



CITY OF HOUSTON

Administration and Regulatory Affairs Department
Strategic Purchasing Division

Annis D. Parker
Mayor

Calvin D. Wells, Deputy Director
City Purchasing Agent
P.O. Box 1562
Houston, Texas 77251-1562

F. 832.393.8755
<https://purchasing.houstontx.gov>

April 9, 2013

SUBJECT: Letter of Clarification No. 2 Citywide Procurement &
Procure-to-Pay Process Improvement for the Finance Department

REFERENCE: Request for Proposal No. S29-Q24555

TO: All Prospective Proposers:

This Letter of Clarification is issued for the following reasons:

• **The following questions and City of Houston responses are hereby incorporated and made a part of the Request for Qualifications:**

1. Douglas, I was recently informed by a business partner of the City's bid S29-Q24555. We are an Austin based small business who does procurement consulting nationally, and are currently engaged in 4 different states. Since I was unfortunately unaware of the vendor conference, do you intend to release the attendee list from today?

Answer: Yes, the "Sign-In Roster" was posted to the SPD e-bid website http://purchasing.houstontx.gov/Bid_Display.aspx?id=Q24555 RFQ solicitation file Q24555 on March 18, 2013.

2. Is the city seeking support for technology assessment as well as the implementation of the technology recommendations (requirement 3.1.3)?

Answer: The City is looking for the Consultancy/Contractor to provide a plan and approach that will lead to improved processes and financial results within, and after, the term of the contract.

It is expected that any form of initial assessment will take technology into account. It is also hypothesized that the current gaps observed in procurement related to technology will be substantial enough to merit implementation of either: 1) changes in the current systems; 2) discovery of other possibilities; and/or 3) implementation of new products (whether the vendor performs the actual implementation, or assists the City with a roadmap, statement of work, business and functional requirements documents, etc).

The City will partner with the Consultancy/Contractor throughout this effort, but will rely upon the Consultancy/Contractor for a suggested approach and plan at this early stage.

3. What are the other planned or in-flight initiatives that could interface or impact this project?

Answer: The following initiatives could potentially impact this project:

1) Enterprise Data Warehouse Project: The Accounts Receivable (AR) Data Mart is the first phase currently being implemented – future phases are still TBD;

Partnering to better serve Houston

**LETTER OF CLARIFICATION 2
CITYWIDE PROCUREMENT & PROCURE-TO-PAY PROCESS IMPROVEMENT
SOLICITATION NO. S29-Q24555**

2) SAP First: The goal of the SAP First Initiative is to leverage the investment and enterprise use of SAP by electing to use SAP products *first* unless justification for other products can be provided that have a substantially better return on investment (ROI). The products currently being discussed for implementation are Public Budget Formulation, Human Capital Management/Employee Self Service, and Supplier Relationship Management. The City would be very interested in input related to SAP's Supplier Relationship Management module.

3) Accounts Receivable & Collections Project: The City has been making significant strides related to its overall accounts receivable and collections processes. This has included standing up a division focused on this citywide functional area, forming a collections vendor management program, developing an AR Data Mart for analysis, and renegotiating and bidding of collections contracts to take advantage of competitive methodologies.

4. What is the City's current procurement technology landscape (aside from SAP, SPD and B2GNow)?

Answer: In addition to using SAP and B2GNow, SAP also currently uses the E-Bid System. The City also makes use of the Purchasing Rapid Marts within its SAP Business Objects (Business Intelligence) environment.

5. What is the estimated number of impacted users by department?

Answer: The estimated number of City employees classified as Procurement/Contracting Professionals is approximately 150.

6. Does the M/WBE provider need to be both MBE and WBE certified or is one certification sufficient for the City?

Answer: One certification is sufficient, as long as they are classified by the City of Houston Office of Business Opportunity as either a Minority Business Enterprise (MBE) or a Woman Business Enterprise (WBE).

7. Are there any restrictions to using offshore resources to deliver proposed services?

Answer: Our contract will be with your U.S. firm. The City provides preferences for vendors in the Houston Metro area and Houston City Limits via the "Hire Houston First Initiative", but does not restrict location of resources otherwise. Any final contract will take into account the ability of resources to successfully deliver versus the cost of the resources.

