated:

11.1 COVER LETTER (REQUIRED)

Include a transmittal letter identifying the proposer's firm (or firms in the case of partnerships or joint proposals) and the proposal package being submitted. Include other important general information that is deemed significant enough to be highlighted. The letter shall provide the name, title, address, telephone number, and fax number of the individual authorized to contractually bind the firm and be signed by the authorized individual.

11.2 EXECUTIVE SUMMARY (REQUIRED)

Include a summary of no more than 2 pages containing highlights of the proposal approach, describing how the project team would be organized, and how the proposer will ensure responsiveness to City staff and project requirements.

11.3 PROPOSAL CHECKLIST (REQUIRED)

Proposer must complete the Proposal Checklist in Attachment A. The Post Award Checklist is provided for proposer planning purposes and need not be submitted.

11.4 PROJECT TEAM (REQUIRED)

All proposers must submit a response that contains the following information about the Project Team.

11.4.1 Management Plan

11.4.2 High Level Project Plan with timeline

11.4.3 Key Personnel Assignments/Responsibilities

11.4.3.1 Provide an Organizational Chart for your company showing reporting structure.

11.4.3.2 Provide a list of Key Personnel and their job titles for this project, including a project manager.

11.4.4 One Page Resume for each Key Personnel

12 REVIEW PROCESS AND EVALUATION CRITERIA

12.1 PROPOSAL RESPONSIVENESS.

12.1.1 Required Documentation: Proposals will be reviewed to determine if all required documentation was included with the proposal submittal as described in Section 11.

12.1.2 Proposals that fail to contain the required documents will be disqualified from further consideration.

12.1.3 Proposals that fail to meet the Minimum Qualifications described in Section 3 or the Project Goals, Objectives, and/or Requirements in Section 2 will be disqualified from further consideration.

12.2 PROPOSAL REVIEW AND EVALUATION.

12.2.1 All proposals not providing an in lieu payment will be evaluated to determine if technical specifications for streetlights and wireless controller units and management system meet the specifications described in Appendices 3 through 5. Proposals that fail to meet these technical specifications will be disqualified from further consideration.

12.2.2 Installation proposals that fail to provide product sample submissions as required in Section 11.8.1.3 will be disqualified from further consideration.

12.2.3 The City may seek written clarification from any or all proposers in order to better understand and evaluate the proposed solution. This process may not be used as an opportunity to submit missing documentation or to make substantive revisions to the original proposal.

12.2.4 The City may seek demonstrations and tests of technical compatibility, interoperability, or other issues with the existing LED streetlight network or wireless controller units and management system from any or all proposers in order to better understand and evaluate the proposed solution. This process may not be used as an opportunity to submit missing documentation or to make substantive revisions to the original proposal.

12.2.5 The City reserves the right to request demonstration, specifications, and examples of other installations of technologies proposed, especially for new or emerging technologies. Field tests or small scale demonstrations may be required.

12.2.6 The City reserves the right to interview prospective firms/individuals prior to making its selection. The City also reserves the right to rely on information from sources other than the information provided by the respondents.

12.2.7 Final award shall be contingent upon selected firm accepting Terms and Conditions in substantial conformity to the terms listed in Attachment C, Proposal Valuations and Cost Form with Designated Responsible Parties and Appendices 8 and 9 (if applicable) of this RFP.

12.3 PROPOSAL EVALUATION WEIGHTING CRITERIA

| Criteria | Weight |
|--------------------------------|--------|
| Highest Verified Value | 35% |
| Practicality of Implementation | 30% |
| Community Benefit and Impact | 10% |
| Experience | 10% |
| Environmental Stewardship | 5% |
| Local Business Preference | 5% |
| Small Business Preference | 5% |
| TOTAL | 100% |

12.3.1 Highest Verified Value will be evaluated using the information provided. Factors will include the Proposal Valuation (per Attachment C, Proposal Valuations and Cost Form with Designated Responsible Parties); ability to generate ongoing revenue; total value to the City over time; cost realism vs. revenue realism, including ability in the marketplace to cogenerate revenue. Any telecommunications proposals will be evaluated using the City's adopted telecommunications rates (adopted by close of RFP) as a baseline.

12.3.2 Practicality of Implementation will include analysis of modernity of technology vs. industry standards, stability and reliability, and speed to deployment. Practicality of Implementation will also weigh whether project aligns with existing City Council Policies (see Appendix 1, City Council Policies), Municipal Code (online at sanjoseca.gov), or faces legal or policy hurdles.

12.3.3 Community Benefit and Impact will include evaluation of additional public benefit derived from proposed project as well as aesthetics. Community Benefits may include potential for reducing clutter in the public right-of-way; opportunities to generate multiple streams of revenue from a single source; and other benefits to the City, its residents and businesses. Community Impacts may include increased clutter in the public right-of-way, visual or aesthetic impacts, construction impacts, use of civic resources, or other impacts to the City, its residents and businesses.

12.3.3.1 Experience will include both expertise of proposer (and contractor or installation partner) in installing LED streetlights, as well as experience/expertise in deploying any other solutions that might be proposed as part of the proposal.

12.4 COST PROPOSAL REVIEW AND EVALUATION.

Pricing will be evaluated and weighted in accordance with the table in Section 12.3. Current average price points for LED lighthouse/luminaire installation and City permit fees are outlined in Attachment C, Project Valuation and Proposal Cost Form with Designated Responsible Parties. These price points and associated project management costs will be used as a baseline in analyzing and comparing proposals. Pricing shall be firm fixed for the term of the contract. During this period the price may not change.

12.5 PRESENTATIONS/ORAL INTERVIEWS.

Finalists (proposals determined to have scored in the competitive range) may be invited to give oral presentations for the purpose of introducing key members of the project team, and allowing the City to fully understand the proposer's ability to meet the evaluation criteria. Oral

presentations will not be scored separately. Instead the City may modify proposal scores and resulting rankings based on the oral presentation.

12.6 BEST AND FINAL OFFER (BAFO).

12.6.1 A Best and Final Offer (BAFO) may be held with finalists that have scored in the competitive range if additional information or clarification is necessary in order to make a final decision. The BAFO may allow proposers to revise their original technical and/or cost proposals based on information received from the City. The City will send out the request for a BAFO with instructions addressing the areas to be covered and the date and time in which the BAFO is to be submitted. After receipt of the BAFO, scores may be adjusted based on the new information received in the BAFO.

12.6.2 The City will request only one BAFO, unless the City determines in writing in the procurement file that another BAFO is warranted.

12.6.3 Proposers are cautioned that the BAFO is optional and at the sole discretion of the City. Therefore, proposers should not assume that there would be an additional opportunity to amend their technical or price proposals after the original submission of technical and price proposals. Proposers may not request an opportunity to submit a BAFO.

12.6.4 The City may at the time of BAFO normalize proposal data over like time periods.

12.6.5 The City may at the time of BAFO suggest that finalists work together.

13 BASIS OF AWARD

13.1 Award(s) will be based on the overall highest ranked proposer(s) score(s) in accordance with Section 12.3. The City may assign proposals to groupings of similar proposal types and rank within each grouping.

13.2 The City may make multiple awards, up to 4 total for installation projects or more in the case of in lieu payments.

13.3 Should the selected proposer(s) fail to provide post award documents as required, the City, in its sole discretion, may withdraw the award recommendation, and select the next highest ranked proposer for award.

13.4 The City reserves the right to accept an offer in-full, or in-part, or to suggest a collaboration between one or more proposers, or to reject all offers.

Exhibit B



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Michelle McGurk

SUBJECT: INNOVATIVE LED STREETLIGHT
REPLACEMENT RFP

DATE: January 11, 2017

Approved

Date

1/11/17

RECOMMENDATION

It is recommended that the City Council:

- 1) Accept the report and analysis regarding the Innovative LED Streetlight Replacement Request for Proposals;
- 2) With respect to the proposals received for installation of streetlights and smart controller units, direct the City Manager either to:
 - a) Negotiate a contract with the top-scoring proposer Siemens for conversion of approximately 39,285 streetlights to LED luminaires with smart controllers, including a pilot installation of at least 1,000 controller units from proposal partner anyCOMM, other necessary testing and appropriate guarantees, and return to Council for final contract execution;

OR

- b) Reject all bids and issue new separate procurements for the following items:
 - i) Conversion of approximately 39,285 streetlights to LED luminaires;
 - ii) Installation and commissioning of approximately 64,400 smart controller units, including an evaluation of emerging smart city technologies and capabilities;
 - iii) Management and marketing of City infrastructure for telecommunications purposes; and
- 3) With respect to the in-lieu proposal received from Allvision/Outfront Media and the outdoor kiosks and banners proposed by Black & Veatch, direct the City Manager to continue the work currently in-process regarding electronic billboards, the General Plan, and the City Sign Code. If the Council chooses to amend the General Plan, Code and Council Policy regarding electronic billboards in the future, the City Manager is directed to come forward with recommendations on issuing an RFP for such signage and interactive media on City property.

OUTCOME

Council consideration and selection of a proposer will enable staff to move forward on converting approximately 39,285 streetlights citywide to energy-efficient, brighter and whiter, smart, light-emitting diode (LED) streetlights.

