





Date: September 13, 2017

To: Patrick H. West, City Manager 

From: John Gross, Director of Financial Management 

For: Mayor and Members of the City Council

Subject: **Supplemental Information Regarding Vendor Selection for the Electric Utility Billing Audit Services (RFP FM17-009)**

This memorandum is a supplement to item C-17 from the August 8, 2017 City Council meeting, and responds to the City Council's request for additional information as a result of comments from a vendor, Troy and Banks (T&B), not recommended for award of RFP FM17-009 for electric utility billing audit services.

The selection process for this Request for Proposals (RFP FM17-009) utilized a normal procurement process, which included the issuance of the RFP, the selection of a vendor using a Selection Committee, and a subsequent recommendation to the City Council. A protest was received from T&B, one of the proposers. The protest and associated pertinent information was reviewed by the City's Purchasing Division using the City's standard methodology. The methodology involved following up with the proposed winning vendor, Utilities Cost Management, LLC (UCM). This was appropriate for this protest because the protest was not about the RFP process. Rather, T&B made allegations concerning the proposed winning vendor, and consequently, resulting in an allegation that City staff made the wrong contract award recommendation to the City Council. The Purchasing Division found that there was no basis to support T&B's protest. Subsequently, a complaint was made to the City Auditor's Office by T&B concerning the proposed award recommendation. The City Auditor's Office reviewed the complaint and determined that nothing came to their attention that warranted further investigation.

RFP FM17-009 is for electric utility billing audit services only. Other types of utilities, like water and gas, are City-owned, and typically do not yield as much savings from audits when compared to electricity, but will be explored. The Technology and Innovation Department intends to do a cable franchise fee audit in the next fiscal year.

Subsequent to the denial of their protest, T&B has written two letters that were provided to the City Council. The letters make several statements and claims. Each of these has been reviewed. It is important to note that much of the information provided by T&B was not included in their submitted proposal, thus not appropriate for City staff to consider in their recommendation. One-sided information received after the selection process would not be part of a fair purchasing process.

Key statements and claims made by T&B are addressed below:

Cost

T&B is factually correct that UCM's fee is substantially higher than T&B's fee, but cost is only one of a number of evaluation factors in an RFP. Decisions on RFPs are based on the best overall value to the City. In this case, it was believed that UCM would likely provide more overall net savings, even after taking into account the higher cost. The table below shows UCM provides a net higher benefit to the City after 3.8 years if it has 10 percent more savings, and after 2.1 years if it has 20 percent more savings. While no evaluation can predict how much extra savings will occur, it was the Selection Committee's assessment that UCM is likely to produce higher savings to the City than T&B, based on the information provided by both firms.

| Additional % Savings from UCM | Payback Period |
|--------------------------------------|-----------------------|
| 10% | 3.8 years |
| 20% | 2.1 years |

*Payback period for refund is calculated from 50% of one-year savings

Staff on Location

T&B states in their letters that they will have staff on location, and T&B also claims that UCM will have staff mostly offsite. However, in their proposal, T&B made no statement that its personnel would be onsite, and, therefore, it is not appropriate for City staff to consider this statement after the fact. In addition, unlike T&B's statement in their letters, T&B's actual proposal states their audit work will primarily be undertaken in the Buffalo, NY office. Also, at the time of their proposal submission, T&B was registered with the State as an out-of-state contractor. UCM's proposal stated that onsite visits will be conducted "when necessary." In any event, the Selection Committee did not see a benefit for the vendor to be onsite more than appropriate or necessary.

Harbor and Airport

T&B claims extensive experience with commercial harbors and major airports. T&B made no statement related to this experience in their proposal except to mention this experience in the resume of a key staff person. Additionally, the scope of work does not include the Harbor Department so this claim of experience is not relevant to this particular RFP and associated recommendation to award. In any event, the Harbor Department is not a large user of electricity (the private terminal operators are the big users). The Harbor Board of Commissioners would award any contract for electricity audits for the Port. We understand the Harbor Department is not currently planning such an audit. The scope of work for the City's audit did not specifically mention the Airport, but it will be included in project. The Airport is not a relatively large user of electricity. Both UCM and T&B have experience with airports, but UCM has experience specifically with California airports.

Vendor Selection

The Selection Committee believes both T&B and UCM are qualified to perform the audit. However, a single vendor needs to be recommended and, based on the information provided by both vendors, the Selection Committee unanimously believed UCM would provide a better value to the City. The information and claims made by T&B cannot be considered in the staff evaluation because they were not received in a timely manner. The information, even if it could be considered, does not change the staff position.

UCM's proposal excelled in its demonstrated competence, experience, expertise, and availability of key personnel, and was fully responsive with all the criteria stated in the RFP. UCM has been providing successful auditing services to California cities and public agencies since 1991 and has recovered refunds and savings for more than 250 California public entities, including more than 100 cities. UCM has extensive experience working directly with Southern California Edison (SCE) and the California Public Utilities Commission (CPUC). To accurately identify billing errors, it is essential to thoroughly understand SCE's business practices, and how the California regulations are applied. The Selection Committee believes that UCM is in the best position to do that, and thus to provide the best overall value to the City.

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