

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Rick Bruneau

**SUBJECT:** SEE BELOW

**DATE:** May 13, 2024

Approved



Date

5/22/24

**SUBJECT: REPORT ON REQUEST FOR PROPOSAL FOR A BUSINESS TAX  
SYSTEM**

## **RECOMMENDATION**

Accept this report on the Request for Proposal and adopt a resolution authorizing the City Manager or her designee to:

- (a) Negotiate and execute an agreement with GovOs, Inc. (Austin, TX) for a Business Tax System with an initial three-year term beginning on or about July 1, 2024 and ending on or about June 30, 2027, or as may be adjusted to align with the software renewal term, with a maximum compensation not to exceed \$2,527,875;
- (b) Negotiate and execute amendments and change orders for unanticipated changes in requirements for a contingency amount not to exceed \$505,575 during the initial term; and
- (c) Exercise up to seven one-year options to extend the term of the agreement for a possible maximum term of 10 years, subject to the appropriation of funds.

## **SUMMARY AND OUTCOME**

Authorizing the City Manager or her designee to take these actions provides City staff with a new Business Tax System that leverages current technology and allows businesses to perform more self-service functions related to business tax registration with the City.

## **BACKGROUND**

The City's current Oracle/Peoplesoft Business Tax System is a critical enterprise application that allows businesses to register and pay business taxes of nearly \$30 million annually to the City. The current hardware, software, security architecture, and development platform reached their end of life in 2014 and are no longer supported by Oracle. In addition, limited technical resources are available to support legacy systems due to the age of the technology.

The City has twice attempted to replace the Business Tax System with a more modern and robust system. Commencing in 2014, the City's first replacement project involved a custom-built AMANDA software solution. This effort was terminated in late 2018 because of system design and development challenges. In 2021, the City issued a Request for Proposal for a Business Tax System, which was canceled in 2022 due to inadequate vendor responses; two proposals were received, neither of which met the City's technical, functional, and/or business requirements.

## **ANALYSIS**

In December 2023, the Finance Department released another Request for Proposal for a Business Tax System through the City's e-procurement system, Biddingo. Over 9,000 vendors were notified by Biddingo of the bid opportunity in their daily bid notifications, and 52 companies viewed the Request for Proposal. Four vendors submitted proposals prior to the submittal deadline.

***Evaluation Process:*** The submitted proposals were independently evaluated and scored, in accordance with the evaluation criteria set forth in the Request for Proposal, by a five-member evaluation team comprised of representatives from the Finance Department and Information Technology Department. Following initial scoring of proposal responses by the evaluation team, staff conducted oral interviews/system demonstrations with all four of the respondents. The highest scoring vendor after oral interviews/system demonstrations then participated in a Technology, Security, and Privacy review. Evaluation results are summarized below:

| <b>Evaluation Criteria</b>               | <b>Maximum Points</b> | <b>GovOS, Inc.</b> | <b>Emanon Consultants, Inc.</b> | <b>Revenue Solutions, Inc.</b> | <b>Collection Solutions Software, Inc.</b> |
|--|-----------------------|--------------------|---------------------------------|--------------------------------|--|
| Proposal Responsiveness                  | Pass/Fail             | Pass               | Pass                            | Pass                           | Pass                                       |
| Technology, Security, and Privacy Review | Pass/Fail             | Pass               | N/A                             | N/A                            | N/A  |
| General Requirements                     | 10                    | 5                  | 6                               | 7                              | 6  |
| Experience and Qualifications            | 5                     | 4                  | 2                               | 3                              | 3  |
| Project Approach / Schedule              | 5                     | 4                  | 2                               | 4                              | 3  |
| Technical Capabilities                   | 10                    | 7                  | 4                               | 7                              | 6  |
| Cost Proposal                            | 20                    | 7                  | 20                              | 3                              | 6  |
| Oral Interview / System Demonstration    | 40                    | 28                 | 7                               | 25                             | 21   |
| Local Business Enterprise                | 5                     | -                  | 5                               | -                              | -  |
| Small Business Enterprise                | 5                     | -                  | 5                               | -                              | -  |
| <b>TOTAL SCORE</b>                       | <b>100</b>            | <b>55</b>          | <b>51</b>                       | <b>49</b>                      | <b>45</b>                                  |

***Local and Small Business Enterprise Preference:*** In accordance with [City of San José Municipal Code, Section 4.12.320](#), 10 percent of the total evaluation points were reserved for the local and small business preference. Emanon Consultants, Inc. requested and received the local and small business preference points.