EXECUTIVE SUMMARY

This type of procurement is unprecedented in the City of San José. Council directed staff to test the marketplace and see if it was possible to find a partner or partners who would convert approximately 39,285 streetlights from sodium vapor to efficient LED technology at little or no cost to the City.

San José issued the Innovative LED Streetlight Replacement Request for Proposals (RFP) in August of 2015. In Phase 1, the City received 11 proposals. All proposers were invited to submit full proposals in Phase 2. The City received six full proposals in Phase 2. Two proposers failed to meet the Minimum Qualifications laid out in the RFP. The review team invited the remaining four to the interview phase.

One proposer, Allvision/Outfront Media, proposes an “in-lieu” (or cash) project wherein the company would install up to eight electronic billboards on City property and the City could use the resulting revenue to pay for converting the streetlights. Staff is not recommending the Allvision/Outfront Media proposal as it conflicts with current City policies and the Municipal Code. At Council direction, staff is in the process of developing recommendations to update the policies and Code, so this proposal is premature. Staff believes that it would be best to complete the policy work; then, if Council wishes to explore electronic billboard advertising as a potential revenue opportunity, staff could issue a separate and specific RFP for such a project.

All three remaining proposers—Black & Veatch, Philips, and Siemens—propose to install streetlights and smart controller units. Despite widely varying approaches from each of the three proposals, the final scores from the review team are fairly close, with only 2.1 points separating the highest and lowest scores. The main policy considerations before Council are the following:

- Will the selected proposer accomplish the goal of installing streetlights and smart control units?
- What are the risks to the General Fund? Will energy savings, PG&E rebates, and revenues from the proposed real estate deal pay for the streetlights? Or will the City have to put money into the project? Are revenues guaranteed or speculative?
- What other benefits does the City get from the project? Does it advance any other City goals (e.g., the Smart City Vision)? How does it benefit or impact our City, including residents and businesses?
- Are proposed technology elements dated, current, or leading edge? How have they been deployed at similar scale and complexity elsewhere?

If this were simply a traditional procurement for installation of approximately 39,285 LED luminaires and controllers, staff could say with confidence that the three installation finalists have sufficient experience with large public works projects and streetlight installations. However, this proposal is also a financing scheme and a 24-year real estate deal. Each proposer's approach to using City assets is quite different, and as a result, comparability is not straightforward. For example, revenue projections vary widely, and in all cases, much of the revenue is projected, not guaranteed, which is a concern given the long-term (24-years) nature of this project. Further, it is important to note that none of the proposers are self-financing the project. The proposals either include a financing partner who would lend the money to finance the project or require the City to obtain financing.

The proposal from Siemens offers cutting edge technology; however, the controller units have not been deployed on a large scale. For this reason, staff believes the best course would be to undergo a rigorous and detailed field test of at least 1,000 units as the first phase of a larger deployment.

Another alternative is for Council to return to a traditional procurement process. In so doing, Council could reject all proposals and direct staff to seek financing for streetlight conversion and issue separate procurements for key components, including:

- Installation of LED streetlights;
- Procurement of smart controller units, exploring the marketplace for new Smart City technology; and
- Electronic advertising.

Under such a scenario, telecommunications companies may continue to enter into lease arrangements with the City directly using the City's existing Master Lease Agreement for Telecommunications. Alternately, the City could issue an RFQ or RFP for neutral-host telecommunications management, which would market the City's assets for telecommunications deployments. The advantage of this scenario is that there may be more proposers within each type of procurement, as opposed to the bundled procurement approach in this RFP.

BACKGROUND

There are approximately 64,400 active streetlights citywide in San José. Since the City Council adopted San José's Green Vision in 2007, the City has been on the cutting edge of streetlight innovation, partnering with industry to pilot new designs for LED streetlights and smart controller units. To date, nearly 25,000 lights have been changed to LEDs (approximately 39 percent of the inventory), and approximately 39,285 lights remain to be converted.

Purchase and installation of the lights and controller units is estimated to cost approximately \$36.7 million. Given the other pressing infrastructure needs the City has, Council directed staff to turn this funding challenge into an opportunity for creative solutions.

the 11 invited proposers from Phase 1, proposers submitted another 56 questions seeking more detail on the streetlight system and the RFP.

Given the unique and open-ended nature of the RFP, the proposals received are complex and required careful review for a number of components: financial viability, technical viability, risk to the General Fund, and other factors. Staff's analysis of the installation proposals is presented separately from that of the one in-lieu proposal.

INSTALLATION PROPOSALS

Following is an overview of the three proposals to install LED streetlights and smart controllers, as well as a "Base Case" outlining what would be required if the City were to convert the streetlights using a traditional process (i.e., obtaining financing, designing the systems in-house, and bidding and contracting for installation).

| SCORING: INSTALLATION PROPOSALS | | | | |
|--|-------------------------------|----------------|---------|---------|
| ITEM | POINTS AVAILABLE | Black & Veatch | Philips | Siemens |
| Highest Verified Value | 35 | 27.3 | 22.8 | 23.5 |
| Practicality of Implementation | 30 | 20.7 | 24.3 | 26.1 |
| Experience | 10 | 8.1 | 9.4 | 7.9 |
| Community Benefits & Impacts | 10 | 6.7 | 4.0 | 5.9 |
| Environmental Stewardship | 5 | 4.3 | 5.0 | 4.2 |
| Local Business Enterprise Small Business Enterprise | 5 (LBE) | 0 | 0 | 0 |
| | 5 (SBE, only eligible if LBE) | | | |
| Total Points (100 possible) | | 67.1 | 65.5 | 67.6 |

Base Case – Traditional Funding and Installation

To provide a baseline for review of the proposals, staff developed the "Base Case" model. Under this model, staff identified what it would cost the City to pay for procuring and installing the streetlights, as well as the lifecycle costs for the new light fixtures and controller units. The total

Siemens Installation Proposal

| | |
|------------------------|---|
| Lead Proposer | Siemens Industry Inc., Building Technologies |
| Partners | anyCOMM |
| Installation by | Siemens Industry Inc., Building Technologies |
| Timeframe | 24 years |
| Initial Cost | \$34,462,805; controller units are at no cost |

Siemens, headquartered in Berlin and Munich, is a global electrical engineering and electronics corporation with 348,000 employees worldwide. The Siemens Industry Inc., Building Technologies division would oversee the engineering, design, and installation of approximately 39,285 LED streetlights. Siemens has partnered on this proposal with anyCOMM, an Internet of Things startup that recently relocated to San José.

AnyCOMM has invented a controller unit (the “node”) that includes the smart streetlight controls and a variety of Smart City features, including the capacity to accommodate up to four video cameras with digital recording devices, four color tunable LED indicator lights, audio sensor (for gunshot, car crash, and graffiti detection), and can also expand to include two-way public address for emergencies. Through partnerships with third-party providers, the company states that Wi-Fi hotspots, LTE small cells, and wireless backhaul could be provided via the node.

In June 2015, prior to release of the RFP, the City of San José entered into a demonstration partnership with anyCOMM, in which the company was going to place 166 nodes on San José streetlights and test sensor features. To date, anyCOMM has installed five nodes on streetlights on Almaden Boulevard between Santa Clara and St. John streets downtown and is running preliminary demonstration tests. The company has installed approximately 300 nodes in pilot locations across North America, including in the cities of Concord, California and Stratford in Ontario, Canada, as well as at an auto mall in Elk Grove, California. The technology was also recently used at hotspots in downtown Cleveland during the Republican National Convention.

Under this proposal, Siemens would convert the remaining 39,285 streetlights at a cost of \$34.4 million, which the City would finance via a tax-exempt municipal lease-purchase agreement and energy savings. The proposal includes letters of intent from potential financiers.

The anyCOMM nodes—valued by anyCOMM at approximately \$26MM— would be provided to the City at no cost, and anyCOMM proposes to upgrade the nodes as needed at no cost. The company also proposes to provide nodes for free to retrofit the 23,000 streetlights that the City has already converted to LED. AnyCOMM proposes to pay \$12/node in annual rent to the City with a 12 percent annual escalator for the first 18 years and 3 percent for years 19 to 24.

The nodes contain femtocells with capacity for up to four wireless carriers; however, the company does not have existing contracts or relationships with wireless carriers. Should this function be fully deployed, the \$12/node rental rate is significantly lower than the Council-

adopted telecommunications rates. It does, however, expand potential cellular capacity citywide by placing it on every streetlight. This potential, however, will only be realized if the carriers choose to use this capacity.

The company also proposes revenue sharing with the City of 15 percent of net profits from other revenues derived from the anyCOMM devices (e.g. Internet of Things backhaul, broadband gateway fees, new applications, etc.). However, the company has yet to monetize any of these revenue streams or develop partner relationships.

In Siemens' Best and Final Offer documents, the company proposes separate contracts between Siemens and the City and between anyCOMM and the City. This approach adds additional risk to the City. For this reason and because of the relatively untested nature of the anyCOMM nodes, staff is recommending an extensive pilot process to test the technology and development of contract terms with Siemens that include appropriate guarantees of anyCOMM's performance.

