CITY OF OAKLAND
AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim   **REVISED REPORT**
FROM: Office of the City Clerk
        Office of Councilmember Ignacio De La Fuente
        Office of Vice Mayor Jean Quan

DATE: October 12, 2010

RE: **Action on A Report And Recommendations Regarding Responses To An RFQ
        To Implement A Program To Issue A Municipal Identification Card With
        Additional Financial And City Systems Card Services Components**

SUMMARY

This **REVISED** report provides information on the options to implement the Oakland Municipal
Identification / Stored Value Card Program *and serves to provide necessary clarification and
correction to previously submitted information.*

The City Clerk's office issued and published the Municipal Identification / Store Valued Card
Request for Qualifications (RFQ) in the Oakland Tribune and the San Franscico Chronicle on
January 17, 2010. The RFQ was also made available on the Network Branded Prepaid Card
Association (www.nbpca.com), Smart Card Alliance (www.smartcardalliance.org), as well as the City
website. Lastly, the City emailed thirty-five (35) copies of the RFQ directly to various Financial
Services Institutions, Banks, and Card systems providers.

On March 17, 2010, the City recieved three (3) responses to the Oakland Municipal
Identification request:

	In House System	Offsite Production	Financial Services Component
Capture Technology	X		
SF Mexico Services, LLC		X	X
Veritec Financial System		X	X

This report discusses details of all three proposals. A **supplemental report**, printed on October
7, 2010, will show a comparison of all three proposals against the pre-established evaluation
criteria, recommend one company to the City Council, and provide a detailed financial analysis
for all three proposals.

FISCAL IMPACT

On October 20, 2009, the City Council directed staff to issue an expedited RFP for the development of a Municipal Identification Card program with the caveat that the program be fully cost-covered to the greatest extent possible. Based on the three proposals received, it is possible for the City to establish a municipal ID program that is cost-covered with no subsidy from the City – however, only if the City out sources all aspects of the program *or establishes high card issuance fees well above affordable levels.* Additional details regarding the Fiscal Impact will be provided in a Supplemental Report

BACKGROUND

At the October 20, 2009 City Council meeting, the Council passed a motion directing staff to solicit proposals from 1) banking institutions for the issuance of Oakland's identification ("ID")/debit card; 2) debit/ID cards systems providers; and 3) vendors who only provide ID cards systems. Staff was directed to return to the City Council with the bid results, and associated fiscal analysis for each service provider's proposal.

KEY ISSUES AND IMPACTS

Key issues in the implementation of a Municipal Identification / Stored Value Card program include: 1) Implementation of a program that complies with the security standards of the adopted ordinance with auditable standards, 2) Implementation of additional security standards to address the dynamics associated with the potential for fraud as it relates to the financial services component; and 3) Implementation of a cost covered program *affordable to all Oakland citizens.*

DISCUSSION

The Muni ID working group was established to develop the Muni ID RFP, establish the scoring criteria for reviewing the responses, interview respondents, and score proposals. The working group included representatives from the City Clerk's office, Councilmember De La Fuente's office, Councilmember Quan's office, Department of Information Technology, Finance and Management Agency's Treasury Division, the City Attorney's Office and Oakland Police Department.   After extensive evaluation based on a detailed consideration of overall qualifications, scope and level of services, pricing, additional questions from staff and reference checks, the interview panel has ranked the proposals giving consideration to the ability to run a cost covered program based on projected card demand accordingly: *(1) SF Mexico Service, LLC (2) Capture Technology, and (3) Veritec Financial System.*

A detailed summary of each proposal is presented below. A *supplemental report* will compare all three proposals against the pre-established evaluation criteria, and recommend one company to the City Council. A detailed financial analysis for the recommended company will be provided in the *supplemental report*.

In-House Issuance Of A Municipal Identification Card

Capture Technologies

Capture Technologies responded with a proposal to provide equipment and systems to produce identification cards with the ability to hold information and perform certain transactions.

The complete in-house system encompasses applicant in-take, identity verification/validation and production of the ID card by City staff. This in-house production would require the allocation of additional funding to support personnel and overhead costs, as well as funding for the acquisition of the system, equipment, first year's card stock, and associated maintenance costs to run the system, *to issue cards within the fee range of $15 to $35 per card.*

Capture Technology's proposal included the following features.

- Municipal ID card security features – see **Attachment A.**

- Operational features:

    ➤ Closed-loop applicant intake system – WebID software.

    ➤ Signature Pointe Solution – Signature pad to capture, store and print electronic Signatures.

    ➤ Foreign Document Authentication system – authenticate identification documents.

    ➤ Biometrics – facial recognition to eliminate issuance of duplicated IDs and to verify identity.

    ➤ Laser Engraving Printer – System allows for engraving photos, alphanumeric text, 1D and 2D bar codes, micro-engraving, and tilted image engraving (CLI) against forgery.

The cost of the complete system is $615,000, which includes equipment, installation, training, and support services. Ongoing annual maintenance will cost approximately **$80,000** in year 2 and increasing thereafter. In addition, with minimum staffing of 2 TPE positions and equipment, minimum overhead expenses would cost an additional **$48,000** annually.