8. Section 2.1, Background references a review of the City's procurement process. Is there a report that documents the observations and it is available to proposers?

Answer: The City of Houston hired Booz & Company (formerly Katzenbach Partners) in the Summer of 2009 to "develop and deploy dramatically improved purchasing operations and organization, reduce costs, improve processes, and allow City Departments to focus on their core businesses" as stated in the original RFQ.

The Executive Summary is provided as a PDF attachment – the additional documents will be provided at a later date.

9. From the Strategic Purchasing Division (SPD) website, it appears there are 40 positions dedicated to the procurement function. Are the individuals responsible for procurement physically located in the SPD or are they in the user departments?

Partnering to better serve Houston

**LETTER OF CLARIFICATION 2
CITYWIDE PROCUREMENT & PROCURE-TO-PAY PROCESS IMPROVEMENT
SOLICITATION NO. S29-Q24555**

Answer: SPD has only 40 procurement resources housed in one location within the City. However, the City has approximately 150 procurement resources that perform purchasing functions within 23 Departments (i.e. Departmental Purchasing Units (DPU)).

10. Does SPD have responsibility for construction and A/E services?

Answer: The preponderance of the construction and A/E services are procured by Public Works & Engineering (PWE), Houston Airport System (HAS) and the General Services (GSD) Departments. SPD typically procure construction services valued at \$500K or below; and A/E services valued at \$50K and below.

11. Either before award or upon award of the contract, can the City provide the detailed spend data coded to the NIGP Code?

Answer: Yes, however will need to discuss specific parameters/required data with successful awarded contractor in order to accurately generate the customize report.

12. Does the City have reports and written recommendations from the procurement review(s) conducted over the past several years, and can the City make those reports available to us?

Answer: Please refer to response to question no. 8.

13. Is P-card spend data included in the total expenditure data provided, and is the P-card program included in-scope for this project?

Answer: The P-card spend data is not included in the total expenditure data provided. The P-card program is potentially in scope, at the discretion of the Consultancy/Contractor. The City is relying on the Consultancy/Contractor to provide a plan and approach that will best help the City achieve improved processes and financial results.

14. If we do not meet the city, local/area business classification, is there a form we need to submit for this section?

Answer: No

15. What, if any, format is preferred for the proposal (e.g., Word, PowerPoint, a mix of both)?

Answer: This is the respondent's choice/discretion. The Statement of Qualifications should be limited to 10 pages, excluding resumes and documents required in Sections 4.4 and 4.5.

15a. Would a PowerPoint document covering the requirement under section 4.1 to 4.3.5 of the RFQ be sufficient or are there additional format requirements for the responses to these items?

Answer: Please refer to response to question no. 15.

15b. Are there page limits for any sections of the proposal?

Answer: Please refer to response to question no. 15.

16a. In section 2.2.6, the RFQ says: "There is duplicated effort with redundant systems, data, and processes..." Referring to the statement on redundant systems, data and processes, what type of systems or technology platforms does City of Houston have in place currently?

Partnering to better serve Houston

**LETTER OF CLARIFICATION 2
CITYWIDE PROCUREMENT & PROCURE-TO-PAY PROCESS IMPROVEMENT
SOLICITATION NO. S29-Q24555**

Answer: SAP, E-Bidding System, Project Tracking System, Cost Savings Application, NIGP Tracking Application, E-Catalog, and B2Gnow,

16b. What % of spend is covered using these systems currently?

Answer: This question was unclear to staff. If you are asking how much it costs the City to maintain its various procurement systems? This information is not available. If you are asking how much of the City's procurement spend is covered by these systems, the general answer is 100% since SAP is the financial systems that maintains budgets and issues payments. The percentage of spend covered by non-SAP systems is unknown. The percentage of spend that may be managed within separate parts of SAP is unknown.

17. In section 3.1.1., the RFQ states: "Conduct an assessment of policies, people..."
What level of detail is sought in the assessment of people (e.g., a person by person capability assessment? A high level view of skills and capabilities of the people in each specific area? Other?)?