Black & Veatch Installation Proposal

| | |
|------------------------|--|
| Lead Proposer | Black & Veatch |
| Partners | 5 Bars (telecommunications) Smart City Media (kiosks) Bostonia Group (financing) |
| Installation by | Black & Veatch |
| Timeframe | 24 years |
| Initial Costs | \$34,764,185 (plus \$9,466,632 over life of contract for project management) |

Black & Veatch, founded in 1915, is a global engineering, consulting and construction company headquartered in Overland Park, Kansas, with regional offices in Dublin, California. The company has approximately 10,000 employees in 100 countries, and specializes in the areas of energy, water, telecommunications, federal projects, and management consulting.

Black & Veatch proposes to install approximately 39,285 LED streetlights citywide. Construction would be done by Black & Veatch Construction with additional subcontractors. In addition to converting the streetlights, Black & Veatch has partnered with 5 Bars and Smart City Media to include telecommunications and digital media components, and as a result, potential ancillary revenues.

The 5 Bars component of the project proposes to install small-cell telecommunications equipment on up to 2,500 streetlights. The company would, in turn, re-sell or lease capacity to broadband providers. The company is a neutral-host provider, which means that various wireless carriers could lease space from 5 Bars. The company proposes to pay the City \$1,950 per cell annually, with an inflation adjuster. This rate is approximately 65 percent of the rate charged to carriers under the City's Master Lease Agreement for Telecommunications.

Another partner, Smart City Media proposes to install 150 information kiosks around the City, primarily in the Downtown area, as well as 400 interactive digital banners on streetlight poles. Smart City Media would sell advertising on the kiosks as well as display public service messages about City activities and programs. The company is deploying similar kiosks in Kansas City, Missouri's Smart City transportation corridor⁵ along its new streetcar line.

City staff would be able to use the banners and kiosks to provide information to residents and visitors. The kiosks have Wi-Fi capabilities, and users can use them to call 9-1-1 or 3-1-1. Smart City Media also proposes to install up to 1,000 mobile sensors and beacons on streetlights. These devices would have the capacity to monitor air quality, weather conditions, and other conditions. Smart City Media proposes to install the mobile sensors, beacons, and Smart City kiosks and banners at no cost to the City and to pay the City 33 percent of gross revenues from advertising.

It is important to note that implementation of the advertising component of this proposal may require changes to the General Plan, Municipal Code and Council Policy.

The Black & Veatch proposal would create a Special Purpose Entity through which the project would be financed. The financing model relies on both energy savings and revenues to fund the project. If energy savings do not materialize at the levels projected, those costs are the responsibility of the Special Purpose Entity. There is an annual fee for Black & Veatch to manage the Special Purpose Entity, which is projected to total \$9.4 million over the 24-year life of the contract.

Based on the company's Best and Final Offers, the proposal projects the highest amount of revenue to the City from the installation of telecommunications devices and the Smart City sensors, beacons, and kiosks. However, the proposal includes no revenue guarantees, which have been a standard component of public agency advertising contracts⁶, and the partner companies are relative newcomers in their fields. In addition, because there are no other digital kiosk/streetlight banner proposals to compare to this proposal, staff is unsure of the actual marketplace and rental rates for this commodity. One option is to attempt to mitigate this risk by pursuing guarantees through the contract negotiation process. By contrast, if the City were to issue a procurement for digital signage/advertising through traditional procurement channels, staff could better determine the feasibility of the marketplace.

⁵ <http://www.smartmedia.city/media/mk/assets/player/KeynoteDHTMLPlayer.html#27>

⁶ By comparison, the Santa Clara Valley Transit Authority's advertising contract with Outfront Media Group requires payment of the greater of \$2.45 million or 65 percent of annual net sales annually, while Mineta San José International Airport's contract with Clear Channel Outdoor, Inc. requires payment of the greater of the Minimum Annual Guarantee (\$1.8 million in FY 2017-2018) or: 65 percent of gross revenue from fixed display in-terminal advertising, 65 percent of gross revenue from outdoor advertising; and 50 percent gross revenue from transit/bus shelter; as well as sponsorships/promotions/naming rights/licensing to be separately negotiated.

Siemens's proposal uses energy savings and telecommunications lease revenues to pay for the project. Key to this proposal is that proposal partner anyCOMM would provide controller units to the City for free on all of the streetlights citywide, not just the approximately 39,285 not yet converted to LEDs with smart controller units. The company also proposes to upgrade the units at no cost every few years as the technology evolves.

AnyCOMM proposes to pay the City \$12 per year per node with a 12 percent escalator in the first 18 years, then reverting to 3 percent per year. In addition, the company would pay 15 percent of net profits (as opposed to gross revenues) from monetizing any of the capabilities of the node. However, the proposal does not provide evidence that the company has monetized the technology, or that it has customers for its services or partnerships with telecommunications carriers. Information about the company or its financial status is not readily available from public sources. If the company fails to develop the product or bring it to market, the City could be left with an obsolete device on every streetlight. (This was a risk the City took when it first pioneered smart controller units on LED streetlights a decade ago.)

Black & Veatch proposes to pay for the conversion through a combination of energy savings and revenues from telecommunications equipment and digital advertising. The company would create a Special Purpose Entity through which the project would be financed. The financing model relies on both energy savings and revenues to fund the project. If energy savings do not materialize at the levels projected, those costs are the responsibility of the Special Purpose Entity.

Based on the company's Best and Final Offers, the proposal estimates the highest amount of revenue to the City from the installation of telecommunications devices and the Smart City sensors, beacons, and kiosks. Proposal partners seek to install 2,500 small-cell telecommunications devices on streetlights; 150 interactive (touchscreen) digital kiosks on city sidewalks/property; 400 interactive (touchscreen) digital banners on city streetlights; and 1,000 mobile beacons on other city property or right-of-way.

In return, the proposal projects that the City would receive per-device annual payments from the telecommunications lease as well as 33 percent of gross revenues from digital advertising. Projected revenues are significant, however, the proposal contains no minimum guarantee, and the advertising partner and the technologies are quite new to market. In addition, using the kiosks and banners for getting the word out about City events and for other public purposes offers marketing opportunities for the City, but would require staffing to develop and update the content.

Philips proposes to pay for the conversion through energy savings and revenue from installing up to 1,000 SmartPoles. The Philips proposal would finance the cost of streetlight installation through energy savings and any revenues received for SmartPoles. Under the financing model, the City would continue to pay PG&E for the cost of energy used to fuel the streetlights. The energy savings (or the difference between the City's electricity costs before installation of the

LED lights and the post-installation electricity costs for the lights) would be paid to an unnamed financier. Philips would pay rent to the City for any SmartPoles installed beyond the first 200.

Under this proposal, Philips would make an upfront payment of \$2 million, which would cover lease payments to the City for the first 200 SmartPoles. Lease payments for any SmartPoles beyond the 200 (up to 1,000) would start at the City's current rate of \$3,000 per year per pole if the carriers are willing to pay that rate.

Practicality of Implementation – 30 percent of Final Score

Per the RFP, Practicality of Implementation was to be determined using the following criteria: Analysis of modernity of technology vs. industry standards; stability and reliability; and speed to deployment. Practicality of Implementation would also weigh whether the project aligned with existing City Council Policies, the San José Municipal Code, or otherwise faced legal or policy hurdles.

At a minimum, each installation proposal was required to include lighting and smart controller units that met the City's specifications. Additionally, proposers could include other elements, such as telecommunications equipment that could enhance cellular service in San José and Smart City functions.

All of the installation finalists met the minimum requirement for lighting specifications and smart controller units. Additional features include the following:

- Siemens: anyCOMM node on each light pole, which combines the functionality of a smart controller unit with various Smart City elements, including gunshot detection, traffic counting, 24/7 digital video recording from four cameras mounted inside the unit, emergency announcements, and evacuation alerts. The node also includes femtocell telecommunications capabilities. This node is new technology.
- Black & Veatch: up to 2,500 telecommunications devices attached to streetlight poles, 150 Smart City interactive digital kiosks, 400 interactive digital streetlight banners, and 1,000 mobile beacons that could improve cellular coverage, help with wayfinding, and share information about City services and programs, as well as events and activities. These kiosks and beacons have Wi-Fi capabilities and can dial 9-1-1 and 3-1-1 in an emergency. The Smart City features are fairly new technology. Implementation of the digital kiosks and streetlight banners may require changes to the General Plan, Municipal Code and Council Policy.
- Philips: up to 1,000 SmartPoles, which are streetlights with small-cell telecommunications equipment inside, and have been piloted in San José and Los Angeles in large-scale pilots.

Staff believes that the Siemens proposal meets a number of the City's adopted Smart City and other goals. For example, the City has been looking for ways to alert residents in an emergency and the nodes include public address and warning light capabilities.

However, staff is concerned that the anyCOMM technology is not market-proven and has only been deployed in 300 test locations worldwide. Because Siemens proposes separate contracts between Siemens and the City and between anyCOMM and the City, the proposal carries additional risk should anyCOMM fail to realize or bring to market its technology.

Staff recommends that, if Council elects to move forward with the Siemens proposal, there be an extensive testing phase in which anyCOMM nodes are installed and tested on at least 1,000 existing LED streetlights to ensure functionality under real-world conditions to verify that the technology delivers on its promise before deploying citywide. Staff would also have to conduct community outreach and develop policies regarding some of the capabilities, such as the digital video recording, to ensure that community needs and concerns are addressed if these capabilities are deployed during the pilot and prior to full deployment. Staff would also develop contract terms with Siemens that include appropriate guarantees of anyCOMM's performance.