***Protest:*** The City Request for Proposal process included a 10-day protest period that began when the City issued the Notice of Intended Award on April 17, 2024. No protests were received.

***Award Recommendations:*** Based on these results, staff recommends award of contract to GovOS, Inc. as the highest-ranked proposer based on the evaluation results.

Staff conducted reference checks on the proposed awardee with Okaloosa County (FL), City of Dallas (TX), Colorado Department of Revenue, and Alaska Municipal League. All references provided positive feedback.

***Summary of Agreement:*** The agreement with GovOs, Inc. will be in accordance with the City's standard terms and conditions and include the following provisions:

- Detailed scope of work to ensure the provided services comply with City requirements;
- Project implementation plan/schedule;
- Fixed, not to exceed pricing for the initial three-year term; and
- Seven one-year options to extend the agreement through June 30, 2034, or as may be adjusted to align with the software renewal term, with vendor requests for pricing adjustments during the option terms to be considered by the City in accordance with the Producer Price Index, but not to exceed three percent over the previous year.

## **EVALUATION AND FOLLOW-UP**

Staff will engage with the City's Small Business Advisory Committee for input and feedback on the system during the project's requirements definition and elaboration phase.

## **COST SUMMARY/IMPLICATIONS**

The agreement recommended amount of \$3,033,450 will be funded by the Business Tax System Replacement appropriation in the General Fund. The agreement costs were provided below for the implementation of the Business Tax System, software subscription fees for the initial three-year term, and a 20% contingency. The 20% contingency will be used for any anticipated need for additional customizations to enhance and modify the new solution for City use. A portion of the contingency may also be used for additional licensing, upgrades, etc. Use of the contingency will require future executed contract amendments or change orders.

Ongoing costs following the initial three-year term are estimated to be \$711,375 per year. Any increases are subject to vendor request and must be in accordance with the Producer Price Index, but not to exceed 3% of the previous year's fees.

**1. AMOUNT OF RECOMMENDATION (Three-Year Initial Term) 2,527,875**

**2. COST ELEMENTS:**

**Three-Year Initial Term**

|   |           |
|---|-----------|
| - One-Time Implementation Services            | \$393,750 |
| - 1 <sup>st</sup> Year Software Subscription* | \$711,375 |
| - 2 <sup>nd</sup> Year Software Subscription* | \$711,375 |
| - 3 <sup>rd</sup> Year Software Subscription* | \$711,375 |

**CONTRACT NOT-TO-EXCEED TOTAL (Three-Year Initial Term) \$2,527,875**

Contingency (subject to an executed change order or amendment) \$505,575

**GRAND TOTAL NOT-TO-EXCEED TOTAL (Three-Year Initial Term) \$3,033,450**

\*Includes unlimited software licenses, 500 GB data storage, technical support, and maintenance.

**BUDGET REFERENCE**

The table below identifies the funds and appropriations to fund the contract recommended as part of this memorandum.

| <b>Fund #</b> | <b>Appn. #</b> | <b>Appn. Name</b>               | <b>Current Total Appn.</b> | <b>Rec. Budget Action*</b> | <b>2023-2024 Adopted Operating Budget Page</b> | <b>Last Budget Action (Date, Ord. No.)</b> |
|---------------|----------------|---------------------------------|----------------------------|----------------------------|--|--|
| 001           | 3897           | Business Tax System Replacement | \$4,130,000                | \$3,033,450                | 925  | 06/20/2023, 30933                          |

\*Includes \$505,575 contingency amount in Recommendation (b) which is subject to an executed amendment or change order.

**COORDINATION**

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, and the Information Technology Department.

**PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the June 4, 2024 City Council meeting.

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### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

### **CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

RICK BRUNEAU  
Director of Finance

For procurement- and contract-related questions, please contact Albie Udom, Deputy Director of Finance – Purchasing and Risk Management, at [albie.udom@sanjoseca.gov](mailto:albie.udom@sanjoseca.gov). For program-related questions, please contact John Kachmanian, Deputy Director of Finance – Revenue Management, at [john.kachmanian@sanjoseca.gov](mailto:john.kachmanian@sanjoseca.gov).