Answer: The City is looking for the Consultancy/Contractor to provide a plan and approach that will lead to improved processes and financial results within, and after, the term of the contract.

It is expected that any form of initial assessment will take people and capabilities into account.

The City will partner with the Consultancy/Contractor throughout this effort, but will rely upon the Consultancy/Contractor for a suggested approach and plan at this early stage.

18. Later in section 3.1.1., the RFQ states: "provide opportunities for restructuring, reorganizing, and governing the City's procure-to-pay responsibilities." What specific deliverable(s) are expected for this requirement (e.g., recommendations, business case, high level implementation plan, detailed implementation plan, and / or implementation support)?

Answer: Please refer to response to question no. 17.

19. Based on section 3.1.5, it appears that making the project self-funding is a key goal of the City. How does this consideration factor into the evaluation?

Answer: The City is looking for the Consultancy/Contractor to provide a plan and approach that will lead to improved processes and financial results within, and after, the term of the contract.

It is highly recommended that a Consultancy/Contractor submit a Statement of Qualifications (SOQ) with a plan and approach that will assist the City in meeting its goals as outlined in Section 3.0 of the Request for Qualifications.

Details related to cost and project self-funding will be negotiated in detail following SOQ evaluation.

20. Section 3.2 discusses "incentive and contingency-based proposals". May bidders submit a proposal that has some elements under a fixed fee arrangement while other parts are subject to a performance based model? What, if any, preferences does the city have in terms of the proportion of the cost that would be performance based?

Partnering to better serve Houston

**LETTER OF CLARIFICATION 2
CITYWIDE PROCUREMENT & PROCURE-TO-PAY PROCESS IMPROVEMENT
SOLICITATION NO. S29-Q24555**

Answer: No, specific details related to costs should not be included with initial submittal. Pricing and other terms and conditions will be discussed and negotiated with the highest ranked respondent(s).

21. In section 4.5, the RFQ requires M/WBE-related statements/forms/letters. How, if at all, is the use of M/WBEs incorporated into the evaluation process? If it is, please explain its relative weighting compared with other criteria.

Answer: This is not an evaluation criterion; however this will be negotiated with the highest ranked respondent(s) as it will be a requirement for contract award.

22. Will the city please clarify how it defines “a good faith effort” to utilize M/WBEs.

Answer: Good Faith Efforts may be defined as prima fascia evidence that the contractor has reached out to City of Houston certified M/WBE firms in an effort to subcontract divisible work under the contract. The evidence can be in the form of written documentation, i.e., reports, letters e-mails etc.

23. Please explain the city’s rationale for refusing to agree to a limitation of liability clause per Section 4.5.6.

Answer: Section 4.5.6 does not state that a Consultancy/Contractor *must* agree to the City’s legal language related to limitation of liability.

If the Consultancy/Contractor agrees to the language, they should provide a written statement acknowledging that “the City will not agree to a limitation of liability clause in the contract between the Consultancy/Contractor and the City of Houston”.

If the Consultancy/Contractor takes “Exception” to this clause, they should indicate as such. Any exceptions to City policy will be negotiated and must be approved by the City’s Legal Department.

24. Will the city remove clause 4.5.6 or amend it so that the city will agree to a limitation of liability clause?

Answer: Section 4.5.6 does not state that a Consultancy/Contractor *must* agree to the City’s legal language related to limitation of liability.

If the Consultancy/Contractor agrees to the language, they should provide a written statement acknowledging that “the City will not agree to a limitation of liability clause in the contract between the Consultancy/Contractor and the City of Houston”.

If the Consultancy/Contractor takes “Exception” to this clause, they should indicate as such. Any exceptions to City policy will be negotiated and must be approved by the City’s Legal Department.

25. Please confirm that under Section 4.5.7 that the contractor will retain all rights to intellectual properties developed in support of this contract at the contractor’s sole expense and that all preexisting rights in intellectual properties used in performance of this contract will be retained by the contractor.

Answer: Below is contract language recently negotiated that will apply to this contract:

Use of Work Products

(1) Computer Program Source Code. Contractor shall provide to the City at least one complete copy of the most current version of any source code and applicable documentation for any created, installed, modified, or tested Custom Developed Software and its corresponding version of production-ready object code.