Experience – 10 percent of Final Score

Per the RFP, Experience was to be rated both on the expertise of proposer (and contractor or installation partner) in installing LED streetlights, as well as experience/expertise in deploying any other solutions that might be proposed as part of the proposal.

The three installation finalists (or their installation partners) all have experience in installing LED streetlights. Black & Veatch and Siemens propose to perform the work themselves through their construction subsidiaries, while Philips proposes to contract with Rosendin Electric. One note of caution regarding project complexity: San José's streetlights were installed over decades, and there is not a comprehensive or updated database of the existing streetlights, their electrical components, and field conditions may differ greatly than what is recorded. For this reason, the project must include a comprehensive pre-construction phase and strong quality assurance elements.

Siemens provided the most thorough plan for managing what will be a complex project, including in its plan phases for field work and auditing of the existing conditions, engineering and permitting, as well as installation. The company reports completion of the largest number of LED streetlight installations. Philips proposal was the next most detailed in this area and the company has also completed significant installations. Black and Veatch provided fewer details and had less experience in LED streetlight installation, but is a highly experienced contractor with a significant track record of managing complex projects.

With respect to the deployment of other technology solutions, the Philips solution has been deployed widely in Los Angeles and in a pilot in San José, Black & Veatch's partner Smart City

Media has deployed its solution recently in Kansas City; and Siemens' partner anyCOMM has had limited deployment of its node technology.

This element also includes the results of reference checks.

Community Benefits and Impacts – 10 percent of Final Score

Per the RFP, Community Benefit and Impact was to include evaluation of additional public benefit derived from proposed project as well as aesthetics. Community Benefits might include potential for reducing clutter in the public right-of-way; opportunities to generate multiple streams of revenue from a single source; and other benefits to the City, its residents and businesses. Community Impacts might include increased clutter in the public right-of-way, visual or aesthetic impacts, construction impacts, use of civic resources, or other impacts to the City, its residents and businesses.

A key benefit that emerged in looking at the three finalists' proposals was the potential to help the City realize goals outlined in the Council-adopted Smart City Vision.

Community benefits of the Siemens proposal include:

- Multiple functions are contained within one node, avoiding visual blight;
- Multiple VLAN networks for use by City departments;
- LEDs on nodes can be used for emergency and wayfinding functions;
- Nodes have potential to detect gunshots, gathering crowds, traffic issues, as well as to issue warnings and evacuation orders in emergencies (separate speakers required);
- Each node contains four cameras and 24/7 digital video recording capabilities, which could be used for a variety of purposes, including criminal investigations, traffic analysis, or neighborhood assessment in an emergency or natural disaster;
- Potential for Wi-Fi hotspots via a third-party provider;
- Potential for improved cellular service via a third-party provider;
- Internet of Things gateway on every streetlight;
- Siemens Community Outreach will develop a Sustainability in STEM Education Program through which youth can participate in opportunities to develop new uses for the anyCOMM nodes.

Community benefits of the Black & Veatch proposal include:

- Improved cellular coverage (5 Bars solution)
- Free public Wi-Fi hotspots (5 Bars and Smart City Media solutions);
- Potential use of the smart streetlights as a platform for future Smart City initiatives, such as the collection of sensor data for environmental, smart transportation, public safety, and way-finding;
- Improved citizen engagement/civic collaboration through the Smart City Media kiosks.

Community benefits of the Philips proposal include:

- Improved cellular coverage from the SmartPoles;
- Job training program with Santa Clara County International Brotherhood of Electrical Workers (IBEW), National Electrical Contractors Association (NECA), and Rosendin Electric to link qualified graduates of Work2Future's Trades Orientation Program with pre-apprenticeship positions working on the installation project;
- Potential for providing fiber access to the SmartPoles and provision of two strands of fiber for City non-commercial use;
- Avoidance of personal privacy issues by not using data analytics, monetizing data collection from sensors, cameras, or other methods.

Depending on perspective, the Black & Veatch proposal impacts the built environment as it attaches digital banners and telecommunications fixtures to some streetlight poles, as well as placing kiosks to the right of way. However, the City would receive revenues from these features. The Philips SmartPoles reduce clutter on the streetlight pole, however, they take up additional space on the sidewalk. The Siemens proposal has the least visual or clutter impact, however, there may be community-based privacy concerns about the possible implications of various Smart City features of the anyCOMM nodes, such as the cameras, video recorders, and sensors contained within each node.

The Siemens proposal may meet multiple goals of the City's Smart City Vision. It has the potential to save the City money on other projects on the horizon, such as developing a mass warning system for natural or other disasters. However, the device and its use is untested on a large scale. The costs of third-party devices and software integration services needed to realize some of the possible functionality (e.g., video capture) may be extra costs to the City. Additionally, the City would need to conduct community outreach and develop policies for use of certain functionalities before some of these features could be deployed. Finally, the company has not completed its pilot in San Jose while this RFP was in process and the full capabilities of the device are unproven, and for this reason staff would recommend requiring a large-scale testing of the technology prior to embarking on citywide deployment.

Environmental Stewardship – 5 percent of Final Score

The Environmental Stewardship category is a standard City requirement for all RFPs. Proposers are required to fill out the City's Environmentally Preferred Procurement Program (EP3) Information Sheet attesting that products to be used are independently certified (e.g., Energy Star); that products contain recycled content; that products reduce energy consumption, toxicity, water consumption, and waste. The Black & Veatch and Siemens proposals received slight reductions for recycled content, while the Siemens proposal received a reduction for certifications. The Philips proposal received the maximum points available.

Local Business Enterprise and Small Business Enterprise – 5 percent of Final Score (each)

Under the Municipal Code, the City gives additional points in the RFP process for Local and Small Businesses. Local Business Enterprise requires a proposer to have a current San José Business Tax Certificate Number and to have an office in Santa Clara County with at least one employee. Small Business Enterprise is only awarded to proposers who first qualify as a Local Business Enterprise and have fewer than 35 employees total.

None of the three installation finalists is a local or small business enterprise, and no points were awarded in this category.

Recommended Proposal

Comparing these three installation proposals is challenging. The proposals are significantly different, and all proposers are capable of completing the basic installation work. At the conclusion of the scoring process, Siemens had a slight edge over Black & Veatch, with Philips a couple of points behind. All of the proposers were in the two-thirds range, with only 2.1 points separating the highest and lowest final proposal scores

With respect to the installation proposals, staff recommends that Council provide direction to:

- 2a) Negotiate a contract with the top-scoring proposer Siemens for conversion of approximately 39,285 streetlights to LED luminaires with smart controllers, including a pilot installation of at least 1,000 controller units from proposal partner anyCOMM, other necessary testing and appropriate guarantees, and return to Council for final contract execution;

OR

- 2b) Reject all bids and issue new separate procurements for the following items:
 - i) Conversion of approximately 39,285 streetlights to LED luminaires;
 - ii) Installation and commissioning of approximately 64,400 smart controller units, including an evaluation of emerging smart city technologies and capabilities;
 - iii) Management and marketing of City infrastructure for telecommunications purposes; and

The technology presented in the Siemens proposal holds promise. However, staff believes the prudent course would be to undergo a rigorous and detailed field test, deploying a minimum of 1,000 nodes on existing, already converted LED streetlights. The installation is fairly straightforward as the anyCOMM device plugs into a socket on top of the light. From a construction standpoint, it would merely require unplugging the existing controller unit and plugging in the anyCOMM node.

The testing phase would include testing software and device capabilities and ensuring the nodes meet City application functionality and operational needs on a large scale and sustainable basis. This would lengthen the time before LED streetlights are deployed citywide; however, it would have the potential to explore and test exciting new technology and mitigate potential risk.

A pilot would also provide for community outreach around the technology and the testing. Residents may have concerns about some of the capabilities of the nodes. The Administration would have to determine how to staff the pilot as it is not currently on any department's workplan.

At the conclusion of a successful pilot, staff would negotiate and bring forward a contract for a full deployment of the streetlight conversion.

Should the pilot not be successful, or negotiations with Siemens not reach fruition, staff could begin negotiations with the second-ranked proposer.

A policy alternative to moving forward with one of the installation proposals is for Council to return to the Base Case (city option) and a traditional procurement process. Council could reject all proposals and direct staff to seek financing for streetlight conversion and issue separate RFPs for key components, including:

- Installation of LED streetlights;
- Procurement of smart controller units, exploring the marketplace for new technology; and,
- Digital advertising.

Telecommunications companies could continue to enter into lease arrangements with the City directly using the Master Lease Agreement for Telecommunications. Alternately, the City could issue an RFQ or RFP for neutral-host telecommunications management, which would market the City's assets for telecommunications deployments.

Based on the above, staff recommends moving forward with negotiation of contract terms and conditions with Siemens, including an extensive testing phase and performance guarantees. At the conclusion of the testing phase, staff would negotiate a contract and return to Council for approval.

Another option, available in the RFP, is to request proposers to work together. If there is a solution presented in one proposal that could work with another, staff has the ability to ask proposers to work together; proposers may choose to accept or not.

