



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson
Larry D. Lisenbee

SUBJECT: SEE BELOW

DATE: August 25, 2005

Approved

Date

8/26/05

Council District: City-wide

SUBJECT: REPORT ON REQUEST FOR PROPOSAL (RFP) FOR UTILITY BILL PRINTING, MAILING, E-PRESENTMENT, E-PAYMENT AND REMITTANCE SERVICES AND ADOPTION OF APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS

RECOMMENDATION

It is recommended that the City Council:

1. adopt a resolution as follows:
 - a. Authorizing the Director of Finance to negotiate and execute a five year agreement with four, one-year options to renew with Kubra (Torrance, CA) to provide all services for Utility Bill Printing, Mailing, E-Presentation, E-Payment and Remittance Services for various utility services, with a first-year compensation not to exceed \$938,726.40 inclusive of all start-up, transaction and maintenance costs, and applicable sales taxes.
 - b. Authorizing the Director of Finance to execute change orders not-to-exceed \$100,000 to cover expenses for unanticipated implementation costs and/or additional costs associated with increases in transaction volumes or required services
 - c. Authorizing the Director of Finance to execute compensation adjustments for years two through five of the initial term, without further Council action other than the approval of necessary funding.
 - d. Authorizing the Director of Finance to negotiate and execute an amendment to the Agreement for an Integrated CIS and Hauler Management System between the City of San Jose and BearingPoint, Inc., to integrate the recommended vendor's solution for Document Printing, Mailing, E-Presentation, E-Payment and Remittance Services with the Consolidated Utility Billing System (formerly CUSP), increasing the total maximum

HONORABLE MAYOR AND CITY COUNCIL

Subject: Report on Request for Proposal (RFP) for Utility Bill Printing, Mailing, E-Presentation, E-Payment and Remittance Services and Adoption of Appropriation Ordinance and Funding Sources Resolution Amendments in the Integrated Waste Management Fund

August 25, 2005

Page 2

compensation by \$195,576 for a total maximum compensation not to exceed \$4,657,182 (including previously approved contract contingency).

2. Adopt the following 2005-2006 Appropriation Ordinance and Funding Sources Resolution amendments:
 - a. Increase the estimate for Earned Revenue in the Integrated Waste Management Fund by \$13,096.
 - b. Increase the CUSP Project appropriation in the Integrated Waste Management Fund by \$13,096.
 - c. Increase the Non-Personal/Equipment appropriation in the Environmental Services Department in the Integrated Waste Management Fund by \$313,572.
 - d. Decrease the Ending Fund Balance in the Integrated Waste Management Fund by \$313,572.

BACKGROUND

The City has a three year agreement consisting of three one-year terms with San Jose Water for the City's Recycle Plus! bill printing and remittance processing. The second year of the contract ends in June 2006 and the option for a third term will expire in June, 2007. Additionally, pursuant to Council's approval on May 10, 2005, staff is moving forward on the implementation of the City's new utility billing and customer service system referred to as the Consolidated Utility Billing System (formerly known as CUSP). The project team and BearingPoint, the project's implementation consultant, is proceeding to work on the installation, configuration and data conversion tasks from the City's existing legacy systems and configuring the new PeopleSoft system to work in conjunction with a bill printing and remittance processing service provider.

Upon Council's approval on May 10, 2005 of the BearingPoint Stage 2 contract, staff was directed to perform next steps including moving forward with a procurement process for the City to contract with a third-party bill printing and remittance processing vendor. Therefore, a Request for Proposal (RFP) was released for Document Printing, Mailing, E-Presentation, E-Payment and Remittance Services (Bill Print RFP) on May 26, 2005, in order to identify the next bill print service provider to begin work on July 1, 2006. This RFP was originally issued on May 26th and proposals were received June 15th. After an initial evaluation, all proposals received did not meet minimum qualifications and staff recommended that Council reject all proposals. On June 28th, Council approved staff's recommendation to reject all proposals and issue another RFP with less restrictive minimum qualifications. The revised RFP was issued by the City on July 1, 2005.

HONORABLE MAYOR AND CITY COUNCIL

Subject: Report on Request for Proposal (RFP) for Utility Bill Printing, Mailing, E-Presentation, E-Payment and Remittance Services and Adoption of Appropriation Ordinance and Funding Sources Resolution Amendments in the Integrated Waste Management Fund

August 25, 2005

Page 3

ANALYSIS

Results of RFP Process

The request for proposals was advertised on the City’s bid line and broadcast on the DemandStar bid notification system on July 1, 2005. Over 130 companies in this service sector were directly notified of the requirement, 38 companies requested the document, five companies submitted proposals by the July 25, 2005, 2:00 PM deadline, and one company submitted their proposal late.

