



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: April 9, 2012

Approved

Date

4/17/12

SUBJECT: REPORT ON REQUEST FOR PROPOSAL FOR A FULLY HOSTED CLASS REGISTRATION, RESERVATION, AND ELECTRONIC COMMERCE SYSTEM

RECOMMENDATION

- (a) Accept the report on Request for Proposal (RFP) for the purchase of a fully hosted Class Registration Electronic Commerce System; and
- (b) Adopt a resolution authorizing the City Manager to:
 - (1) Execute an agreement with The Active Network, Inc. (Burnaby, BC Canada) for a fully hosted Recreation Electronic Commerce System (RECS) to include all professional and technical support services, product upgrades, training and on-going product support, for an initial five-year term ending April 30, 2017.
 - (2) Execute five additional one-year options to renew the agreement subject to the annual appropriation of funds.

OUTCOME

Council approval of the above recommendations will recognize the successful completion of the RECS pilot program and enter into a long term agreement for a RECS solution that supports the needs of the community as well as the initiatives and activities of the Parks, Recreation and Neighborhood Services Department (PRNS).

BACKGROUND

In December 2007, the Council approved an agreement with The Active Network (TAN) for a pilot project for the Parks, Recreation and Neighborhood Services (PRNS) Department to implement an on-line class registration and payment initiative (RECS). This on-line system is a critical element of the automation infrastructure needed to support PRNS' financial sustainability strategy (to increase departmental cost-recovery from 11% in 2008 to 40% by 2014), where services and programs are best maintained through increased revenue generation.

Project implementation began in May 2008, and RECS officially went "live" in March 2009 providing functionality that allowed customers to review class and program offerings; register, and pay on-line for various community classes, summer swim lessons, and summer camps.

Several success criteria for the pilot project were established consistent with Value Measuring Methodology (used by the federal government) that considered five factors:

- Direct Users
- Social
- Strategic
- Government Operation
- Government Financial.

Within these five factors, specific values were identified as performance measures for a successful system. Outcomes were identified for each factor as performance measures for the pilot.

Pilot Project Results

- A decrease in class registration processing time that went from weeks to minutes.
- E-mail confirmation of registration and payment that are provided immediately after registration.
- The ability to browse class offerings and register online 24 hours a day, seven days a week.
- One stop shopping that allows residents to register for activities at multiple community centers. Previously, customers were only able to register in-person at a community center for activities that were hosted at that center.
- Targeted on-line marketing and communications to users that are registered on the system.

During the pilot project, \$11,700,000 in revenue was processed through the system. Of the \$11,700,000, 34% or \$4,000,000 was transacted on-line by customers, and the remainder of the transactions was processed over-the-counter by staff utilizing the application at a community center.

The number of online transactions has increased each year since the system went live. After the first year of implementing the system with the online function, 35% of total transactions were

April 9, 2012

Subject: Report on RFP for a Fully Hosted Recreation Electronic Commerce System

Page 3

conducted online. After the second and third years, the number of online transactions rose to 44.5% and 47%, respectively.

RECS has been a critical component of PRNS' cost recovery performance, enabling PRNS to achieve a direct program cost recovery rate of 31.5% toward the five-year 40% goal that was established in 2009-2010.

The implementation cost of the pilot project was \$131,200 which included all hardware, training and one-time start up costs. 100% of this investment is now applicable toward the long term solution that staff is recommending. Ongoing transaction fees are included in the cost of the class registration fee, and do not impact the General Fund.

The pilot agreement was amended two times to extend the term of the agreement by 12 months in order to allow staff time to complete the RFP process and subsequent negotiations with TAN, which took longer than anticipated.

ANALYSIS

On November 10, 2010, the Finance Department released an RFP for a fully hosted Registration Electronic Commerce System through the City's e-procurement system. A total of 69 companies viewed the RFP and three proposals were received by the December 3, 2010, deadline as follows:

- The Active Network, Inc. (Barnaby, BC Canada)
- US eDirect, Inc. (Roslyn Heights, NY)
- Administrative Software Applications, Inc (Sunnyvale, CA)

Minimum Qualifications: The initial proposal review consisted of a pass/fail assessment to ensure that all minimum qualifications were met and that all proposals were complete. All three proposals met the minimum criteria.

Evaluation Team: A three-member evaluation team was named with representatives from the Parks Recreation and Neighborhood Services (PRNS) Department. Proposals were independently scored by the evaluation team.

Technical Evaluation (65%): The technical evaluation consisted of a thorough review of each company's written proposal for company experience, project management and implementation approach, product history, system design, technical approach and product functionality.

Cost Proposal (25%): Comprehensive cost proposals including all professional services, training, and hosting services were independently evaluated and scored.