Total program operations would cost at minimum $662,000 in the first year and approximately ~~$48,000~~ $128,000 annually in ongoing costs.

Total Costs with O/H:	Fiscal Analysis of Program Operations (Includes equipment purchase and staffing)						
	One Time Purchase						
	Equipment & Service Costs	Overhead w/ 2 TPE	Total Cost w/ 2 TPE	Overhead w/ 1 FTE	Total Cost W/ 1 FTE	Overhead w/ 2 FTE	Total Cost w/ 2 FTE
Year 1	$614,898	$46,980	**$661,878**	$72,085	**$686,983**	$144,170	**$759,068**
Year 2	78,017	45,014	**123,030**	73,531	**151,548**	147,063	**225,079**
Year 3	83,717	47,264	**130,982**	77,208	**160,925**	154,416	**238,133**
Year 4	86,013	49,627	**135,641**	81,068	**167,082**	162,137	**248,150**
Year 5	90,314	52,109	**142,423**	85,122	**175,436**	170,244	**260,558**
Total 5 yr-cost:			**1,193,953**		**1,341,974**		**1,730,988**

This In-house method of issuing Municipal ID's was highly ranked by the reviewing group in terms of compliance with the security standards of the adopted ordinance. However, to make this in-house program cost-covered, each Municipal ID card would need to be priced in the range of $40.00 to $60.00, (See table below.) The $40.00 to $60.00 fee ranges would provide for cost covered operations within the first to third year of operations and would require approximately **7000 to 10,000** cards be issued annually. However, City projections anticipate issuance of approximately 2000 to 4000 cards annually.

REVENUE PROJECTION TO ACHIEVE COST COVERED OPERATIONS WITHIN IN 1 TO 3 YEARS

Annual Card Demand	Daily Issuance	Annual Revenue Based on Card Fee				
		$40	$45	$50	$55	$60
2,000	8	$80,000	$90,000	$100,000	$110,000	$120,000
3,000	12	$120,000	$135,000	$150,000	$165,000	$180,000
4,000	16	$160,000	$180,000	$200,000	$220,000	$240,000
5,000	20	$200,000	$225,000	$250,000	$275,000	$300,000
6,000	24	**$240,000**	**$270,000**	**$300,000**	**$330,000**	**$360,000**
7,000	28	**$280,000**	**$315,000**	**$350,000**	**$385,000**	**$420,000**
8,000	32	**$320,000**	**$360,000**	**$400,000**	**$440,000**	**$480,000**
9,000	36	**$360,000**	**$405,000**	**$450,000**	**$495,000**	**$540,000**
10,000	40	**$400,000**	**$450,000**	**$500,000**	**$550,000**	**$600,000**

- *The highlighted boxes are the range of card prices and distribution levels that would achieve cost covered operations in the first to third year of operations.*

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Out-Sourced Issuance Of Municipal Identification Cards With Financial Services Option

SF Mexico Services, LLC

SF Mexico Services, LLC (SFMS) submitted a proposal that offered offsite issuance of a municipal identification card with stored card value component for a prepaid debit card feature. This vendor's proposal includes the option of establishing five in-take centers with non-profit or community based organizations in Oakland, and *fully run the program themselves, with no City involvement.*

Sf Mexico Services, LLC proposal included the following components:

- Municipal ID card security features – see **Attachment A**.

   Usage of the financial services feature by Muni ID card holders is not required. The ID card applicant will have the option to activate the financial services feature by a telephone pre-registration process. The card holder activates the financial feature after receiving the card in the mail.

   The card holder identity information would be available to OPD to verify identity via online access 24 hours a day, 7 days a week.

- Operational features – This card will possess a recordable and readable magnetic strip, which would facilitate Point of Sale (POS) transactions providing access to either the Visa or the Discover card networks.

- Financial Services Component – Multifunction ID card will be issued with prepaid debit or stored value feature backed by the Central National Bank and Trust of Enid (CNB) in Oklahoma. All funds are FDIC insured. The Central National Bank has provided the proposed card services fees associated with the use of the card as referenced in **Attachment B.**

- SFMS is prepared to offer the cards to customers at $15 (full price) and at either $5 or $10 (reduced price for students and seniors)

- Revenue is shared with merchants who perform loading and intake services in the form of monthly 'residuals' on certain transactions and on commissions for loads.

The vendor indicated there will be NO costs to the City for the lifetime of this program, making the program cost neutral to the City of Oakland.

Staff has requested additional information from the vendor to confirm the proposed offsite operations for this vendor will be cost covered and that the Muni ID Card fees are within affordable range. This additional information will be provided in a supplemental report.

Veritec Financial System Inc.

Veritec submitted a proposal that offered offsite issuance of a municipal identification card with financial service, who would serve as the ID card provider. This company also proposed to *fully run the program themselves, with no City involvement*. This proposal plans to operate one in-take center in each Council District.