After an initial evaluation for proposal responsiveness, it was determined that two of the five proposals submitted by the deadline did not meet minimum qualifications and were not evaluated further.

The table below summarizes the proposals received from Companies and their respective status after evaluation of Minimum Qualifications:

#	Company Name (including partners and subcontractors)	Location	Met Minimum Qualifications (Yes/No)	Comment
1	First National Bank	Omaha, NE	Yes	
2	Diversified Data and Communications	Ferndale, MI	Yes	
	Comerica	San Jose, CA		
3	Group1 Software	Downers Grove, IL	No	Submitted partial technical and cost proposals.
4	InfoImage	South San Francisco, CA	No	Submitted late
5	Kubra	Torrance, CA	Yes	Kubra prime, with San Jose Water as subcontractor
	San Jose Water	San Jose, CA		
6	San Jose Water	San Jose, CA	No	Submitted partial technical and cost proposal.

HONORABLE MAYOR AND CITY COUNCIL

Subject: Report on Request for Proposal (RFP) for Utility Bill Printing, Mailing, E-Presentation, E-Payment and Remittance Services and Adoption of Appropriation Ordinance and Funding Sources Resolution Amendments in the Integrated Waste Management Fund

August 25, 2005

Page 4

A five-member technical evaluation committee (TEC) with cross-functional representation from the Finance, Information Technology, and Environmental Services Departments was formed to evaluate the three proposals which met minimum qualifications.

Prior to TEC members receiving proposals, Purchasing briefed them on conflict of interest and confidentiality issues and the scoring process. All members of the team were required to sign a conflict of interest/confidentiality agreement. All scoring was done individually and submitted to Purchasing, which compiled the scores. After compilation of the individual scores, Purchasing met with the TEC to discuss and validate the results.

The selection criteria and weights as stated in the RFP are as follows:

- Functional capability and experience: 35%
- Integration with PeopleSoft RM: 20%
- Company experience (billing and remittance, capacity and capability): 10%
- Internet capability and experience: 15%
- Professional services capability and capacity: 10%
- Local business preference: 5%
- Small business preference: 5%
- Reference checks: Pass/Fail

The overall scoring results are summarized in the following table:

Company	Technical Score (100% Max)	Rank
Kubra / San Jose Water	88%	1
Diversified / Comerica	80%	2
First National	76%	3

The proposal submitted by Kubra as prime and San Jose Water Company as subcontractor achieved the highest overall score and the highest score in each of the above referenced categories. Kubra / San Jose Water's proposal was more comprehensive regarding the proposed management approach and methodology and the integration of Kubra / San Jose Water's solution with the City of San Jose web site. Kubra / San Jose Water's references from Mobile Water, Dakota Electric, and Hydro Ottawa, were very favorable. As outlined in the Kubra/San Jose

HONORABLE MAYOR AND CITY COUNCIL

Subject: Report on Request for Proposal (RFP) for Utility Bill Printing, Mailing, E-Presentation, E-Payment and Remittance Services and Adoption of Appropriation Ordinance and Funding Sources Resolution Amendments in the Integrated Waste Management Fund

August 25, 2005

Page 5

Water proposal, Kubra is the prime vendor with overall contract responsibility for the deliverables and services. The proposal indicated that Kubra will be responsible for document printing, storage, electronic bill presentment and payment and San Jose Water will be responsible for remittance processing including lockbox services.

Cost proposals were submitted in a separate sealed envelope and not revealed to the evaluation panel to eliminate any potential of price proposals influencing technical scores. Cost proposals were opened by Purchasing, and after initial analysis it was determined that additional price clarification would be required to facilitate a comparative cost analysis, and more accurately estimate the overall cost to implement, maintain and perform services over a five year period. Each of the three proposers received a request for pricing clarification. The City provided a set of transaction assumptions, and each company was asked to provide all inclusive implementation, maintenance and transaction costs over a five-year period on a City provided form. For this cost comparison, the City assumed 1.8 million utility bills processed per year, 65% of the bills would be processed through a lockbox service, 20% of the bills would be processed through Automatic Payment Services and online payments, and 15% of the bills would be paid directly to the Customer Service Center through call-ins or walk-ups. The annual average and estimated five-year cost are summarized in the following table¹:

Company	Start-up costs	Annual Average Transaction and Maintenance Costs	Total Cost, Year 1	Estimated Five Year Cost
Kubra / San Jose Water Co.	\$ 32,400.00	\$ 891,088.80	\$ 923,488.80	\$4,487,844.00
Diversified / Comercia ²	(waived)	\$ 1,015,020.36	\$1,015,020.36	\$5,075,102.80
First National Bank	\$ 56,900.00	\$ 1,260,919.18	\$1,317,819.18	\$6,361,495.90

Cost Comparisons and Projected Savings

Based on the assumptions above, the cost for processing, per consolidated bill would be 49.5 cents.

