

BUDGET AND FINANCE COMMITTEE REPORT relative to proposed agreement between the Los Angeles Department of Transportation (LADOT) and Xerox State and Local Solutions for the operation of parking citation processing and collection services.

Recommendations for Council action:

1. AUTHORIZE the General Manager, LADOT, to execute a five-year contract with an optional one-year extension with Xerox State and Local Solutions for parking citation processing and special collection services for the City of Los Angeles, subject to the approval of the City Attorney as to form and legality.
2. INSTRUCT LADOT to:
 - a. Work with the City Administrative Officer (CAO) on contract language relative to the enhanced contract requirements identified in the report to the Mayor dated May 8, 2013 (attached to the Council file), including the assignment of uncollectable citations to the City collection agency pool in the new contract prior to execution.
 - b. Seek additional price concessions from Xerox to maintain current level pricing without a reduction in the scope of services bid.
 - c. Negotiate the minimum net collection rate using the current two-year collection rate as a baseline with increases in subsequent years, and include this language in the contract so that performance standards can be implemented.
 - d. Should the Department seek to reduce costs by reducing the scope of services, report to the Council and Mayor.

Fiscal Impact Statement: The CAO reports that this action will impact the General Fund in an amount up to \$7.2 million over a five-year term. Additional funding beyond current level funding has not been identified for this contract as the LA DOT has been instructed to seek additional price concessions. The CAO will report back with further analysis if required.

Community Impact Statement: None submitted.

SUMMARY

In a report to the Mayor dated May 8, 2013, the CAO states that LADOT seeks authority to execute a contract with Xerox State and Local Solutions for the operation of parking citation processing and collection services for the City of Los Angeles for a term of five years plus a one-year option at a cost of \$52.7 million. LADOT also seeks authority to negotiate with Xerox for additional price concessions. The CAO recommends approval of LADOT's requests.

The CAO's report discusses the Request for Proposals solicitation and evaluation processes. Two proposals were received: one from Xerox and one from Duncan Solutions. An evaluation committee ranked Xerox first, and Duncan second. Duncan formally protested the recommendation. A Standing Protest Committee reviewed the protest and conducted a hearing. At that time LADOT, advised the

Committee that Xerox was selected because the firm provided the best overall value in services at the lowest cost. After receiving oral testimony from Duncan and Xerox, the Standing Protest Committee upheld LADOT's recommendation to award the contract to Xerox.

The CAO's report goes on to compare the RFP cost proposals of the two companies. Also discussed is consideration of combining citation processing and collection activities and unbundling the services. According to the CAO, the combined model at a fixed fee is the best value for the City and the most cost effective. It is also noted that Xerox has the corporate experience and financial stability that are desired to enhance service delivery.

At its meeting held May 22, 2013, the Transportation Committee discussed the proposed contract award with representatives of the CAO and LADOT. LADOT's General Manager stated that Xerox was chosen for its lower cost, track record, strong corporate structure, and experience working with large cities. It was stated that unbundling citation processing and collection activities is more costly and offers no advantages for the City of Los Angeles. Xerox's collection rate for Los Angeles is 84 percent, and trending up. Staff indicated that Duncan's collection rate is 80 percent and trending down. LADOT presented an in-depth company performance comparison and financial analysis of the two proposals.

During the public comment period, representatives of the two companies spoke. Duncan's representative stated that Duncan will enhance collection rates, improve customer service, and increase efficiency. It was stated that unbundling citation processing and collection activities, as done by other cities, will reduce the conflict of interest inherent to the use of a single contractor for these services. Xerox has an incentive to deny appeals to increase collections. Duncan's representative went on to state that the company has offered a revenue guarantee for any price differences.

Xerox representatives stated that the Duncan guarantee is false, and without any financial backing. Offering a price guarantee after a proposal has been submitted is tantamount to a bid enhancement and is illegal. Xerox representatives went on to state that combining citation processing and collection services does not stifle competition. The Transportation Committee continued the matter to its next meeting.

At its joint meeting with the Transportation Committee held June 12, 2013, the Budget and Finance Committee discussed this matter with representatives of LADOT, the CAO, and the City Attorney. The public comment period was renewed, during which time representatives of both companies addressed the Committees. Duncan's representative stated that increased collection revenue will cover the cost of unbundling the contract services. It was stated that the City can unbundle the contract, select both vendors, and negotiate price concessions from both vendors and a financial guarantee. Xerox's representatives stated that the recommendation to choose Xerox for this contract was unanimous. The company offers superior technology and collection rates, as well as a record of service and financial stability. It was stated that Duncan's guarantees of higher revenue is based on higher citation fees and higher citation issuance rates.

Members of both Committees went on to discuss the contract award and the various issues expressed during the two meetings. LADOT staff stated that splitting the contract would cost the City \$5 million per year.

Councilmembers Krekorian, Rosendahl, LaBonge, and Englander expressed support for the selection of Xerox, believing the RFP evaluation process to be thorough. The cost of splitting the contract was also mentioned. Councilmember Koretz questioned was not convinced that Duncan would not be able to collect more revenue. On the question of approving the CAO's recommendations to award the contract to Xerox and to approve the related actions above, Councilmembers Krekorian, Rosendahl, LaBonge, and Englander voted yes. Councilmember Koretz voted no. On the question of approving the CAO's

recommendations, Transportation Committee members Rosendahl and LaBonge voted yes, and Committee members Koretz, Parks, and Huizar voted no.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
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KREKORIAN:	YES
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ENGLANDER:	YES
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ROSENDAHL:	YES
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KORETZ:	NO
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LABONGE:	YES
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-NOT OFFICIAL UNTIL COUNCIL ACTS-