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OAKLAND

2016 MAR 31 PM 4:51

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Margaret O'Brien
Interim Revenue & Tax
Administrator

SUBJECT: Report on RFQ for a Local Tax
Software Solution

DATE: March 21, 2016

City Administrator Approval

Date:

3/31/16

RECOMMENDATIONS

Staff Recommends that the City Council Adopt A Resolution Authorizing The City Administrator, Or Designee, To Negotiate And Execute An Agreement With HDL Software, LLC ("HDL") For The Purchase Of A Local Tax Software Solution ("LTSS") To Include Software, Installation, Implementation, Training, And Related Professional Services, Taxes, Maintenance, And Support For An Initial Five-Year Term, In A Total Amount Not To Exceed \$1,226,730, (\$800,000 For Purchase And Installation, \$102,000 For Maintenance Year 1, \$105,060 For Maintenance Year 2, \$108,212 For Maintenance Year 3, And \$111,458 For Maintenance Year 4, With, At The Discretion Of the City, Five Potential One-Year Extensions To Provide On-Going Maintenance, Necessary Upgrades, And Technical Support Services Beyond Year 4.

EXECUTIVE SUMMARY

Adoption of the proposed resolution would allow the City Administrator to negotiate and enter into an agreement with HdL Software LTSS software. This software is essential to the City to support the billing and collections of business, transient occupancy, utility user, and parking taxes, as well as the collection of a variety of fees including rent adjustment program and excess litter fees, and new taxes and fees that may be adopted in the future. Additionally, the software allows business owners to apply, file, and pay for taxes and fees through an online process, furthering the City's goals of supporting small business through process streamlining. The software is also integrated with HdL's property tax and sales tax software, which will provide research efficiencies for staff. Total cost for these services would not exceed \$1,226,730 for five-year agreement with five one-year options to extend the agreement.

The City received five proposals to the Request for Qualifications (RFQ), four of which met the Revenue Management Bureau's (RMB) implementation deadline and were invited to continue through the selection process. After a thorough and complete evaluation of proposals from four different companies, including detailed product demonstrations, the final rankings are presented in **Table 1** below.

Item: _____
Finance and Management Committee
April 12, 2016

Table 1: Final Vendor Rankings

| Ranking | Name | Total Points |
|---------|-----------------------|--------------|
| 1 | HDL Software | 73 |
| 2 | Thompson Reuters | 67 |
| 3 | Accela | 65 |
| 4 | Progressive Solutions | 54 |

Staff recommends award of a contract for the purchase and installation of the new LTSS to HDL, who submitted the most advantageous proposal to the City, for a maximum compensation not-to-exceed \$1,226,730 for an initial five-year term. The new LTSS from HDL will replace the current LTSS originally purchased from Progressive Solutions, Inc. in May 2007 and scheduled to expire on June 30, 2017. If contract negotiations are successful, HDL is proposing full on-premise implementation, including interfacing with the City's POS/Oracle systems and deploying an online payment portal by the start of the business tax renewal season in January 2017.

BACKGROUND / LEGISLATIVE HISTORY

An LTSS is considered a mission critical system for the RMB whose responsibility is to administer and collect in excess of \$156 million in revenues including business, transient occupancy, parking, and utility user taxes, as well as excess litter, business improvement district, and rent adjustment program fees. The software licenses for the current LTSS, purchased from Progressive Solutions in 2007, expire on June 30, 2017.

In November 2015, the RMB of the City of Oakland released a RFQ for an LTSS. A cross-functional evaluation team comprised of 19 knowledgeable members representing the RMB, Treasury, and Controller Bureaus, and the Information Technology Department was created to fairly, objectively, and systematically evaluate all aspects of the proposals. Fifty-percent (50%) of members of the evaluation team were made-up of daily RMB LTSS users (Tax Enforcement Officers, Auditors and Cashiers).

An Executive Steering Committee was formed to provide leadership for this project, and includes representation from the Departments of Contracts and Compliance, Information Technology, and RMB. The purpose of the Steering Committee was to review and validate the LTSS replacement delivery options and staff recommendations.

Furthermore, the City desires an LTSS that provides business owners the ability to apply, file, and pay for taxes and fees via an online portal; that interfaces with the City's point of sale (POS) and Oracle systems; that can be implemented by November 2016 but no later than May 2017; and is extremely end-user friendly.