Oral Interview/Presentations: Each proposer was invited to participate in oral presentations for the purpose of demonstrating their knowledge of the City's requirements, introduce key personnel that would be assigned to the project, and present a comprehensive demonstration of

April 9, 2012

Subject: Report on RFP for a Fully Hosted Recreation Electronic Commerce System

Page 4

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. Administrative Software Applications, Inc. requested and was granted local and small business preference. However, the preference was not a factor in the recommendation of award.

The final scores are demonstrated in the table below:

<u>Evaluation Criteria</u>	<u>The Active Network, Inc.</u>	<u>US eDirect, Inc.</u>	<u>Administrative Software Applications, Inc.</u>
General (30 points)	30	14	13
Functionality (35 points)	35	17	21
Cost (25 points)	16	10	25
Local (5 points)	0	0	5
Small (5 points)	0	0	5
TOTAL (100 points)	81	41	69

Protests No protests were received.

Award Recommendation: Staff recommends award of contract to The Active Network (TAN) as the most advantageous solution for the City. TAN's solution is superior in the following key areas:

- Fully developed and operational applications modules that meet the City's requirements for online, membership, point of sale, activity registration and facility reservation and are user friendly for both employees and customers.
- Enhanced features such as a mobile application, security controls for individual users and sites, and ability to customize details for each site that are essential for the integrity of the system.
- Flexibility to configure specific modules for the unique business requirements of the variety of programs/services.
- Ability to accommodate the City's large volume of transactions and revenue with minimal service disruption and essential security precautions.
- A web-based solution that does not require additional installation of software on individual computer workstations.
- A demonstrated track record of successful implementations at municipalities with large populations.

April 9, 2012

Subject: Report on RFP for a Fully Hosted Recreation Electronic Commerce System

Page 5

Summary of Agreement: The agreement will include a fixed price per transaction for the initial five year term. The fee structure is based on a percentage markup on revenue generated from over-the-counter and online sales as indicated in the table below. These costs are included in the class registration fee that is paid by the class registrants. City staff collects all over-the-counter payments and TAN collects all online payments. For all online payments collected by TAN, TAN deducts their fees and remits the remaining revenue to the City via electronic wire transfer on a weekly basis.

Pricing is based on a cost per transaction as summarized below:

Over-the-Counter Transactions Fees	
Cash	1%
Check	1%
Credit Card	1% + 2.0% (credit card processing fee)
Online Transaction Fees	
If class registration fee is less than \$150	4.95% of class registration fee plus \$0.50 per transaction plus 2% credit card processing fee.
If class registration fee is between \$150 and \$500	2.25% of class registration fee plus \$5.00 per transaction plus 2% credit card processing fee.
If class registration fee is more than \$500	1.35% of class registration fee plus \$10.00 per transaction plus 2% credit card processing fee.

Prices are approximately 22% less than prices under the pilot agreement, saving an estimated \$187,031 over the initial five year contract term.

Transaction fees are inclusive of all services including unlimited use of the application, hosting the application, technical support; product upgrades, credit card processing and merchant interchange fees. The transaction fees are deducted from the amount the City receives for class registration, so that all customers pay the same price per class regardless of the method of payment. Pricing for option years six through ten is subject to review and approval by the City and shall not exceed the original pilot program pricing. The City will maintain ownership and control of the data, and TAN is required to comply with the City's Privacy and Disclosure Policy. TAN is payment card industry (PCI) compliant. The agreement has a limitation of liability provision limiting the Contractor's liability to \$2,500,000, which staff believes is sufficient to cover any potential claims under the agreement.

EVALUATION AND FOLLOW-UP

No subsequent Council action on this issue is necessary. Staff will monitor the impact of this action and communicate any issues to the City Council if necessary.

POLICY ALTERNATIVES

Alternative #1: Continue to extend the pilot agreement

Pros: Current services level would continue.

Cons: The City would not be able to take advantage of the lower rates proposed by TAN.

Reason for Not Recommending: The City would not realize the aforementioned cost savings as a result of the competitive process.

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 May 1, 2012.

COORDINATION

This memorandum was coordinated with the Department of Parks, Recreation and Neighborhood Services, the City Attorney's Office, and the City Manager's Budget 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."

HONORABLE MAYOR AND CITY COUNCIL

April 9, 2012

Subject: Report on RFP for a Fully Hosted Recreation Electronic Commerce System

Page 7

COST IMPLICATIONS

There is no cost to the City to operate this system. This is a user fee-based contract, meaning that all fees paid to the Contractor will come from class participants.

CEQA

Not a Project, File No. PP10-066(e) Agreements and Contracts

/s/

JULIA H.COOPER
Acting Finance Director

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