As a comparison to the actual costs the City is currently funding for existing utility bill print and remittance processes, the City's 2005/06 budget includes a total of approximately \$1,132,000 for

¹ Applicable sales taxes are excluded from these figures

² The Diversified/Comerica cost proposal did not include the postage cost for an assumed 150,000 invoices per month at a cost of \$500,400 per year and also included a condition that required the City open a bank/investment account valued at \$64 million.

HONORABLE MAYOR AND CITY COUNCIL

Subject: Report on Request for Proposal (RFP) for Utility Bill Printing, Mailing, E-Presentation, E-Payment and Remittance Services and Adoption of Appropriation Ordinance and Funding Sources Resolution Amendments in the Integrated Waste Management Fund

August 25, 2005

Page 6

all four utility services as follows; Recycle Plus! Budget includes \$740,000 per contract outsourced with San Jose Water; Muni water's budget includes non-personal costs of \$134,940 for stationary stock, printing and postage; and the City is currently paying the County approximately \$257 thousand (based on 3/10ths of one percent of the total storm/sewer charges placed on the annual county tax roll). Based on the City's existing volume of approximately 1.69 million utility bills per year for all four City utility services, the City is currently paying an average of 67 cents per bill. It should be noted that go-live of the consolidated utility billing system is scheduled by the end of fiscal year 2005/06.

Upon the go-live date for implementation, Recycle Plus! And Water will be consolidated in one utility bill. Although the new system will calculate the storm/sewer bills, based on the project go-live date and the date to place assessments on the County tax roll, the project plan assumes that we will continue to bill the storm/sewer charges through the County tax roll for one additional year after go live. Beginning in year two after go-live, the system will be reconfigured to allow for full consolidation of all the utilities, including storm/sewer. Beginning in year two, after all four utilities are consolidated on one bill, based on the cost proposal from Kubra/San Jose Water, staff projects annual savings of over \$225,000 per year for bill presentment and remittance processing.

Based on the evaluation process and results outlined above, staff recommends the award of contract to Kubra / San Jose Water, the highest technically scored and most cost effective proposal. Consistent with the recommendation of the TEC, staff recommends entering into negotiations with Kubra / San Jose Water.

Contract Amendment with Bearing Point for Document Print Integration

In order to process bills and remittances, the Consolidated Utility Billing system must integrate with the City's vendor for bill printing. This requires associated changes to the City's Consolidated Utility Billing implementation consultant's contract to integrate Kubra/San Jose's Document Printing and Remittance Services with the City's PeopleSoft ERM utility billing software. As a means to keep the consolidated utility billing project on schedule, a change order for \$40,368 to allow BearingPoint to configure the system to the extent it could be programmed without knowledge of the bill print vendor had been approved by the Director of Finance, pursuant to Council's previous authorization. The change order was funded from BearingPoint's contract contingency. Now that the bill print vendor has been determined, the action relating to the scope of work on the contract amendment only relates to completing the document print integration with Kubra/San Jose Water for a cost of \$155,208.

The new maximum compensation on the Bearing Point Contract will be \$4,657,182 the elements of which are shown below:

HONORABLE MAYOR AND CITY COUNCIL

Subject: Report on Request for Proposal (RFP) for Utility Bill Printing, Mailing, E-Presentation, E-Payment and Remittance Services and Adoption of Appropriation Ordinance and Funding Sources Resolution Amendments in the Integrated Waste Management Fund

August 25, 2005

Page 7

Original Contract Amount	\$4,056,006.00
Original Contingency	\$405,600
First Amendment (Bill Print)	\$155,208
Replenish Contingency for use of vendor neutral document print change order	\$40,368
Total Maximum Compensation	\$4,657,182

Therefore, the total amount of the amendment, including re-establishing the amount of the contingency that was used for the vendor neutral document print change order is \$195,576.

Charitable Contributions

The project team has been working on configuring the new consolidated utility billing system that incorporates an optional feature to enable utility customers to designate voluntary charitable contributions to appropriate entities such as the Healthy Neighborhood Venture Fund (HNVF) or other entities approved by Council. Included in the format is the ability to sign up to make one-time contributions or bi-monthly automatic contributions through the Utility Billing Call Center or walk-in at the New City Hall Customer Service Center. Once a customer signs up to make the contributions, the amount contributed will show as a separate item on their utility bill. If a customer chooses to discontinue their bi-monthly contribution, they will need to notify the City through the Customer Service Center or the Call Center. It should be noted that a system modification would be necessary to configure the system to provide this service on-line or to implement voluntary "rounding-up" contributions.