ANALYSIS AND POLICY ALTERNATIVES

Evaluation Process

In November 2015, RMB released an RFQ for an LTSS through the City's e-procurement system, iSupplier, with the objective of procuring a web-based, turnkey solution that would replace or upgrade the City's existing LTSS. In addition to iSupplier, the RFQ was posted on the California Society of Municipal Finance Officers and the California Municipal Revenue and Tax Association websites, and advertised in the Oakland Tribune, the Oakland Post and the San Francisco Chronicle. The RFQ allowed for proposals for on-premises or hosted solutions. Seven companies obtained copies of the RFQ, with five proposals submitted by the January 19, 2016 deadline and listed below:

- Accela (San Ramon, CA)
- Harris Govern (Plano, TX)
- HDL Software (Diamond Bar, CA)
- Progressive Solutions (Brea, CA)
- Thomson Reuters (Portage, MI)

The RFQ evaluation process consisted of four phases. After each phase, the scores from the previous phase were converted to new weight for each subsequent phase. The evaluation criteria and respective weights for each scoring phase are summarized in **Table 2** below:

Table 2: Evaluation Criteria and Respective Weights

| Minimum Qualifications | Weight by Phase | | | |
|------------------------------|-----------------|-------------|-------------|-------------|
| | Phase 1 | Phase 2 | Phase 3 | Phase 4 |
| Experience | 90% | 45% | 20% | 20% |
| Technical Capabilities | | 45% | 20% | 20% |
| Oral/Solution Demonstrations | | | 50% | 25% |
| Cost | | | | 25% |
| Local Business Preference | 5% | 5% | 5% | 5% |
| Small Business Preference | 5% | 5% | 5% | 5% |
| Total | 100% | 100% | 100% | 100% |

Evaluation Team: A 19-member team from the departments of Revenue, Treasury, Controller and Information Technology evaluated the proposals. Each team member independently evaluated and scored the proposals and oral presentations.

Minimum Qualifications: In the initial pass/fail review of stated minimum qualifications, staff determined that all proposals were responsive to this requirement. All proposals passed this test and advanced to Phase 1 for further evaluation.

Phase 1, Experience: Proposer's experience, including number of years providing the LTSS, quality of references, staff qualifications, and project approach were evaluated. Based on further clarification regarding the length of time needed to implement the solution, Harris Govern's proposal was deemed unacceptable and therefore eliminated from further consideration.

Phase 2, Technical Capabilities: The remaining four proposals were evaluated. This evaluation phase consisted of a thorough review of each company's technical proposal, management approach and technical capabilities that included criteria such as: customer service, customer web/online access, billing, payment processing, collection processing, accounting, reporting/queries, implementation, data conversion/migration, training, testing, final acceptance, go-live activities, technical support/maintenance, and system security. Phase 2 scores were deemed acceptable, and all four proposers were invited to the oral presentation and solution demonstration phase of the evaluation process.

Phase 3, Oral Presentation & Solution Demonstration: The four remaining proposers were required to demonstrate their solution. Each proposer was provided a detailed agenda addressing corporate overview, product functionality overview, customer service, web/on-line portal (online payment, online account registration, and online account viewing), billing, payment processing, collection processing, accounting, reporting & queries, technical overview, implementation approach, and services overview.

Phase 4, Cost: Proposers were required to submit comprehensive cost of ownership that included all required software and related professional services for project management, configuration, installation, interfaces, implementation, testing, training, initial warranty, and maintenance and support. It should be noted that cost proposals were kept sealed until the first three phases of the evaluation process was completed. The objective was to ensure cost was not the influential factor in evaluating the proposals by the evaluation team.

Table 3 highlights the final scores tabulated by the individual evaluation process.

Table 3: Final Score Tabulation:

| Criteria | Max Points Possible | Points Awarded | | | |
|------------------------------|---------------------|----------------|-----------|-----------------------|-----------------|
| | | Accela | HDL | Progressive Solutions | Thomson Reuters |
| Experience | 20 | 15 | 12 | 10 | 21 |
| Technical Capabilities | 20 | 15 | 15 | 13 | 15 |
| Oral/Solution Demonstrations | 25 | 17 | 21 | 10 | 15 |
| Cost | 25 | 18 | 25 | 21 | 16 |
| Local Business Preference | 5 | 0 | 0 | 0 | 0 |
| Small Business Preference | 5 | 0 | 0 | 0 | 0 |
| Total | 100 | 65 | 73 | 54 | 67 |

Award Recommendation: Staff recommends the award of the contract to HDL Software, LLC as the best value based on the evaluation criteria set forth in the RFQ. The HDL Software, LLC proposal was found to have the following attributes:

- Extensive experience and expertise in the development, installation, and support of large LTSS. Track record of successful implementations, reliability of installed systems, and superior customer service.
- HDL Software has an experienced team who understands the City's requirements as demonstrated in their oral presentation and solution demonstrations.
- An enterprise-wide system that will allow staff to introduce future levels of automation (such as the automating of data delivery to the document-printing vendor) and re-engineering of business process without lengthy and risky customizations.
- Overall ease of use in the field and at the management server.
- A highly configurable solution that will facilitate workflow configuration (without costly customization) to improve efficiency and internal controls.
- A robust project management approach. It included an extensive on-site training and a comprehensive review of interfaces.
- Most competitive pricing including all required interfaces to other City applications and for unlimited number of users.

FISCAL IMPACT

The first year costs, which includes purchasing, installation, and training is \$713,750. In addition, plus RMB is adding \$86,250 contingency for unforeseen customizations. The RMB has \$800,000 available in its fiscal year 2015-16 operating budget. Thus, no additional funding is required or being requested. The annual maintenance cost is \$102,000. Maintenance will not begin until FY 2016-17. Funds for the first year of annual maintenance are available in RMB's FY 2016-17 operating budget. Historically, RMB maintains \$100,000 in its annual operating budget to fund maintenance of its LTSS. The cost for the annual licensing and support services is to be adjusted based on the Consumer Price Index – West Urban (CPI-WU). Increases shall not exceed three percent escalation cap per year.

PUBLIC OUTREACH / INTEREST

The released RFQ was posted on the City's procurement system, iSupplier, the California Society of Municipal Finance Officers, California Municipal Revenue and Tax Association website, as well as the Oakland Tribune, Oakland Post, and San Francisco Chronicle newspapers.

COORDINATION

This report has been coordinated with Contract and Compliance Department and the City Attorney's Office.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

Past Performance: HDL Software, LLC, is affiliated with HDL & Associates and HDL Coren & Cone. The City has had a positive working relationship with HDL & Associates and HDL Coren & Cone since 1998. Both companies have been providing professional services to the City in the areas of sales and use tax audit, and property tax data and auditing services.

Evaluation: The LTSS project will include direct oversight by an inter-departmental executive steering committee made up of representatives from RMB and Information Technology Department.

Follow-Up: This item will not require any follow-up from staff until the start of the option years, if necessary.

SUSTAINABLE OPPORTUNITIES

Economic: The implementation of the new LTSS, which will not only prevent potential disruption to the billing and collection of approximately \$156 million in annual revenues, but will also lead to improve organization efficiencies, enhance service delivery to residents and businesses in the City, and be in the strong position to meet upgrade and modification technology needs in the future.

Environmental: There are no environmental opportunities associated with this project.

Social Equity: The RMB will be able to provide higher level of service to the community with the implementation of the new LTSS.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends that City Council Adopt a Resolution Authorizing The City Administrator, Or Designee, To Negotiate And Execute An Agreement With HDL Software, LLC ("HDL") For The Purchase Of A Local Tax Software Solution ("LTSS") To Include Software, Installation, Implementation, Training, And Related Professional Services, Taxes, Maintenance, And Support For An Initial Five-Year Term, In A Total Amount Not To Exceed \$1,226,730, (\$800,000 For Purchase And Installation, \$102,000 For Maintenance Year 1, \$105,060 For Maintenance Year 2, \$108,212 For Maintenance Year 3, And \$111,458 For Maintenance Year 4, With, At The Discretion Of The City, Five Potential One-Year Extensions To Provide On-Going Maintenance, Necessary Upgrades, And Technical Support Services Beyond Year 4.

For questions regarding this report, please contact Margaret O'Brien, Interim Revenue & Tax Administrator, (510) 238-7480.

