

BACKGROUND – part 4 of 5

To: Honorable Mayor and City Council Members
From: Warren Hutmacher, City Manager
By: Kimberly Greer, Assistant City Manager
Meeting: January 25, 2016 Council Work Session
Topic: Request for Proposals Process
Item: FY2017 Provision of Government Services

Issue

The way in which the procurement process is conducted and the proposals are scored impacts the way in which the proposals are written and ultimately the way government services will be provided.

Recommendations

The eleven recommendations for which staff seeks the City Council's confirmation and/or direction are imbedded within the Analysis and Discussion section, denoted in ***bold italicized*** text, and restated and summarized here as well as the last page of the memorandum in the Recommendations Revisited section.

1. Manage the procurement out of the City Manager's Office
2. RFP to be released in March and conclude in June
3. Dual stage scoring process – written proposal scored; interviewed firms scored again
4. Awarding of points based on evaluation criteria (not basic state guidelines for scoring)
5. Technical points floor equal to fifty percent of available points in order to consider cost proposal
6. Awarding cost points based on relationship to lowest cost (rather than just basic ranking)
7. Only top three scored (technical plus cost) firms be interviewed
8. Increasing point scale for initial proposal evaluation to 250 points (up from 100 points)
9. Adding a second set of 250 points for interview round (for a total of 500 points)
10. Weighing of evaluation: Management Plan/Approach 35%, Quality of Staff and Experience 30%, Cost Proposal 25%, and Firm Qualifications 10%.
11. Evaluation committee comprised of four professionals in the City Manager's Office

Background

Although Council is familiar with the Purchasing Policy from its on-going discussion of potential improvements, this background section is intended to cover the foundational elements related to proposed modifications for the procurement of government services by contract.

Procurement Management and Scoping

The role of the City Council, related to typical procurements, is focused at the policy level. The City Council has adopted both an Ordinance (Municipal Code, Chapter 2, Article VIII – Purchasing) and a policy (the Purchasing Policy) to govern procurements. As detailed in the Code (Section 2-233), the City Manager may directly serve as the purchasing agent or select a designee. Due to the volume of procurements completed, the city employs a fulltime Purchasing Manager. Procurements for goods and services under \$100,000 can be approved by the City Manager and the City Council approves or rejects all procurements over \$100,000.

The role of the Purchasing Manager differs based on the type of procurement. As it relates to the Request for Proposals process, the Purchasing Manager focuses his activities on the management side of the procurement (advertising and sending the solicitation, managing communications with the firms, and administrative review of the proposals). The “user” (typically a department or division) in need of services focuses on the specifics (justification for the procurement, ensuring adequate budgeted funds for the procurement, preparing the scope and specifications, and scoring of the proposals).

RFP Timeline

Once the scope is developed, a typical RFP process takes between three and four months. The RFP process has a certain order; notable steps in the process include:

1. RFP released
2. Pre-proposal conference (*typically two weeks after release*)
3. Questions due/Addendum issued (*typically in the week that follows pre-proposal*)
4. Proposals due (*typically four weeks after release; six weeks for more complicated scopes*)
5. Proposals scored (*typically takes at least a week; two or more for more complicated scopes*)
6. Interviews (*typically two weeks after proposals due; four weeks for more complicated scopes*)
7. Council Discussion/Contract Award (*typically begins four weeks after interviews*)

The RFP process has necessary leads and lags (noted parenthetically above). For example, a pre-proposal conference provides an opportunity for potential bidders to ask questions and gain clarity regarding the RFP before they complete their proposal. The pre-proposal conference must lag the RFP release but lead the proposal submission deadline. A pre-proposal conference is not required but can be mutually beneficial to the city and proposers in reducing confusion and improving clarity.

RFP Scoring – Technical Proposal and Cost Proposal

Typically RFPs are scored by the department and/or division that will use or needs the good or service being procured. The scores are typically weighted on a 100 point scale. The following paragraphs discuss how the city typically weights and categorizes the distribution of points. The RFP scoring process outlined below has been utilized since the inception of the city.