Partnering to better serve Houston

**LETTER OF CLARIFICATION 2
CITYWIDE PROCUREMENT & PROCURE-TO-PAY PROCESS IMPROVEMENT
SOLICITATION NO. S29-Q24555**

- (2) Upon full and final payment of all fees and expenses owing to Contractor for its development of any item of Custom Developed Software under this Agreement, Contractor conveys and assigns to the City its entire interest and full ownership worldwide in and to such item of Custom Developed Software (except to the extent that such Custom Developed Software utilizes third-party software, which Contractor shall obtain a perpetual license for the City to use). Contractor conveys and assigns to the City its entire interest and full ownership worldwide to all Deliverables and any underlying plans, computations, databases, tabulations, exhibits, reports, and any modifications and improvements to them (collectively "Documents"), and the copyrights, patents, trademarks, trade secrets, and any other proprietary rights therein (collectively "Proprietary Rights") that Contractor, its agents, employees, contractors, and subcontractors (collectively "Authors") develop, write, or produce under this Agreement for delivery to the City (collectively "Works").
- (3) Except as otherwise provided herein, the Authors shall not claim or exercise any Proprietary Rights related to the Works. Contractor shall execute all documents required by the Director to further evidence this assignment and ownership. Contractor shall cooperate with the City in registering, creating, and enforcing Proprietary Rights arising under this Agreement. If Contractor's assistance is requested and rendered under this Section, the City shall reimburse Contractor for all out-of-pocket expenses it incurs in rendering assistance, subject to the availability of funds.
- (4) On termination of this Agreement, or if requested by the Director, Contractor shall deliver all complete Works to the City. The Parties agree that all Works developed, written, or produced under this Agreement for use as a contribution to a collective work are "works made for hire." Contractor may retain copies of the Documents for its archives. Contractor shall not otherwise use, sell, license, or market the Documents, except as otherwise provided herein.
- (5) Notwithstanding anything to the contrary contained herein, Contractor shall retain all right, title and interest in all methodologies, processes, techniques, ideas, concepts, trade secrets, and know-how embodied in the Deliverables or that Contractor may develop or supply in connection with this Agreement ("Contractor Knowledge"). However, upon full and final payment of all fees and expenses owing to Contractor with respect to each of the items within the Contractor Knowledge under this Agreement, Contractor hereby grants to City a non-exclusive, nontransferable, royalty-free license to use such items in Contractor Knowledge for any purpose. The Parties agree that all Works and Contractor Knowledge are intended solely for the benefit of the City and no third parties are entitled to rely upon such Work or Contractor Knowledge or any representations contained therein.

26. Please confirm that both the city and the contractor will retain rights in intellectual property developed with mixed funds under this contract.

Answer: Please refer to response to question no. 25.

When issued, Letter(s) of Clarification shall automatically become a part of the proposal documents and shall supersede any previous specification(s) and/or provision(s) in conflict with the Letter(s) of Clarification. All revisions, responses, and answers incorporated into the Letter(s) of Clarification are collaboratively from both the Strategic Purchasing Division and the applicable City Department(s). It is the responsibility of the proposers to ensure that it has obtained all such letter(s). By submitting a proposal on this project, proposers shall be deemed to have received all Letter(s) of Clarification and to have incorporated them into their proposal.

Partnering to better serve Houston

**LETTER OF CLARIFICATION 2
CITYWIDE PROCUREMENT & PROCURE-TO-PAY PROCESS IMPROVEMENT
SOLICITATION NO. S29-Q24555**

If you have any questions or if further clarification is needed regarding this Request for Qualifications, please contact me.

Douglas Moore

Douglas Moore
Deputy Assistant Director
Strategic Purchasing Division
832-393-8724

END OF LETTER OF CLARIFICATION 2

Partnering to better serve Houston

Council Members: Helena Brown Jerry Davis Ellen Cohen Wanda Adams Dave Martin Al Hoang Oliver Pennington Edward Gonzalez
James G. Rodriguez Mike Laster Larry Green Stephen C. Costello Andrew Burks Melissa Noriega C.O. "Brad" Bradford
Jack Christie **Controller:** Ronald C. Green