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MEMORANDUM

To: Mayor and City Council
From: Chris Pike, Finance Director
Date: May 11, 2015
Subject: Vendor Selection for Municipal Service Providers

ITEM DESCRIPTION

Update from RFP evaluation team to recommend Municipal Service Providers for contracts beginning January 1, 2016.

BACKGROUND

In December 2014, the mayor established a RFP evaluation team for the purposes of identifying firms that would be recommended to Council to provide the City with our municipal service providers when our current contracts expire at the end of 2015. The team consisted of Eric Linton, Billy Grogan, Sharon Lowery, Councilmember Riticher and Mayor Mike Davis. Michael Smith also served on the evaluation team for the areas he oversees. The team drafted the RFP language that was finalized after the City Manager was hired and given a chance to review and make changes. The RFP followed a similar format to the previous RFP in that seven service areas were identified; including Finance & Administration, Information Technology, Public Relations & Marketing, Public Works (including Stormwater), Parks, Planning & Zoning, and Permitting & Inspections.

During review of the scope of work, the evaluation team identified a few service areas where the current model of privatization did not hold benefit over a traditional employment model. The decision was made to remove the scope of services pertaining to those areas and recommend to Council those positions be hired on staff starting in January 2016.

The City received proposals from 10 firms to cover 18 service areas; meaning several firms submitted proposals to provide multiple services to the City. The evaluation team read and scored each proposal using the criteria listed in the RFP. Cost proposals were provided to the City in a separate envelope and were not considered in the initial evaluation. After proposals were scored, the pricing proposals were then opened, scored and added to the technical proposals. Shortlisted firms were identified and interviewed by the team over a two-day period (April 20-21). Though not deliberate, all 10 firms were shortlisted for interviews for at least one of their proposed service areas. The evaluation team allowed the proposers to submit clarifications to their proposals and updated pricing after their interviews. The committee then recorded the updated scoring for those interviewed. Lastly, the City Manager and I negotiated best and final offers and final contract points with several firms.

Michael G. Davis Mayor
Eric Linton, ICMA-CM City Manager
Sharon Lowery, CMC City Clerk

Denis Shortal City Council Post 1
Jim Riticher City Council Post 2
Doug R. Thompson City Council Post 3

Terry Nall City Council Post 4
Lynn Deutsch City Council Post 5
John Heneghan City Council Post 6

ANALYSIS

Final scores for all firms are listed below with the commensurate final pricing. All cost figures reflect a five-year period covering 2016 through 2020.

Proposals Evaluation COMBINED SCORES	Total Score	Pricing
FINANCE & ADMINISTRATION		
Severn Trent	424.27	\$5,501,973
JAT Consulting	412.45	\$6,832,510
Collaborative	402.41	\$5,608,649
INFORMATION TECHNOLOGY		
Interdev	412.18	\$3,761,266
Rocket IT	392.76	\$2,621,764
INSPECTIONS & PERMITTING		
Clark Patterson Lee	449.99	\$2,500,000
Nova	422.33	\$3,400,000
Bureau Veritas	419.46	\$3,000,000
Collaborative	368.38	\$3,500,000
PARKS & RECREATION		
Lowe	557.93	\$1,124,347
Jacobs	537.67	\$1,054,167
PLANNING & ZONING		
Clark Patterson Lee	390.04	\$4,970,000
Collaborative	372.13	\$2,169,318
Bureau Veritas	366.21	\$4,081,398
PUBLIC RELATIONS & MARKETING		
Jacobs	457.85	\$1,612,580
Collaborative	412.31	\$1,707,101
PUBLIC WORKS		
Lowe	557.24	\$4,078,331
Jacobs	517.61	\$4,621,548
PLANNING & PERMITTING COMBINED		
Clark Patterson Lee	848.17	\$7,470,000
Bureau Veritas	817.73	\$6,727,328
Collaborative	769.08	\$5,669,318

As you can see above, in several areas, the top ranked firm was also the lowest price, but that was not always the case. Many factors beyond cost were considered, and pricing provided 20% of the overall score. A firm could substantiate a higher price with increased services. Often the price was reflective of staffing levels or alternative delivery strategies so comparing just pricing would be inappropriate. Such was the case with Community Development where the pricing was inverted to the overall rank. In that area, the highest ranked firm had nearly double the staff proposed as the lowest ranked firm and included the rental of additional space to locate many of their off-site resources in the same Perimeter Center East office area to be available to the City on short notice. Also, for all service areas, the "depth of bench" was given significant consideration; understanding a firm's value extends beyond the staff they locate on site.