The technical submittal receives up to 70 points. The points are distributed based on evaluation of four categories, each with a different weight:

- Qualifications and Experience weighted 40% (28 of 70 technical proposal points)
- Project Understanding/Approach weighted 30% (21 of 70 technical proposal points)
- Work Schedule/Cost weighted 20% (14 of 70 technical proposal points)
- References weighted 10% (7 of 70 technical proposal points)

The points for the technical portion of the proposal are awarded using the six established rankings from the State of Georgia Department of Administrative Services RFP Evaluation Committee Guidelines for Scoring.

For each proposal, responses are rated in each category as: Excellent (100% of points awarded), Good (75% of points awarded), Adequate (50% of points awarded), Marginal (25% of points awarded), and Poor (0 points awarded). Ranking one proposal as excellent does not preclude ranking another proposal as excellent.

The cost proposal receives up to 30 points and the points are also awarded utilizing the State of Georgia Department of Administrative Services RFP Evaluation Committee Guidelines for Scoring. The proposed costs are ranked in order from lowest cost to highest cost. The points are then distributed as follows: lowest cost - Excellent (100% of points awarded or 30 of 30); second-lowest cost - Good (75% of points awarded or 22.5 of 30); third-lowest cost - Adequate (50% of points awarded or 15 of 30); fourth-lowest cost - Marginal (25% of points awarded or 7.5 of 30); and all other cost proposals - Poor (0 points awarded). Cost proposals cannot receive the same ranking unless the costs are identical.

Analysis and Discussion

The procurement of government services by contract is unlike any other services or equipment purchased by the city. As such, the typical procurement process should be modified to meet the unique needs of this type of procurement. Eleven recommendations for which staff seeks the City Council's confirmation and/or direction are imbedded within this section and denoted in ***bold italicized*** text. The recommendations are also restated on the last page of the memorandum in the Recommendations Revisited section.

Procurement Management

Depending on which government services are desired to be provided as contracting services, the Purchasing Manager may be directly or indirectly impacted by the results of the procurement process creating a potential conflict of interest. Additionally, the departments and division are the services being procured so the scope development cannot be completed by the departments and divisions. Because of the impacts, potential conflicts of interest, and high level of visibility, most neighboring and nearby cities that utilize contracts for government services, have chosen to ***manage the procurement out of the City Manager's Office.***

Procurement Scoping

The scope of the RFP directly impacts the cost of the services. Once the Council has made the requisite decisions related to which services to provide via government service contracts (see accompanying agenda report FY2017 Provision of Government Services) and the method of contracting (see accompanying background memo on Contract Types), the City Manager's Office can complete the scope of the RFP.

RFP Timeline

Considering the necessary steps to the RFP process, staff recommends the ***timeline for the RFP would begin in March and conclude in June.***

Potential Milestones to Proposed RFP Process

03/01/16: RFP released for selected government services

03/17/16: Pre-proposal conference

04/11/16: Proposals due

05/04/16: Interviews with firms (may be conducted over several days)

06/06/16: Council review and discussion of staff's recommendations

06/20/16: Council awards government service contract(s)

MARCH							APRIL							MAY							JUNE						
s	m	t	w	t	f	s	s	m	t	w	t	f	s	s	m	t	w	t	f	s	s	m	t	w	t	f	s
		1	2	3	4	5						1	2	1	2	3	4	5	6	7				1	2	3	4
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14	5	6	7	8	9	10	11
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21	12	13	14	15	16	17	18
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28	19	20	21	22	23	24	25
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31					26	27	28	29	30		

Based on the anticipated complexity and scope of the government services RFP, proposal due date is a full six weeks following the release of the RFP. Similarly, due to the anticipated length and quantity of the proposals, the evaluation committee will need time between the proposal due date and the date(s) of the interviews. Additionally, even if the interview date(s) are pre-determined, the firms will need time between notifications that they have been invited for an interview and the interview to prepare. Finally, the added time between interviews and Council review is necessary for negotiation of best and final offers with recommended firms.