Exhibit C

RFP 15-16-01 Innovative LED Streetlight Replacement

Total Scores – In-Lieu

| ITEM | POINTS AVAILABLE | Allvision/ Outfront Media |
|--|-------------------------------|--------------------------------------|
| Highest Verified Value | 35 | 25 |
| Practicality of Implementation | 30 | 15 |
| Experience | 10 | 10 |
| Community Benefits and Impacts | 10 | 0 |
| Environmental Stewardship | 5 | 0 |
| Local Business Enterprise Small Business Enterprise | 5 (LBE) | 0 |
| | 5 (SBE, only eligible if LBE) | |
| Total Points (100 possible) | | 50 |

Total Scores – Installation

| ITEM | POINTS AVAILABLE | Black & Veatch | Philips | Siemens |
|--|-------------------------------|-------------------------------|----------------|----------------|
| Highest Verified Value | 35 | 27.3 | 22.75 | 23.45 |
| Practicality of Implementation | 30 | 20.7 | 24.3 | 26.1 |
| Experience | 10 | 8.1 | 9.4 | 7.9 |
| Community Benefits and Impacts | 10 | 6.7 | 4.0 | 5.9 |
| Environmental Stewardship | 5 | 4.3 | 5.0 | 4.2 |
| Local Business Enterprise Small Business Enterprise | 5 (LBE) | 0 | 0 | 0 |
| | 5 (SBE, only eligible if LBE) | | | |
| Total Points (100 possible) | | 67.1 | 65.45 | 67.55 |

RFP 15-16-01 Innovative LED Streetlight Replacement

DETAILED SCORES – INSTALLATION PROPOSALS

Highest Verified Value (35% of final score)

Highest Verified Value will be evaluated using the information provided. Factors will include the Proposal Valuation (per Attachment C, Proposal Valuations and Cost Form with Designated Responsible Parties); ability to generate ongoing revenue; total value to the City over time; cost realism vs. revenue realism, including ability in the marketplace to cogenerate revenue. Any telecommunications proposals will be evaluated using the City’s adopted telecommunications rates (adopted by close of RFP) as a baseline.

| HIGHEST VERIFIED VALUE | DESCRIPTION | Black & Veatch | Philips | Siemens |
|--|--|----------------|--------------|--------------|
| Total Proposal Valuation (55 points) | Includes ability to generate ongoing revenue, total value to the City over time, use of City’s adopted telecomm rates. | 50 | 35 | 40 |
| Notes: B&V proposal includes highest revenue, however no guarantees, telecomm rates are below City adopted rates, overall cost for annual service fee to manage SPE. Philips proposal includes \$2m upfront, telecomm rates at city adopted rate <i>only if carriers agree</i> , annual service fee for controller units. Siemens proposal includes free controller units with regular upgrades & servicing. If nodes are used for telecomm, rates are below City adopted rates, revenue is based on “net profit” vs. gross receipts, no revenue guarantees. | | | | |
| Cost realism vs. Revenue Realism (45 points) | Includes ability in the marketplace to cogenerate revenue, revenue guarantees, etc. | 28 | 30 | 27 |
| Notes: B&V: partners are newer to the field, no revenue guarantees. Philips: \$2m guaranteed upfront, remaining revenues not guaranteed. Siemens: per node annual fee only guarantee, company is newer. | | | | |
| Total Points (100 possible) | | 78 | 65 | 67 |
| Weighted Score (35% of Total) | | 27.3 | 22.75 | 23.45 |

RFP 15-16-01 Innovative LED Streetlight Replacement

Practicality of Implementation (30% of final score)

Practicality of Implementation will include analysis of modernity of technology vs. industry standards, stability and reliability, and speed to deployment. Practicality of Implementation will also weigh whether project aligns with existing City Council Policies (see Appendix 1, City Council Policies), Municipal Code (online at sanjoseca.gov), or faces legal or policy hurdles.

| PRACTICALITY OF IMPLEMENTATION | DESCRIPTION | Black & Veatch | Philips | Siemens |
|---|--|----------------|-------------|-------------|
| Modernity of Technology vs. Industry Standards (25 points) | A) Is this innovative technology vs. industry standard? To what degree is it innovative? B) Are functional upgrades or expansion available? To what degree? | 18.0 | 18.0 | 24.0 |
| Black & Veatch: Interactive kiosks and beacons are an innovative way to share and gather data, including civic information. Proposed Owllet SL Control least innovative at this time. 5 Bars technology expands cellular network. Philips: SmartPole is newer technology, CityTouch controller is newer, but proposal offers no features beyond dimming lights. Siemens controller (anyCOMM) offers most modern features + free upgrades every 3-5 years. | | | | |
| Stability and Reliability (20 points) | Is proposed solution tested and proven reliable in the real world? Is solution compatible with existing City infrastructure? Easy to operate, maintain and replace? | 16.0 | 18.0 | 10.0 |
| Notes: All nodes plug in to the light socket, can be upgraded. B&V solution is existing brand, Philips solution has been tested in Los Angeles. Siemens solution is untested in the marketplace. | | | | |
| Utility Readiness (20 points) | Is there utility mechanism in place to address electric service and metering needs for non-streetlight solutions? | 13.0 | 15.0 | 18.0 |
| Notes: Varies by proposer. | | | | |
| Speed to Deployment (25 points) | Does proposer provide a solid plan to deploy streetlight conversion at fastest speed possible independent of non-streetlight components? How easy is it to install & commission controllers? | 16.0 | 20.0 | 25.0 |
| Notes: Siemens construction plan includes auditing phase & will identify any challenges before commencement of construction. Philips has second-most detailed plan. B&V plan needs more detail. All have plug-in streetlight controls, which are easy to install. Philips and Siemens will require some additional commissioning. | | | | |
| Alignment with existing City Policies, Municipal Code, or other legal/policy hurdles (10 points) | Will the City need to take action on policy issues prior to deployment? | 6.0 | 10.0 | 10.0 |
| Notes: B&V signage kiosks/banners will require GP/Muni Code/Council Policy amendments before deployment. | | | | |
| Total (100 possible) | | 69.0 | 81.0 | 87.0 |
| Weighted Points Score (30% of Total) | | 20.7 | 24.3 | 26.1 |

RFP 15-16-01 Innovative LED Streetlight Replacement

Community Benefit and Impact (10% of final score)

Community Benefit and Impact will include evaluation of additional public benefit derived from proposed project as well as aesthetics. Community Benefits may include potential for reducing clutter in the public right-of-way; opportunities to generate multiple streams of revenue from a single source; and other benefits to the City, its residents and businesses. Community Impacts may include increased clutter in the public right-of-way, visual or aesthetic impacts, construction impacts, use of civic resources, or other impacts to the City, its residents and businesses.

| BENEFITS TO THE CITY, RESIDENCES & BUSINESSES | DESCRIPTION | Black & Veatch | Philips | Siemens |
|---|---|----------------------|-----------|-----------|
| Reduce Clutter in the Right of Way (10 points) | Compared to a lightpole with a smart controller unit (Base Case), does the proposal reduce clutter in the right of way? Clutter is defined as cabinets, vaults, and other equipment placed on sidewalks or in other right of way. It also includes items hung on lightpoles beyond the luminaire and smart controller unit. | 0 | 0 | 0 |
| Notes: None of the proposals reduce clutter beyond the Base Case installation, therefore no points were awarded. (See "increase clutter" below for deductions.) | | | | |
| Opportunities to Generate Multiple Streams of Revenue from a Single Source (20 points) | How many opportunities does the contract offer? | 20 | 17 | 12 |
| Notes: Black & Veatch -- revenue from advertising + cellular carriers, experienced partners; Philips – revenue from cellular carriers, rate is half city rates; Siemens – possible revenue from cellular carriers, data sales, however proposer is not responsible (separate contract between City and anyCOMM), and the partner is not mature. | | | | |
| Improved Cellular Service (10 points) | How does the proposed solution benefit, support, and improve the environment for residents, business and the City of San Jose. | 10 | 10 | 8 |
| Notes: All proposers improve cellular services, although both Black & Veatch and Philips are more geographically concentrated. Siemens proposes citywide deployment, however, proposer is not responsible for execution (separate contract between City and anyCOMM), and the partner has no existing contracts with carriers. | | | | |