Respectfully submitted,

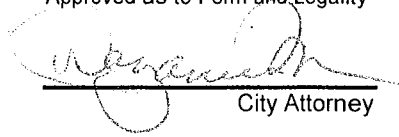


Margaret O'Brien
Interim Revenue and Tax Administrator
Revenue Management Bureau

Reviewed by:
Andy Best, Principal Revenue Analyst
Revenue Management Bureau

Prepared by:
Phil Lim, Revenue Audit Supervisor
Revenue Management Bureau

FILED
OFFICE OF THE CITY CLERK
OAKLAND


City Attorney

2016 MAR 31 PM 4: 52

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

Introduced by Councilmember _____

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR, OR DESIGNEE, TO NEGOTIATE AND EXECUTE AN AGREEMENT WITH HDL SOFTWARE, LLC ("HDL") FOR THE PURCHASE OF A LOCAL TAX SOFTWARE SOLUTION ("LTSS") TO INCLUDE SOFTWARE, INSTALLATION, IMPLEMENTATION, TRAINING, AND RELATED PROFESSIONAL SERVICES, TAXES, MAINTENANCE, AND SUPPORT FOR AN INITIAL FIVE-YEAR TERM, IN A TOTAL AMOUNT NOT TO EXCEED \$1,226,730, (\$800,000 FOR PURCHASE AND INSTALLATION, \$102,000 FOR MAINTENANCE YEAR 1, \$105,060 FOR MAINTENANCE YEAR 2, \$108,212 FOR MAINTENANCE YEAR 3, AND \$111,458 FOR MAINTENANCE YEAR 4, WITH, AT THE DISCRETION OF THE CITY, FIVE POTENTIAL ONE-YEAR EXTENSIONS TO PROVIDE ON-GOING MAINTENANCE, NECESSARY UPGRADES, AND TECHNICAL SUPPORT SERVICES BEYOND YEAR 4

WHEREAS, the City of Oakland must have a local tax software solution ("LTSS") to support the billing and collection of business, transient occupancy, utility user, and parking taxes, as well as the collection of a variety of fees including rent adjustment program and excess litter fees; and

WHEREAS, the City desires an LTSS that provides business owners the ability to apply for and file taxes and fees via an online portal; that is integrated with the City's point of sale (POS) and Oracle program, that can be implemented by November 2016 but no later than May 2017 and is extremely end-user friendly; and

WHEREAS, the software license for the City's existing LTSS expires on June 30, 2017; and

WHEREAS, in November 2015, the Revenue Management Bureau ("RMB") of the City of Oakland released a Request for Qualifications ("RFQ") for a local tax software solution; and

WHEREAS, the City received five proposals to the RFQ, four of which met the RMB's implementation deadline and were invited to continue through the selection process; and

WHEREAS, a cross-functional evaluation team comprised of 19 knowledgeable members representing RMB (including 50% of RMB end users), Treasury, and Controller Bureaus and the Information Technology Department was created to fairly, objectively and systematically evaluate all aspects of the proposals; and

WHEREAS, after a thorough and complete evaluation of proposals including lengthy on-site demonstrations, the final rankings were 1) HDL, 2) Thomson Reuters, 3) Accela, and 4) Progressive Solutions; and

WHEREAS, funds for the Contracted LTSS are available in the RMB FY 2015-16 adopted budget in the General Purpose Fund account: 1010.08431.54919.C497310.IP59; and

WHEREAS, the first year costs, which includes purchasing, installation and training is \$713,750 plus RMB is adding \$86,250 contingency for unforeseen customizations, and RMB has \$800,000 available in its FY 2015-16 operating budget; and

WHEREAS, the annual maintenance cost is \$102,000 with an annual escalator of Bay Area CPI but capped at 3%, and maintenance will not begin until FY 2016-17; and funds for the first year of annual maintenance are available in RMB's FY 2016-17 operating budget; and

WHEREAS, the Agreement will also include a detailed statement of work defining all deliverables and compensation schedule with payments tied to the successful completion of key project milestones, including a 10% withhold of services contract amount to be paid upon the City's final system acceptance, and the system is anticipated to be live in November 2016, including the online payment option, prior to the 2017 business tax renewal season; and

WHEREAS, the City Administrator has determined that this contract is of a temporary and professional, scientific or technical nature and shall not result in the loss of employment or salary by any person having permanent the competitive system; now, therefore be it

RESOLVED: That the City Council hereby authorizes the City Administrator to negotiate and execute a Professional Services Agreement between the City of Oakland and HdL Software, LLC for the purchase of a Local Tax Software Solution to include Software, Installation, Implementation, Training, and Related Professional Services, Taxes, Maintenance and Support for a Five-Year (5) Term in an amount not to exceed One Million, Two-Hundred Twenty-Six Thousand, Seven Hundred Thirty Dollars (\$1,226,730); and be it

FURTHER RESOLVED: That the Agreement may, at the discretion of the City and upon approval and funding by the City Council, be renewed in one-year increments up to five years to provide on-going maintenance, necessary upgrades, and technical support services beyond year 4; and be it

FURTHER RESOLVED: That the agreement authorized hereunder is subject to City Attorney approval for form and legality and shall be placed on file in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA,
PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID, and PRESIDENT GIBSON MCELHANEY

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California