



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson
Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: October 13, 2009

Approved

Date

10/16/09

COUNCIL DISTRICT: Citywide

**SUBJECT: REPORT ON REQUEST FOR PROPOSALS FOR A MULTI-FAMILY
LOAN PORTFOLIO MANAGEMENT SYSTEM**

RECOMMENDATION

Report on Request for Proposal (RFP) for the purchase of a Multi-Family Loan Portfolio Management System and adoption of a resolution authorizing the Director of Finance to:

1. Execute an agreement with MK Partners (Encino, CA) for the implementation of the Multi-Family Loan Portfolio Management System in an amount not to exceed \$246,700 including all professional and technical support services required to implement the system as well as hosting services that will be provided by Salesforce.com Inc. (San Francisco, CA) under a separate subscription agreement.
2. Execute change orders not to exceed a contingency amount of \$40,000 to cover any unanticipated changes in the system design and implementation.
3. Execute ten one-year options to renew the agreements for continued technical support and hosting services subject to annual appropriation of funding.
4. Adoption of the following Appropriation Ordinance amendments in the Low and Moderate Income Housing Fund (Fund 443) for 2009-2010:
 - a. Decrease the Ending Fund Balance by \$286,700;
 - b. Increase the Housing Department's Non-Personal/Equipment Appropriation in the amount of \$286,700.

OUTCOME

To provide an integrated state of the art Multi-Family Loan Portfolio Management System. The new system will automate and streamline the Housing Loan Portfolio processes to improve workflow efficiencies and electronically track and report data.

BACKGROUND

The Housing Department is responsible for managing a multi-family loan portfolio totaling in excess of \$580 million. Each loan has different repayment provisions in the form of interest payments and residual receipt calculations. Payments need to be calculated, invoiced and tracked. In consideration for providing an interest-favorable loan using public funds, the Housing Department requires the placement of recorded affordability restrictions on the City-subsidized rental projects. Staff also monitors the project's physical and financial status to ensure that the City's investment is protected. All of this data, as well as information on project loan applications, are currently tracked in separate stand-alone databases by the staff responsible for their respective function. Without an integrated database, coordination between loan origination, loan collection, and loan compliance is a very manual and tedious process that lends itself to human error. An integrated database will greatly enhance coordination and oversight of the loan portfolio, and facilitate comprehensive analysis of the portfolio that is currently very difficult to achieve.

The Housing Department has previously sought to obtain a technology solution that would allow all authorized staff to work from an integrated database. In 2001, the City entered into an agreement with a company to provide a loan management database. Ultimately, the company was unable to fulfill the specifications required by the City. A settlement agreement with the company was recently approved by the City Council.

Due to the specialized nature of the work performed by the Housing Department, there are relatively few software solutions designed specifically for housing purposes. Most private lenders have very expensive, customized loan management solutions that do not address affordability restriction tracking and compliance that are required by a public lender. The evolution of technology and development of additional software solutions has made it possible for the Housing Department to seek a new solution to meet their requirements.

To develop the RFP, the Housing Department formed a team to develop specifications for a system to manage its multi-family loan portfolio. The team included representatives from each program that utilizes project loan data, as well as staff from the Information Technology Department. A consultant was hired to assist with the specification development and the documentation of work flow diagrams. The information developed by this team formed the basis of the RFP specifications and requirements to manage its multi-family loan portfolio.

ANALYSIS

In February, 2009 the Finance Department released an RFP for a fully integrated Multi-Family Loan Portfolio Management System through the City's e-procurement system. A total of twenty two (22) companies viewed the RFP and five (5) proposals were received as follows:

- The Mitas Group(McKinney, TX)
- CSDC Systems Inc. (Richmond, BC Canada)
- MK Partners (Encino, CA)/ Salesforce.com Inc. (San Francisco, CA)
- Tech & Doc Services, Inc (San Jose, CA)
- MTI Group, Inc. (Fremont, CA)

Evaluation Team: A five-member evaluation team was named with representatives from the Housing and Information Technology Departments. In addition, an advisory board comprised of key stakeholders were invited to review the proposals, attend the oral presentations/demos, and provided valuable input to the evaluation team. Proposals were independently scored by the evaluation team.

Technical Evaluation (65%): Proposals were reviewed and scored for management approach, technical capability, and product functionality. In addition, each Proposers's demonstrated experience implementing and maintaining systems similar in size and complexity to the City's requirements was evaluated by the team.

Cost Proposals (25%): Comprehensive cost proposals including all professional services, training, and hosting services were independently evaluated and scored. Cost proposals were not disclosed to the evaluation team prior to the completion of the technical evaluation so as not to inadvertently influence the technical evaluation.

Oral Interview/Presentations: The top three ranked Proposers (The Mitas Group, MK Partners / Salesforce.com and CSDC Systems, Inc.) were invited to participate in the oral presentations to demonstrate knowledge of the City's requirements, to introduce key personnel that would be assigned to the project, and to present a comprehensive demonstration of each solution. At the conclusion of the oral presentations, the scores were adjusted and finalized as appropriate.