The proposals received indicated a service delivery similar to current operations, in most cases. Accordingly, you should expect the same professional service levels received from the past. The RFP identified 4.5 FTE positions to be removed from the current model and some proposals included additional staffing (both on-site and in back offices). For example, Public Works includes a shared Civil Engineer to help manage the additional workloads on both the public works side and the stormwater side of that contract.

Overall, the 2016 pricing will reduce by \$243,003 (5.4%) from the 2015 pricing with a net 2.5 positions reduced from the contracts. Areas that dropped in price include Finance and Permitting. Permitting currently has a pricing feature that includes 70% of permitting fees going to the current provider. Under the new contract, that pricing will drop to 50% going to the contractor with the City retaining the other half to cover operational expenses in that service area. Scope was adjusted based on the experience of the past four years so a straight year over year comparison would be unfair. However, the variance was worth noting. The evaluation team heard several times from multiple firms that staffing is more of a concern than in the past. There is more upward pressure on salaries, and firms are working harder to attract and retain staff. I heard similar feedback from firms who decided not to propose to the City this time. This was particularly stressed in the engineering fields (Planning and Public Works) as well as Information Technology. The team ensured this concern was addressed during the interviews.

RECOMMENDATION

The RFP evaluation team met on April 27th to finalize their recommendations to Council. In each of the seven service areas above, the team is recommending the highest ranked firm as the most advantageous firm of the choices provided. However, just as the team identified 4.5 FTE positions to bring in-house, the team discovered there may be advantages in two other areas for the full Council to consider. In both cases, the recommendation hinged on a balance to pay a higher price with the benefit received for that price. Private contractors have increased costs to cover such things as profits, liability insurance, and taxes that do not exist to the same extent in the government sector.

1. Finance & Administration –

In Planning, Information Technology, Public Relations, and Public Works, there are skill sets that carry over easily from the private sector to the governmental sector. For example, installing a server is the same whether your IT department serves government or a private company. However, for accounting, tax collections, and purchasing, you have unique rules that simply don't exist in the private sector. You are unable to uproot a CPA in the private sector and expect that person to have the skills needed to produce a governmental financial statement. The private sector doesn't deal with business licenses or the multiple state laws that govern them. Accordingly, the "strength of bench" benefits noted above are not always as strong in this area as they are in other areas. The team questioned whether the cost justified the benefits. The estimated savings to bring these services in-house would result in an additional \$750,000 over the course of the contract that could be used for other City priorities.

2. Parks –

The same rationale was applied to Parks where the firm did not have the same strength in Parks as they do in Public Works (nor did the second ranked firm). Parks simply isn't an area where most private sector companies focus because there is no profit motive there. The City has chosen over the years to continue privatizing profitable areas related to parks (e.g. skate park and zip lining). In this regard, the team is recommending to Council they discuss and consider bringing in the Parks Manager as an employee. The contract currently has two employees and the same staffing level is recommended under the new contract. The other position in the Parks contract would transition to the Public Works contract to provide support to both Parks (primarily) and Public Works (when warranted). The estimated savings to bring this position in-house would result in an additional \$132,000 over the course of the contract that could be used for other City priorities.

In this recommendation, the evaluation team was deliberate to point out the recommendation to discuss this change was based on the position/service provided and not the particular staff members in these positions. It is important to note the team is not recommending this change due to inferior proposals received. The three proposals for Finance and two proposals for Parks were all acceptable. The issue is whether the additional cost is justified. The evaluation team and I are requesting direction on these two service areas as well as feedback on the other five recommendations.