Several factors are driving the RFP timeline outlined above. First, several existing government service contracts expire on September 30, 2016. For action other than renewal, 120-day written notice is required. Second, the cost of contracted government services must be incorporated into the FY2017 Budget preparation. Based on the experience of other cities rebidding government services, any new government service contracts are likely to have budgetary implications. In order to allow full incorporation into the city's FY2017 Budget, the costs of the new government service contract(s) need to be determined by the end of June 2016. Finally, should any changes in service providers occur as a result of the new government service contracts, at least a 90-day transition period should be planned for any new firms to ramp up and provide a runway for any exiting personnel to transition or find new employment.

Scoring - Dual Stage

The city's typical RFP scoring system is completed as a single phase based on the technical and cost proposals submitted. If interviews are conducted, they do not necessitate rescoring of proposals and interviewed firms do not necessarily receive additional points. For the government services RFP, a **dual stage scoring system is recommended**. Submitted technical proposal components should be evaluated on set scale by each member of the evaluation committee. The submitted cost proposal would receive one score on the set scale. Then, for firms selected for interviews based on the initial evaluation, the evaluation committee (as a group) would reevaluate and score (with an additional points) the proposals of interviewed firms based on the clarity and additional insights gain gained in the interviews.

Awarding of Points

Although a good standard which forces evaluator consistency in scoring, the State of Georgia Department of Administrative Services RFP Evaluation Committee Guidelines for Scoring do not make sense for the government services RFP. The rigid six categories (excellent to poor) and artificial constraints (awarding set percentages of the points based on the categories) do not afford the degree of sophistication that will likely be necessary to distinguish between the anticipated high quality proposals. Review committee members are not afforded flexibility in providing partial credit within the categories.

For this RFP, rather than utilizing a rigid six categories, staff recommends **awarding points for the technical proposal based on how well or how poorly the proposal addresses the evaluation criteria**. Evaluation committee members would be free to award any amount of points (within the established weight for each category). As long as each evaluation committee member is internally consistent in their scoring, the scores will be just as valid as the rigid categories described above.

Additionally, as it relates to the points awarded for cost, staff recommends two alterations. First, cost proposals would only be opened for those proposals receiving an established number of points for their technical proposal. If the technical proposal does not meet the established floor, their proposed cost is irrelevant and not opened. Staff recommends the **proposal receive at least fifty percent of the technical points in order for the cost to be considered**. Secondly, for those proposals meeting the established floor, staff recommends utilizing a formula to **link the individual cost proposals to the proposed universe of cost proposals**. The formula would look at the difference between the maximum price proposed and the individual firm's price, then divide by the spread, and then multiply by the number of total points available for cost. Awarding points for cost in this method moves past awarding proposers for how their cost proposal ranks in relationship to other bidders (which artificially inflates potentially small cost differences). The firm with the lowest prices is still awarded the highest number of cost points but if another firm has a similar, but slightly higher cost proposal, that firm can receive a similar, but slightly lower number of cost points. Finally, once cost points are awarded, staff recommends **only the top three scored proposals be considered eligible or qualified for the interview round** of the procurement. Additional consideration is still needed in regard to firms that may provide a discounted price if awarded multiple government service contracts. Although staff does not have a recommended weighting or formula at this time, consideration will be given to the issue and a recommendation provided should the City Council wish to move forward with bidding out multiple government service areas.

Point Scale

The city's typical RFP scoring system is a 100 point scale. Although this works with the guidelines utilized, for the government services procurement, **increasing the point scale for the initial proposal evaluation score to 250 points** will provide additional flexibility to distinguish between the anticipated high quality proposals rather than artificially constraining points into clusters or awarding partial points to distinguish between firms. Additionally, staff recommends a **second set of 250 points for the secondary interview evaluation round** for a total of 500 points for those firms which are interviewed and scored in both rounds.