Council Memos To-Date

The Rules Committee has requested copies of all Council memos relevant to this project be available in the City Clerk's Office. Copies of all project related Council memos will be available in the Clerk's Office on Monday, August 29, 2005 for public access.

OUTCOME

This project will enable the City to provide billing and remittance services for all four of the City's utilities as part of the new, consolidated utility billing system.

HONORABLE MAYOR AND CITY COUNCIL

Subject: Report on Request for Proposal (RFP) for Utility Bill Printing, Mailing, E-Presentation, E-Payment and Remittance Services and Adoption of Appropriation Ordinance and Funding Sources Resolution Amendments in the Integrated Waste Management Fund

August 25, 2005

Page 8

PUBLIC OUTREACH

This RFP was posted on the City's Bid Line, and the DemandStar bid notification system.

COST IMPLICATIONS

First year recurring costs for the bill print and remittance services total \$1,023,489. However, because the costs will become effective upon the go-live date of the new system scheduled for the spring of 2006, the necessary prorated 05-06 fiscal year costs are \$355,172. Of that amount, funds are available in each of the operating funds (based on the formula previously approved by Council for operating costs associated with this project) with the exception of the Integrated Waste Management Fund (IWM). For IWM, an appropriation adjustment in the amount of \$131,092 will be necessary.

The non-recurring costs of \$195,576 to cover the integration work and associated contract amendment with Bearing Point are available from two sources. \$182,480 is available from unexpended IWM funds from FY 04-05 of which savings will be realized as part of the 2004-2005 Annual Report. The balance of \$13,096 is available through the City's Commercial Paper Program previously approved for this project.

MANAGED COMPETITION

Staff conducted an analysis of the resources necessary to provide these services in-house and it was concluded that the costs for additional staff and required equipment would be cost prohibitive as compared to continuing to outsource for these services.

LOCAL PREFERENCE

First National Bank did not request Local or Small Business Preference. Although San Jose Water Co. - as a subcontractor to Kubra, and Comerica - as a partner with Diversified, are both local companies, since both local companies are sub contractors, both proposals did not qualify for Local or Small Business preference under the current Ordinance. Therefore, Local and Small Business preference did not affect the outcome of this recommendation.

HONORABLE MAYOR AND CITY COUNCIL

Subject: Report on Request for Proposal (RFP) for Utility Bill Printing, Mailing, E-Presentation, E-Payment and Remittance Services and Adoption of Appropriation Ordinance and Funding Sources Resolution Amendments in the Integrated Waste Management Fund

August 25, 2005

Page 9

BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	RC#	Total Appn.	Amt. for Contract	2005-2006 Proposed Operating Budget*	Last Budget Action (Date, Ord. No.)
423	3320	CUSP Project		TBD	13,096 (BearingPoint Inc.)	N/A	
423	0762	Non-Personal/Equipment	500590	\$3,571,555	182,480 – Bearing Point 316,092 – Utility Billing	VIII-48	
446	0762	Non-Personal/Equipment	700590	\$1,729,646	862	VIII-48	
515	0762	Non-Personal/Equipment	500590	\$15,574,264	37,356	VIII-48	
541	0762	Non-Personal/Equipment	500590	\$65,694	862	VIII-48	

* The 2005-2006 Adopted Operating Budget was approved by the City Council on June 21, 2005.

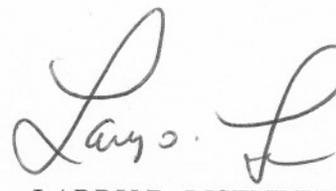
COORDINATION

This memorandum has been coordinated with the departments of Environmental Services, Information Technology, Finance, and the Offices of the City Manager, Budget and the City Attorney.

CEQA

Not a project


SCOTT P. JOHNSON
Director, Finance


LARRY D. LISENBEE
Director, Budget

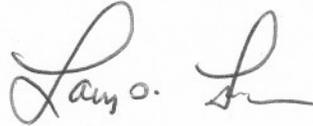
HONORABLE MAYOR AND CITY COUNCIL

Subject: Report on Request for Proposal (RFP) for Utility Bill Printing, Mailing, E-Presentation, E-Payment and Remittance Services and Adoption of Appropriation Ordinance and Funding Sources Resolution Amendments in the Integrated Waste Management Fund

August 25, 2005

Page 10

I hereby certify that there will be available for appropriation in the Integrated Waste Management Fund in Fiscal Year 2005-2006 monies in excess of those heretofore appropriated there from, said excess being at least \$13,096.



LARRY D. LISENBEE
Director, Budget

1812 WHE SP V 11: 11

2811 1028 CIA CLERK
RECEIVED