Local and Small Business Preference (10%): In accordance with City policy, ten percent of the total evaluation points were reserved for local and small business preference. The preference was not a factor in the recommendation of award.

The final scoring is summarized in the following table:

Criteria	Max Points	MK Partners (Encino, CA) and Salesforce.com, Inc. (San Francisco, CA)	The Mitas Group (McKinney, TX)	CSDC Systems (Richmond, BC Canada)
Experience	20	11	12	12
Technical	45	35	21	30
Cost	25	25	17	8
Local/Small Preference	10	0	0	0
Total	100	71	50	50

Protest Period: The RFP process included a ten-day protest period that commenced when Proposers were notified of the City’s intent to award on June 17, 2009. No protests were received.

Recommendation Summary: Staff recommends award of contract to MK Partners because the evaluation panel deemed their proposed “Cloud Computing” solution to be the most innovative and the best value relative to the City’s requirements.

Cloud computing refers to the concept of hosting software and data on a centralized group of servers, while making them available to users over the internet. A cloud service has three (3) distinct characteristics that differentiate it from traditional hosting. It is sold on demand, it is elastic in that a user can have as much or as little of a service as they want at any give time, and the service is fully managed by the provider.

In addition, the combined MK Partners/Salesforce.com proposal was found to be superior in the following areas:

- MK Partners has a demonstrated track record of successful implementation and superior customer service.
- MK Partners has the highest certification as a Salesforce.com implementer and partner.
- The hosted nature of this system reduces energy consumption and alleviates all additional costs associated with maintaining equipment on-site in the City’s data center.
- Salesforce.com is ranked the # 3 fastest-growing technology companies by Forbes.
- Salesforce.com was recently awarded the prestigious Wall Street Journal Technology Innovation Award for their advances in the Cloud computing based Platform as a Service (PaaS) technology.

Summary of Agreement: The agreement will include fixed pricing, a detailed statement of work defining all deliverables, a compensation schedule with payments contingent on the successful completion and City’s acceptance of key milestones relating to each phase of the project. In addition there will be a ten percent (10%) final payment to be paid no sooner than thirty (30) days after system go-live, contingent upon the City’s final acceptance of the system. The

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agreement also has a provision that the City will maintain ownership and control of the data throughout the term of the agreement, and that the data may not be disclosed to any third party without written consent from the City. At regular intervals and as requested throughout the agreement, MK Partners/Salesforce.com will provide copies of the data to the City.

The Salesforce.com Subscription agreement will include fixed pricing for the first three years, with a compensation schedule which will include a subscription for the City's fifty users, the first year support and the ability to add additional users and upgrade the support through the change order procedure as needed throughout the term of the agreement. Option year pricing for maintenance and technical support for years four through ten shall be negotiated, and subject to a maximum increase of 5% per year.

Green Vision: The purchase of the hosted "Cloud computing service" supports the City's Green Vision Goal #2 "Reduce per capita energy use by 50%" by allowing the City to share server capacity amongst Salesforce's many customers.

EVALUATION AND FOLLOW-UP

This memo will not require any follow-up from staff.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although this item does not meet any of the above criteria, this memorandum will be posted on the Council Agenda for November 3, 2009.

COORDINATION

This memorandum was coordinated with the Department of Housing, the Information Technology Department, and the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

This action is consistent with the following General Budget Principles “We must focus on protecting our vital core city services for both the short- and long-term” and “We must continue to streamline, innovate, and simplify our operations so that we can deliver services at a higher quality level, with better flexibility, at a lower cost” and the Strategic Initiative “Make San Jose a Tech-Savvy City; lead the way in using technology to improve daily life.”

COST SUMMARY/IMPLICATIONS

The following outlines the elements of the contract.

1. COST ELEMENTS OF AGREEMENT/CONTRACT:

MK Partners Contract	\$201,700
MK Partners Contract Contingency	\$40,000
Salesforce.com Contract	\$45,000
TOTAL AGREEMENT/CONTRACT AMOUNT	\$286,700

2. SOURCE OF FUNDING: The source of funding for this contract will be the Low and Moderate Income Housing Fund (Fund 443) non-personal/equipment budget.

3. MAINTENANCE, SUPPORT , HOSTING AND SUBSCRIPTION YEAR 2-3

Year 2	\$45,000
Year 3	\$45,000

4. FISCAL IMPACT: There will be no impact to the General Fund.

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BUDGET REFERENCE

The table below identifies the fund and appropriations proposed to fund the contract recommended as part of this memorandum.

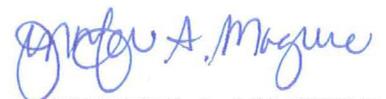
Fund #	Appn #	Appn. Name	Total Appn.	Amount for Contract	2009-2010 Proposed Budget Page*	Last Budget Action (Date, Ord. No.)
443	0562	Non-Personal /Equipment	\$1,054,634	\$286,700	XI-53-X1-54	6/23/2009 28593

* The Proposed Operating Budget was adopted by City Council on June 23rd 2009.

CEQA

Not a Project


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Director, Finance


JENNIFER A. MAGUIRE
Budget Director

For questions please contact Mark Giovannetti, Purchasing Officer (408) 535-7052.