RFP 15-16-01 Innovative LED Streetlight Replacement

| BENEFITS TO THE CITY, RESIDENCES & BUSINESSES | DESCRIPTION | Black & Veatch | Philips | Siemens |
|--|--|----------------------|---------|---------|
| User Friendly City: Open Data, Digital Services and Integration, Public Information and Way Finding (10 points) | Utilize digital platforms to improve transparency, empower residents to actively engage in the governance of their city, and make the City more responsive to the complex and growing needs of the community. | 9 | 0 | 7 |
| Notes: Black & Veatch would provide interactive, touch-screen information kiosks and banners on lightpoles that could provide information and wayfinding to residents and visitors in the Downtown and other areas where they are deployed, as well as free WiFi, 3-1-1 and 9-1-1 calls. The digital app would also be available to connect people to places, events, and issues. Philips does not have any features in this area. With the Siemens proposal, the anyCOMM unit has potential wayfinding with lights and programmable voice messaging (speakers sold separately), however, the proposer (Siemens) is not responsible for execution and these features are not in use in the partner's other demonstration projects. | | | | |
| Safe City: Emergency and Disaster Response, Increased Transparency (20 points) | Broaden use of data analytics to improve safety, Reduce traffic accidents and fatalities with connected infrastructure, data analytics. | 15 | 0 | 17 |
| Notes: Black and Veatch mobile beacons have potential to gather data; signage and app could provide emergency response messaging, however coverage is limited geographically. The interactive touch-screen kiosks and banners include the ability to call 3-1-1 and 9-1-1. Philips proposal includes no benefits in this category. Siemens proposal includes data collection such as car crashes and gunshots, as well as potential for emergency alert to all residents via lighting and programmable voice messaging (speakers sold separately). However, the proposer (Siemens) is not responsible for execution (separate contract with anyCOMM), and these features are not in use in the partner's other demonstration projects. | | | | |
| Inclusive City: Broaden Access and Digital Inclusion, Technical Job Training, Reduce Homelessness (20 points) | Ensure all residents, businesses, and organizations can participate in and benefit from basic digital infrastructure, access to 21 st century skills through training programs, and provide digital resources for the under privileged. | 15 | 15 | 16 |
| Notes: Black & Veatch proposal includes free public WiFi in certain geographic areas, as well as interactive touch-screen information kiosks that could connect some of those who lack mobile devices with services and technology. Philips proposal includes a job training partnership trade unions and apprenticeship program. The Siemens proposal includes a STEM education project. It also includes the possibility of implementing small cell technology citywide, reaching underserved communities. However, the proposer (Siemens) is not responsible for execution (separate contract with anyCOMM), and these features are not in use in the partner's other demonstration projects and the partner has no existing contracts with carriers. | | | | |

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| BENEFITS TO THE CITY, RESIDENCES & BUSINESSES | DESCRIPTION | Black & Veatch | Philips | Siemens |
|--|--|----------------------|---------|---------|
| Other Benefits (10 points) | Does the proposal include benefits not listed above? | 8 | 7 | 7 |

Notes: Black & Veatch proposal would provide active management and marketing of the City's telecommunications assets/partnerships through its partner 5Bars. This could be a help to City staff, as the City currently is not staffed to actively market. At the same time the Black & Veatch proposal does not ask for exclusive access to these assets, preserving the City's control of assets.

The Philips proposal would provide active management and marketing of the SmartPoles. This could be a help to City staff.

The Siemens proposal includes the provision of free controller units/all-in-one devices from anyCOMM, which the company values at \$26 million. However, the product has never been deployed on a scale larger than approximately 100 units, while the San José deployment would number 40,000. Providing the units for free may be a strategic move for the company as it would give the product a seal of approval. Many of the features of interest to the City have not been tested on a large scale in the real world. In addition, the proposer (Siemens) is not responsible for execution of the (separate contract with anyCOMM).

| IMPACTS TO THE CITY, RESIDENCES & BUSINESSES | DESCRIPTION | Black & Veatch | Philips | Siemens |
|--|---|----------------------|---------|---------|
| Increased Clutter in the Public Right of Way (subtract 10 points) | When compared with the Base Case (installation of LED streetlights with smart controller units), does the proposal increase "clutter" in the right of way? Clutter is defined as cabinets, vaults, and other equipment placed on sidewalks or in other right of way. It also includes items hung on lightpoles (other than luminaire and smart controller). | -3 | -3 | 0* |

Notes: The Black & Veatch proposal would add small cell equipment to lightpoles, adds street furniture (digital signage) in heavily trafficked areas of town, and adds digital banners to lightpoles. The Philips proposal contains cellular equipment within the lightpole, however, the SmartPoles are bulky and take up additional right-of-way, which can create impacts for pedestrians and others. As proposed, the Siemens proposal has no additional impacts. However, if the City chooses to deploy key features of the anyCOMM node, such as voice messaging, the installation of speakers (sold separately) would be required. These speakers would be mounted on the pole.

| | | | | |
|--|--|----|----|----|
| Visual or aesthetic impacts (subtract 5 points) | Does proposal add infrastructure that will have visual or aesthetic impacts (other than luminaire & smart controller)? | -2 | -2 | 0* |
|--|--|----|----|----|

Notes: This item is highly subjective. For example, some see the Black and Veatch digital advertising and signage as having an aesthetic impact, while others see them as sleek and high-tech. Some see the Philips SmartPoles as bulky and ungainly. The Siemens proposal does not have impacts as proposed. However, if speakers are deployed, they would be bulky and less attractive.

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| IMPACTS TO THE CITY, RESIDENCES & BUSINESSES | DESCRIPTION | Black & Veatch | Philips | Siemens |
|--|---|----------------------|------------|------------|
| Construction impacts (subtract 5 points) | Will the project have construction impacts beyond the basic impact of replacing the streetlights? | -1 | -1 | 0 |
| Notes: The Black & Veatch proposal has the added construction impact of installing kiosks and banners. The Philips proposal will add complete replacement of 200 to 1,000 lightpoles with SmartPoles. The Siemens proposal does not have additional construction impacts. | | | | |
| Use of Civic Resources (subtract 10 points) | Will the project use civic resources in a way that makes them unavailable to other users? | -3 | -3 | -5 |
| Notes: The Black & Veatch proposal will use real estate in prime locations for advertising/informational kiosks and lightpole banners. However, Black & Veatch does not require exclusive use of the lightpoles for small cell and will pay the City's adopted rate. The Philips proposal will exclusively use 200 to 1,000 lightpole locations for SmartPole installations at approximately half the City's adopted rate. The Siemens proposal would use every streetlight in the City via the anyCOMM node at a rate significantly lower than the City's adopted rate for femtocell deployment. Because the anyCOMM device claims to have space for four carriers, it could displace other real estate relationships with carriers or other telecommunications companies. However, it is important to note that anyCOMM does not currently have any relationships with carriers or third-party telecomm companies. | | | | |
| Other impacts to the City, its residents, or businesses (subtract 10 points) | Are there impacts not accounted for in the above? | -1 | 0 | -3 |
| Notes: The Black & Veatch proposal includes advertising in the public right of way, which may be of concern to some residents. Developing digital messaging and ensuring content is fresh and not dated will require staffing. With the Siemens proposal, some residents may find the four cameras deployed in the anyCOMM device to be intrusive or Big Brotherish. Alternately, there may be staffing impacts due to residents seeking access to camera footage and other data captured by the device, as well as an expectation that cameras be monitored. | | | | |
| Total Points (100 possible) | | 77 | 49 | 67 |
| Total Points Subtracted (-40 possible) | | -10 | -9 | -8 |
| Final Score (100 possible points) | | 67 | 40 | 59 |
| Weighted Points (10%) | | 6.7 | 4.0 | 5.9 |

RFP 15-16-01 Innovative LED Streetlight Replacement

Experience (10% of final score)

Experience will include both expertise of proposer (and contractor or installation partner) in installing LED streetlights, as well as experience/expertise in deploying any other solutions that might be proposed as part of the proposal.

| EXPERIENCE | DESCRIPTION | Black & Veatch | Philips | Siemens |
|---|--|----------------|------------|------------|
| Expertise of proposer (& contractor or installation partner) in installing LED streetlights (70 points) | How much experience does proposer (and installation partner) have in: Delivering large-scale projects? Installing LED streetlighting projects on large scale? | 63 | 70 | 68 |
| <p>Notes: Black and Veatch: Solid experience in delivering large-scale complex projects. Project team is experienced in their roles. Installation partner is Black & Veatch Construction, Inc. Included safety plan. Project team experience in lighting is limited to Schreder's experience, but Schreder is a product supplier partner to BVCI.</p> <p>Philips: Solid experience in delivering large scale complex projects. Project team is experienced in their roles. Installation contractors experienced in large projects. Team and company involved in SmartPole Pilot is SJ. Provided multiple examples of lighting deployments</p> <p>Siemens: Solid experience in delivering large scale complex projects. Project team is experienced in their roles. Siemens doing streetlight and anyCOMM node installation (no subcontractors) with anyCOMM to configure the node. substantial experience in lighting deployments. Claims to have installed 600,000 lights in US.</p> | | | | |
| Expertise in deploying any other solutions that might be proposed as part of the proposal (20 points) | How much experience does proposer (and installation partner) have in implementing its proposed non-streetlight solution in similar or greater scale? | 10 | 15 | 5 |
| <p>Notes: Black & Veatch: Kiosk deployment by Smart Media is limited to pilots in Kansas City (recent). New York pilot did not continue beyond pilot phase or was halted. 5-bars experience appears to be limited to indoor applications based on examples in proposal.</p> <p>Philips: SmartPoles deployed in two significantly sized pilots in San José and Los Angeles.</p> <p>Siemens: anyCOMM has limited pilot deployments in various locations. The San José pilot was not completed.</p> | | | | |
| Reference Check Responses (10 points) | Overall response to questions of the references about the effectiveness of the lead proposer (timeliness, budget control, communications, problem solving, safety, and meeting project goals). | 8 | 9 | 6 |
| <p>Notes: Black & Veatch Responses received: 3 Highly Effective: 10/3 Effective: 8/3 Not So Effective: 0 Philips Responses received: 1 Highly Effective: 5; Effective: 1; Not So Effective: 0 Siemens Responses received: 2 Highly Effective: 4/2; Effective: 7/2; Not So Effective: 1/2</p> | | | | |
| Total (100 possible) | | 81 | 94 | 79 |
| Weighted Points Score (10% of Total) | | 8.1 | 9.4 | 7.9 |