Veritec's proposal including the following components:

- Municipal ID card security features – see **Attachment A.**

   Veritec's ID card includes a *demographic text data* feature, which requires a reader to read the data.

   Every municipal ID card is pre-set with the financial services features and the applicant would call a number if they so choose to activate the financial services feature.

   The card holder identity information would be available to OPD to verify identity via online access 24 hours a day, 7 days a week.

- Operational features – The Veritec multipurpose card will have a recordable/readable magnetic stripe on the back of the card. The card system is compliant with and certified on the Star open loop network and it will work with any Point of Sale (POS) system that is connected to the Star payment network.

- Financial Services Component – Multifunction ID card will be issued with prepaid debit or stored value features backed by the Security First Bank of Fresno. Security First Bank of Fresno has disclosed the proposed the card services fees associated with the use of the card as referenced in **Attachment C**.

This vendor indicated there will be NO costs to the City to run the program, making the program cost neutral to the City of Oakland.

Staff has requested additional information from the vendor to confirm the proposed offsite operations for this vendor will be cost covered and that the Muni ID Card fees are within affordable range. This additional information will be provided in a supplemental report.

A review of the rankings for the three proposals, shows SF Mexico was highest ranked by the review panel. A table summarizing the review rankings follows.

A. Evaluation Criteria	Total Possible Points	Capture Technologies	SF Mexico Services	Veritec Financial System, Inc.
1. The following questions pertain only to the Municipal ID Card Component: A. Intake Process: Please describe your intake process from start to finish including detailed information about your intake stations, control points in place to insure privacy and security, staffing needs both in-house and at satellite intake stations. How long does it take to receive the Muni ID card? B. Describe who pays the staff that is hired at the intake centers?	20	17	17	13
2. *Security Levels*, Questions from OPD: A. Please describe how you verify the authenticity of identity verification documents presented by those wishing to obtain your cards, including equipment used to verify documents (if any) B. Please describe all the security features of your cards including special features to help avoid fraudulent duplication C. Please describe the security measures you propose in order to avoid issuance of false ID Cards by employees D. Describe the security measures that your systems have in place to avoid tampering with database information	20	20	17	13
3. *Technology Interface with City Systems*, Questions from **DIT** A. Assuming an in-house intake and/or intake/issuance model, describe your data flow process.	20	17	18	17
4. *Banking/Stored Value Component*, Questions from Banking Law Expert A. Please describe from start to finish how you plan on implementing the stored value component onto the cards in conjunction with your proposed identification cards. B. Please describe in detail the stored value component of the card. Are you the financial	20	13	17	15

institution?
 	
  ➢ If not: Are you pursuing to partner with a local financial institution?
 	
  ➢ Is the institution in good financial standing? How long have you worked with that institution?
 	
C. If you will not be implementing the stored value component onto your cards, please explain why not			

5. **Cost Covering Scenarios:** A. Explain how this project will be cost covered to the City. B. Assuming *an in-house intake* and/or intake/issuance model, with cards priced at $20.00, how do you propose a cost covering program? C. Assuming *an off-site intake* and/or intake/issuance model, with cards priced at $20.00, how do you propose a cost covering program?	20	14	17	13
B. **Additional Information.** Please elaborate on any of the above to better illustrate the numeric score, and offer any questions you have (which will be used as the basis for interview questions). Add pages as necessary. _____ _____ _____ _____			
Overall Interview Score (presentation, knowledge of subject matter, preparedness, etc.)	**100**	**81**	**86**	**71**
Scoring Guidelines Excellent: 90 to 100 points Above Average: 80 to 89 points Average: 70 to 79 points Fair: 60 to 69 points Poor: 50 to 59 points Unacceptable: 0 to 49 points			

SUSTAINABLE OPPORTUNITIES

Economic: This program provides card holders access to local and regional services, promoting local economic activity.

Environmental: There are no environmental opportunities from this program.

Social Equity: The Municipal Identification Cards will be made available to all eligible residents to provide proof of residency which will increase public safety, civic participation, and facilitate support of local commerce.

DISABILITY AND SENIOR CITIZEN ACCESS

The Municipal ID will be maintained in an accessible facility.

RECOMMENDATION(S)

Staff requests City Council direction to proceed with negotiations with one of the three Muni ID Card service providers. Staff recommends **SF Mexico Services, LLC** as the company to provide the Oakland Municipal ID/Stored Value Card for Oakland residents. Once negotiations with SF Mexico Services, LLC have been concluded, staff will return to the City Council with details on the relevant program design, costs, charges to residents, security features, and City's involvements with and control of the process.

Respectfully submitted,

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LaTonda Simmons
City Clerk and Clerk of the Council
Office of the City Clerk

Prepared by:
Fendy Guan
Management Assistant

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE:

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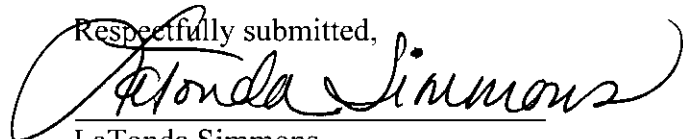
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