Evaluation Criteria and Weight

As described in the background, typically, the technical proposal receives up to 70 points and the cost proposal receives up to 30 points. Because the technical proposal is only graded out of 70 points, the weighting of the technical proposal criteria is significantly diluted from the 40-30-20-10 split discussed above. Conversely, at 100% of 30 points, the cost proposal receives a stronger weighting than all other factors. Taken together, the 100 points are typically weighted as follows:

Cost.....	30% (up to 30 points)
Qualifications and Experience	28% (up to 28 points)
Project Understanding/Approach.....	21% (up to 21 points)
Work Schedule/Cost.....	14% (up to 14 points)
References	7% (up to 7 points)

The goal of this procurement process is to find one or more firms to perform our scope of services to our satisfaction at a competitive price. Although the city could search for the most qualified firm and it could search for the lowest cost firm, staff believes the city's best interests are served by balancing service levels with cost. With this goal in mind, **staff recommends the following weighting of evaluation criteria:**

Proposed Management Plan and Approach of Work.....	35%
<i>How the firm proposes to provide for the effective delivery of the requested services.</i>	
Quality of Proposed Staff and Relative Experience	30%
<i>The qualified personnel the firm proposes to fulfill the duties and assignments.</i>	
Cost Proposal.....	25%
<i>The cost (including any subcontractors) the firm proposes for the services.</i>	
Firm Qualifications.....	10%
<i>The firm's qualifications and experience that demonstrate ability to perform services.</i>	

The cost proposal would receive one point value, and all other criteria would be evaluated individually by committee members.

Evaluation Committee Members

For typical RFPs, the proposals are scored by the department and/or division that will use or needs the good or service being procured. In this case, the departments and division are the services being procured so staff recommends **the City Manager's Office serve as the evaluation committee members.**

Although other nearby cities have experimented with different levels of Council involvement in the proposal evaluation process, staff recommends the City Council continue to focus its efforts on the policy level by shaping the process – including services, scoping, weighting, and scoring process to be utilized – and then confirming or rejecting staff's recommendation.

Recommendations Revisited

Explained and incorporated above in **bold italicized** text, the recommendations for the City Council's confirmation and/or discussion and direction are abbreviated and restated below:

1. Manage the procurement out of the City Manager's Office
2. RFP to be released in March and conclude in June
3. Dual stage scoring process – written proposal scored; interviewed firms scored again
4. Awarding of points based on evaluation criteria (not basic state guidelines for scoring)
5. Technical points floor equal to fifty percent of available points in order to consider cost proposal
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12. Only top three scored (technical plus cost) firms be interviewed
7. Increasing point scale for initial proposal evaluation to 250 points (up from 100 points)
8. Adding a second set of 250 points for interview round (for a total of 500 points)
9. Weighing of evaluation: Management Plan/Approach 35%, Quality of Staff and Experience 30%, Cost Proposal 25%, and Firm Qualifications 10%.
10. Evaluation committee comprised of four professionals in the City Manager's Office

Next Steps

Based on the City Council's confirmation or direction each of these issues, staff can move forward with scoping any needed procurement process.

Alternative Approaches

- (1) The City Council could prefer to manage the procurement process through the purchasing office.
- (2) The City Council could prefer to take a different role related to the scoping of the RFP.
- (3) The City Council could prefer to delay the procurement process (and negotiate any needed existing contract extensions or shorten the proposed transition period).
- (4) The City Council could prefer to not add a formal score for the interview stage.
- (5) The City Council could prefer to utilize the State of Georgia Department of Administrative Services RFP Evaluation Committee Guidelines for Scoring
- (6) The City Council could adjust or eliminate the proposed technical points floor
- (7) The City Council could prefer to adjust the scoring of the cost proposals and pre-determine points to be awarded based on cost rank rather than cost disparity.
- (8) The City Council could choose to adjust the point scale for the initial evaluation.
- (9) The City Council could choose to adjust the point scale for the interview evaluation.
- (10) The City Council could prefer to adjust the scoring of proposals and give additional weight to other factors.
- (11) The City Council could prefer to further augment the proposed level and type of Council involvement in the RFP process.
- (12) The City Council could prefer some combination of the aforementioned recommendation or alternatives.