RFP 15-16-01 Innovative LED Streetlight Replacement

Environmental Stewardship (5% of final score)

Environmental Stewardship is based on the Proposer’s submission of the City’s Environmentally Preferred Procurement Program (EP3) Information Sheet.

| ENVIRONMENTAL STEWARDSHIP | DESCRIPTION | Black & Veatch | Philips | Siemens |
|---|--|----------------|---------|---------|
| Certification (1 point) | Are the Products offered or utilized in providing this service certified by independent certification programs such as Energy Star, Green Seal, EcoLogo, or EPEAT? | 1.0 | 1.0 | .5 |
| Notes: Black & Veatch’s proposed Schreder SmartLume products were pending DLC certification at time of submission, however, certification has been verified (awarded 12/13/16), and Holophane products were DLC certified. Siemens decorative lights (PEMCO) and anyCOMM controls are not environmentally certified. | | | | |
| Recycled Content (1 point) | Do the Products offered or utilized in providing this service contain recycled material content? | .3 | 1.0 | .7 |
| Notes: Black & Veatch’s proposal states Schreder SmartLume products (roadway lights) contain no recycled materials, while Holophane products (decorative lights) do. Siemens decorative lights (PEMCO) do not contain recycled materials, while Leotek lights do. Point variation in deduction is due to larger quantity of roadway lights to decorative. | | | | |
| Energy Consumption (1 point) | Do the Products offered or utilized in providing this service reduce energy consumption? | 1.0 | 1.0 | 1.0 |
| Notes: | | | | |
| Toxicity Reduction (1 point) | Do the Products offered or utilized in providing this service reduce toxicity, including emissions? | 1.0 | 1.0 | 1.0 |
| Notes: | | | | |
| Water Consumption (N/A) | | N/A | N/A | N/A |
| Notes: This category of the policy does not pertain to the project, therefore is unrated. | | | | |
| Waste Reduction (1 point) | Do the Products offered or utilized in providing this service reduce waste? | 1.0 | 1.0 | 1.0 |
| Notes: | | | | |
| Total (5 possible, already weighted) | | 4.3 | 5.0 | 4.2 |

RFP 15-16-01 Innovative LED Streetlight Replacement

Local Business (5% of total score) + Small Business (5% of final score)

Local Business Enterprise requires Proposer to have a current San José Business Tax Certificate Number and to have an office in Santa Clara County with at least one employee. **Small Business Enterprise** is only awarded to Proposers who first qualify as a Local Business Enterprise and have fewer than 35 employees total.

| LOCAL & SMALL BUSINESS ENTERPRISE | DESCRIPTION | Black & Veatch | Philips | Siemens |
|--|---|---------------------------|----------------|----------------|
| Local Business Enterprise | Does Proposer have a current San José Business Tax Certificate Number? Does Proposer have an office in Santa Clara County with at least one employee? | 0 | 0 | 0 |
| Notes: Philips completed paperwork for engineering partner (WMH), however WHM is not the Proposer, therefore is ineligible for this category. Siemens completed paperwork for controller unit partner (anyCOMM), however anyCOMM is not proposer, therefore is ineligible for this category. | | | | |
| Small Business Enterprise | If Proposer is LBE, does proposer have 35 or fewer employees? | 0 | 0 | 0 |
| Notes: Black & Veatch submitted paperwork for outdoor advertising partner (Smart City Media), however Smart City media is not the Proposer, therefore is ineligible for this category. Smart City Media is also not a Local Business Enterprise as required per the Code. | | | | |
| Total (10 possible) | | 0 | 0 | 0 |

Exhibit D

Bostonia

Upon selection to progress beyond this phase of the RFP, Black & Veatch and Bostonia would establish a Special Purpose Entity (SPE) to serve as the primary contracting, asset management, and financial entity to provide the offerings described herein. Through collaborative partnerships and various legal arrangements, Black & Veatch feels this structure (Figure 7) would provide the most streamlined interface for the City and minimize any administrative burden associated with managing multiple contractual relationships.

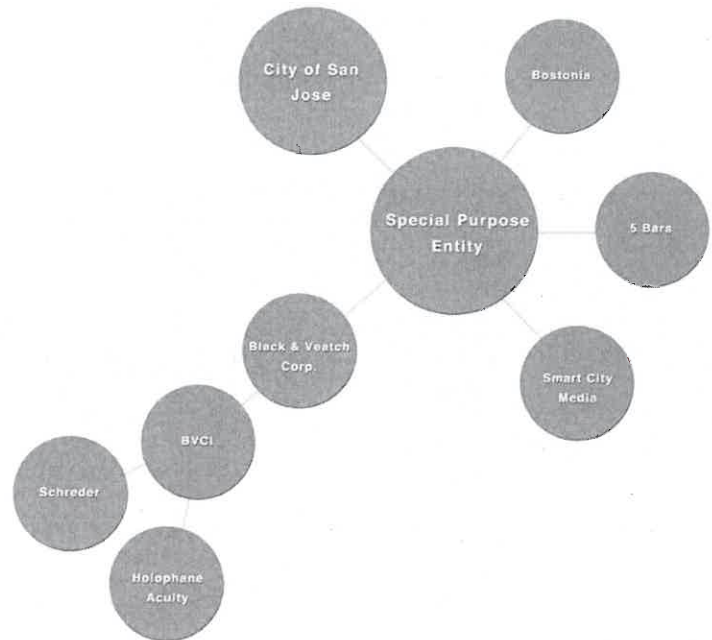


Figure 7 - Proposed organizational structure.

Bostonia understands that the City of San José is not interested in pursuing a street lighting retrofit project financed through a direct obligation of the City and its

taxpayers. Bostonia and Black & Veatch propose to implement and finance the capital for the Project through a “service agreement” structure securitized by the guaranteed energy savings derived from the Project. Bostonia is highly experienced in utilizing ESA “service agreement” type structures for energy efficiency measures and other technologies, as well as in providing both taxable and tax-exempt financing, and will therefore work with Black and Veatch and the City to develop the optimal financing solution that allows it to modernize its existing lighting and lighting grid infrastructure while meeting all of the following requirements and objectives:

- Design a financing strategy that will be self-funding; i.e. all of the costs to be repaid through the available savings, grants and rebates, and/or potentially supplemented by new sources of revenue derived from the implementation of other non-related “Smart Lighting” projects and applications
- No upfront capital contribution required by the City of San José
- Effective utilization of a Public/Private Partnership, ensuring appropriate risks are allocated to the parties best suited to manage them (i.e. Construction and completion risks and oversight of Operations and ongoing Maintenance of the systems to be performed by the City)
- Project performance risk to the City can be 100% eliminated through use of Savings Guarantees for the payments made from project savings
- Designed to be “off-balance” sheet and “off-credit” service agreement structure, subject to the City’s professional accounting and auditor review and concurrence, to preserve the City’s borrowing capacity
- Explore other technologies and services in effort to enhance the delivery of public services, create new revenue opportunities, and/or offer additional cost savings

**City of San Jose Decision on
Philips Lighting Bid Protest**

April 3, 2017

Ms. Jennifer Dauer
Diepenbrock Elkin Gleason LLP
500 Capitol Mall, Suite 2200
Sacramento, CA 95814

Dear Ms. Dauer,

Subject: Protest letter from Ms. Jennifer Dauer dated January 23, 2017
Reference: 1) City of San Jose Request for Proposal RFP # 15-16-01
2) City of San Jose Memorandum dated January 11, 2017: "Innovative LED Streetlight Replacement RFP"

The City of San Jose (City) received the subject protest letter dated January 23, 2017 submitted by Diepenbrock Elkin Gleason LLP on behalf of Philips Corporation regarding the City's RFP 15-16-01 for Innovative LED Streetlight Replacement. Please accept this letter as the City's decision to decline Philips' request to reject Siemens' proposal because it was non-responsive and over-scored; to reject Black & Veatch's proposal because it was over-scored; and award the contract to Philips as the only responsive proposal that was properly scored.

Background:

The proposal evaluation team was comprised of nine members with representation from the City Manager's Office, Real Estate, and the Departments of Finance, Information Technology, Transportation, and Public Works. Team members evaluated and scored proposal sections consistent with their professional expertise. Scoring was done individually, with team meeting follow-ups to discuss individual scores and agree on a final score for each scoring element. Each evaluator had to complete a conflict of interest and confidentiality statement prior to reviewing any proposal.

The proposal review and evaluation process is described in Section 12 of the RFP (Reference 1). The process took place over fifteen months and included a review of written proposals, oral interviews and presentations, a site visit, written clarifications, and two Best and Final Offers. Throughout this process, the proposals were scored and then re-scored (if required) as additional information was submitted, presented, or demonstrated to the evaluation team. The final scoring was very close, with only 3% separating the top ranked finalist Siemens with bottom ranked Philips.

Section 21.1 of the RFP states that Staff will make a final award recommendation to San Jose City Council (Council); the City may commence negotiations with one or more proposers; and the City reserves the right to negotiate project deliverables and negotiate costs.

Ms. Jennifer Dauer

RE: Protest Letter -- Request for Proposal RFP # 15-16-01

April 3, 2017

Page 2

On January 13, 2017, the City issued a Notice of Intended Award to all Phase 2 proposers, along with the staff report (Reference 2) recommending that the Council approve commencement of negotiations with top ranked Siemens for the conversion of approximately 39,285 LED luminaries with smart controllers, including a pilot installation of at least 1000 anyCOMM controller units, and other necessary testing and appropriate guarantees. The final agreement will be brought back to Council later for final approval and contract execution.

The Notice of Intended Award included the Phase 2 finalist scores for each evaluation criteria that was described in the RFP. In addition, scoring detail was included for each evaluation criteria along with a summary of the evaluator notes for each of the sub-criteria.

On January 23, 2017, the City received a protest on behalf of Philips protesting the recommendation of award of contract to Siemens.

Discussion - Siemens:

The protest contends that the Siemens proposal was non-responsive to the Project Goals and Objectives as stated in the RFP, which should result in their automatic disqualification. Notwithstanding the issue of non-responsiveness, the protest further contends that Siemens' proposal was over-scored by the evaluation team in several areas because Siemens is not providing the controllers, the controllers are untested, and the recommended pilot to test the controllers might result in delays that might impact the RFP requirement to complete installation by December 2018.

A proposal must be responsive to the material requirements of the RFP. To waive a material requirement for one proposer may result in an unfair competitive process because all the participants are not being treated equally. The protest states that there were two material requirements of the RFP that were not met by Siemens:

- 1) The successful bidder had to provide both streetlights and the wireless control management systems. Award to Siemens will not result in the award of a single contract for both the streetlights and the controllers because Siemens proposed that the City negotiate a separate agreement with anyCOMM for the commissioning and warranty support of the controllers. Therefore, Siemens' proposal should be disqualified from consideration.
- 2) Due to the untested nature of the controllers and the City's recommendation to conduct a pilot for the initial 1000 units, Siemens will not be able to meet the City's requirement of completing installation of the streetlights and wireless control systems by December, 2018. This implementation deadline was a requirement of the RFP; therefore, Siemens' proposal must be disqualified.

The successful bidder had to provide both streetlights and the wireless control management systems.

The RFP did not require the award of a single contract. Instead, the RFP required that *proposals* had to include installation of streetlights and controller units (italics added). There was no requirement in the RFP that there could only be one agreement from a proposed solution. In addition, there are several sections in the RFP where the City discusses its right to make multiple awards (RFP Sections 13.1, 13.2, 13.3, 15.1, 21.1).

Siemens originally proposed a turnkey proposal where they were responsible for the installation and commissioning of the streetlights and controllers. In their first Best and Final Offer submission, they proposed a separate agreement with anyCOMM for the commissioning and warranty of the controllers proposing that a separate agreement would result in a more efficient controller commissioning process and lower the overall project cost by \$166,000. Siemens would still be responsible for the acquisition and installation of the streetlights and controllers. Under either scenario, Siemens' proposal met the RFP requirement of including the installation of streetlights and controller units. Finally, the City is under no obligation to accept the two agreement scenario and in fact is not recommending two agreements. Instead, Staff is recommending that the City negotiate a pilot agreement with Siemens "that include appropriate guarantees of anyComm's performance."

Due to the untested nature of the controllers and the City's recommendation to conduct a pilot for the initial 1000 units, Siemens will not be able to meet the City's requirement of completing installation of the streetlights and wireless control systems by December 2018

The RFP stated under Project Goals, Objective and Requirements that "successful proposer(s) will complete installation of all LED streetlights with wireless control and management by December 31, 2018." (RFP Section 2.1.3). In addition, the RFP stated that proposals that failed to meet this requirement would be disqualified from further consideration. The RFP, issued in August 2015, did not specify a contract start date, therefore, each proposer addressed this requirement by submitting a project plan that assumed a project start date based their best estimate of when the selection process and subsequent contract negotiations would conclude. The following table summarizes the project timeline for the finalists:

| Proposer | Assumed project start date | Project completion date | Elapsed time (in months) |
|------------------|-----------------------------------|--------------------------------|---------------------------------|
| Black and Veatch | May 2016 | January 2018 | 19 months |
| Philips | April 2016 | December 2018 | 32 months |
| Siemens | December 2016 | December 2018 | 24 months |

When the evaluation team evaluated the project completion requirement, they considered each project plan including the reasonableness of any assumptions made by the proposers, and concluded that each proposer met the requirement. While the December 2018 requirement to complete the project may have been a reasonable target at the time the RFP was written, the evaluation team could not foresee how long it would take to complete the proposal evaluation and contract negotiation process. Realistically, the project will start no earlier than July 1, 2017, which means Black and Veatch, who proposed the shortest project timeline of 19 months, would complete the project in February, 2019.

In addressing the December 2018 project completion requirement, each proposal made reasonable assumptions about when the project would start, and presented project plans in sufficient detail to be considered responsive to this requirement.

The protest raises further concerns that Siemens *appears* unlikely (italics added) to meet the December 2018 installation deadline because the robust feature set of the anyCOMM controllers are untested, prompting the City to negotiate with Siemens for a pilot phase for at least 1000 controller units with necessary testing and appropriate guarantees. Notwithstanding that none of the proposers can meet the December 2018 completion date based on their timelines as discussed above, any impact to the overall project timeline will not be known until the pilot agreement is negotiated and the pilot is complete.

The RFP allows the City to negotiate project deliverables and associated costs with the recommended proposer.

Siemens' proposal was over-scored in several areas, primarily having to do with the controller unit and project timeline.

The protest makes numerous claims of excessive scoring by the evaluation team of Siemens proposal. Over-scoring is questioned in several areas including; "modernity of technology", "user friendly city", "safe city," "inclusive city," "other benefits," "speed to deployment," and "increased clutter." The basis for over-scoring falls into two general categories:

- 1) The controllers will be purchased directly from anyCOMM, therefore Siemens should not receive any credit for their features and functionality. In addition, Siemens is shifting all associated risk to anyCOMM with the recommendation of separate agreements with Siemens and anyCOMM.
- 2) Siemens received credit for controller features that are untested and unsubstantiated. The City did not request a demonstration of the controllers during the evaluation process, and anyCOMM has not been able to install controllers in any substantial quantity on a separate demonstration partnership agreement they had with the City.

As discussed earlier, the RFP required that proposals address the installation of both streetlights and controllers. The pilot agreement with Siemens will address all claims made in their proposal, with the appropriate assignment of risk and guarantees.

Siemens was scored lower in areas related to untested and unsubstantiated features. Specifically, Siemens scored the lowest in the evaluation categories of "stability and reliability" (10/20 points), "expertise in deploying any other solutions that might be proposed as part of the proposal" (5/20 points) and "reference check responses" (6/10 points).

As documented in Attachment A of the Council Memorandum (Reference 2), the evaluation team did conduct a site visit to anyCOMM on August 26, 2016. The purpose of this visit was to tour anyCOMM's manufacturing facility and receive product demonstrations. The results of the demonstration and site visit were factored into Siemens' scores.

Discussion – Black and Veatch (B&V):

The protest contends that the B&V proposal was over-scored in three out of 27 criteria that were scored (excluding the City's Local and Small Business Preference). Specifically, B&V was over-scored for "total proposal valuation", "generate revenue from a single source", and "user friendly city". In each instance, the evaluation team's summary comments regarding the strengths and weaknesses of each proposal are acknowledged and not refuted. However, the protest contends that the evaluation team got it wrong and improperly rewarded B&V with excessive scores. The basis for the over scoring falls into two categories:

- 1) B&V did not propose revenue guarantees and revenues will come from separate contracts with B&V partners instead of a single contract with B&V.

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- 2) B&V was given "credit" for features that will not be provided under a contract with B&V and can be procured from other sources through separate competitive purchases.

As stated above, the evaluation team acknowledged each of these concerns in the evaluation summary. While none of the proposers proposed a 100% revenue guarantee, B&V did propose a greater number of revenue sources than the other two proposals. That some of these sources of revenue can be procured separately is not disputed, however, B&V submitted a proposal responding to a very competitive Request for Proposal which is far different from a single or sole source scenario that you describe. Staff further reports that these risks might be mitigated by pursuing guarantees through the contract negotiation process.

Conclusion

The City thoroughly and fairly evaluated and scored all proposals against the criteria set forth in the RFP. Allegations that Siemens' proposal was not responsive were not substantiated. For each evaluation criteria, the City was transparent in providing scoring detail that openly discusses the strengths and weaknesses of each proposal. Every issue that was raised to support allegations of over scoring was already raised by the evaluation team who reached a different conclusion. Risks for each proposal were described, with recommendations on how such risks might be mitigated during the negotiation and contract process. The recommended pilot agreement with Siemens will address these risks and demonstrate the production readiness and robust features of the controller. If the City cannot conclude negotiations with Siemens or if the pilot is not successful, then Staff will return to Council with an alternate recommendation.

After careful review, I have determined that the City's RFP process was followed, Siemens' proposal was responsive, and there is no evidence to support allegations that there was any oversight or negligence on the part of the evaluation team that resulted in over-scoring of either Siemens' or B&V's proposal.

You may appeal this decision to the San Jose City Council by filing a written appeal with the City Clerk within ten calendar days from the date of this letter.

Sincerely,



Mark Giovannetti
Deputy Director, Department of Finance