

TRANSMITTAL

0150-11817-0001

TO
The City Council

DATE
07/27/21

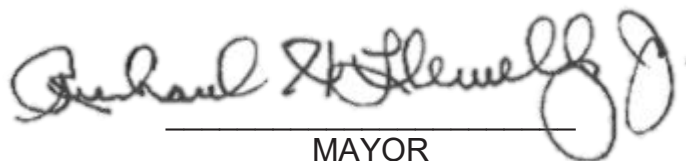
COUNCIL FILE NO.
13-0586

FROM
The Mayor

COUNCIL DISTRICT
All

Proposed Third Amendment to Contract C-124676 with Conduent State and Local Solutions, Inc. for parking citation processing and collection services

The contract amendment is authorized for execution.
Please see the City Administrative Officer report attached.



MAYOR

(Rich Llewellyn for)

MWS:RC:06210200t

Report From

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Analysis of Proposed Contract

(\$25,000 or Greater and Longer than Three Months)

To: The Mayor	Date: 7/12/2021	C.D. No. All	CAO File No.: 0150-11817-0001
Contracting Department/Bureau: Department of Transportation		Contact: Angela De La Rosa (213) 972-5949	
Reference: Department of Transportation request to the Mayor's Office dated May 24, 2021; referred by the Mayor's Office to the Office of the City Administrative Officer on June 9, 2021			
Purpose of Contract: Amendment to extend the contract term for up to 21 months for parking citation processing and collection services			
Type of Contract: () New contract (X) Amendment, Contract No. C-124676		Contract Term Dates: September 26, 2014 to June 25, 2022 (proposed 21-month extension retroactive from September 26, 2020 to June 25, 2022)	
Contract/Amendment Amount: N/A			
Proposed amount \$ N/A + Prior award(s) \$ N/A = Total \$ N/A (compensation determined on a per citation basis)			
Source of funds: Parking citation fees paid by drivers			
Name of Contractor: Conduent State and Local Solutions, Inc.			
Address: 12410 Milestone Center Drive, 5 th Floor, Germantown, MD 20876			
	Yes	No	N/A
1. Council has approved the purpose	X		
2. Appropriated funds are available	X		
3. Charter Section 1022 findings completed	X		
4. Proposals have been requested	X		
5. Risk Management review completed	X		
6. Standard Provisions for City Contracts included	X		
7. Workforce that resides in the City: 0%			
Contractor has complied with:		Yes	No
8. Business Inclusion Program		X	
9. Equal Benefits & First Source Hiring Ordinances		X	
10. Contractor Responsibility Ordinance		X	
11. Disclosure Ordinances		X	
12. Bidder Certification CEC Form 50			X
13. Prohibited Contributors (Bidders) CEC Form 55			X
14. California Iran Contracting Act of 2010			X

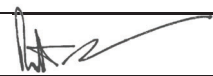
RECOMMENDATION

That the Mayor and Council authorize the General Manager of the Department of Transportation (LADOT), or designee, to execute the Third Amendment to Agreement C-124676 with Conduent State and Local Solutions, Inc. to extend parking citation processing and collection services through June 30, 2022 and adjust the monthly contractor compensation based on the number of citations issued, subject to the confirmation of required Ethics Commission and Iran Contracting compliance documents.

SUMMARY

LADOT is requesting authorization to extend the term of the agreement with Conduent State and Local Solutions, Inc. (Conduent) to process and collect parking citation fines through June 30, 2022 in order to prevent a lapse in services while LADOT prepares a new Request for Proposals (RFP). LADOT is also requesting an adjustment to the contractor's monthly compensation to ensure continued services should the City decide to again relax parking enforcement.

The contractor has been responsible for providing LADOT and the City with parking citations processing, collection services, and related systems support and services since 2014. In September

Roy Cervantes		
RC	Analyst	City Administrative Officer

2014, LADOT entered into a five-year agreement with Xerox State and Local Solutions, Inc. (Xerox) to provide these services and supports. In March 2018, the First Amendment to the contract was executed to officially change the contractor name from Xerox to Conduent to reflect Xerox's split into two independent, public companies (C.F. 13-0586).

In April 2019, LADOT and Conduent also began initial discussions on restructuring the contract compensation in order to provide Conduent with more security and certainty to cover its operating costs, as citation issuance had been steadily declining since 2016. In December 2019, LADOT and Conduent executed a Second Amendment to exercise the option to extend the agreement terms for another year.

In March 2020, the Mayor declared a Local Emergency in response to the growing COVID-19 pandemic, and subsequently directed LADOT to relax parking enforcement throughout the City. LADOT also redirected staff who were previously supporting a new parking citations RFP to address other service impacts and to develop COVID-19 related citation relief programs.

The Second Amendment expired on September 25, 2020, and services have since continued on a month-to-month agreement to prevent any service interruptions based on the terms of the original contract. LADOT staff plan to use the additional time during the proposed Third Amendment to finish and release a new RFP for parking citation processing and collection services. According to LADOT staff, the current plan is to award a new contract to begin on July 1, 2022 after the proposed Third Amendment expires, in order to prevent any service interruptions.

The proposed Third Amendment also includes an adjustment to the contractor's monthly compensation that is intended to account for the fluctuation and overall decline in citation issuance numbers since 2016 and the contractor's operating costs, and in particular during the period impacted by the COVID-19 pandemic. The Department reported that during the past five years prior to COVID-19, LADOT issued an average of 187,000 citations per month. During the period of relaxed parking enforcement from April 2020 through October 2020, the average issuance dropped down to about 73,000 per month, and parking citation collection services were temporarily halted. The relaxed parking enforcement period significantly reduced Conduent's compensation. Over that same period, Conduent was also being asked to incur COVID-related expenditures in response to updated health and safety protocols at the time, plus additional work on various policy changes from both the City and health agencies in response to the COVID-19 pandemic. LADOT staff reported that Conduent was forced to lay off some of its employees due to the reduced citation issuance numbers.

In preparation for returning to "regular" parking enforcement beginning in April 2020, LADOT staff asked Conduent to prepare its staff to resume parking citation collection and processing services at full capacity, in anticipation of reaching pre-pandemic levels. Conduent complied with the Department's request, while the City extended the temporary relaxation of parking enforcement multiple times until it finally ended in October 2020. Through that time period, Conduent continued to incur staffing costs to meet LADOT's requests to prepare for full capacity, and without sufficient citation revenue to cover those costs. As much of Conduent's operating costs were incurred in response to the City's requests to prepare for a return to regular parking enforcement, it would be appropriate for the City to compensate the contractor for those costs.

The proposed compensation adjustment includes terms for a fixed issuance fee, and variable issuance fee amounts based on the number of parking citation issued each calendar month. The

fixed and variable fee amounts are summarized in the following table. The current contract includes a similar fee structure based on the number of citations issued each month. The proposed compensation rate (compared to prior years) of \$4.66 per citation reflects a standard per citation fee escalator of 4.5 percent annually, per the original contract terms, which increases the standard compensation rate from \$4.46 per citation (in Fiscal Year 2020) to \$4.66 per citation. The proposed compensation rate also includes a higher processing cost per citation and/or fixed fee total in order for Conduent to cover its operating costs as requested by LADOT should the average monthly citation issuance go below 115,000 citations.

Number of Citations Issued Each Month	Proposed Issuance Fee(s)
0 to 75,000	\$7.15 per citation
75,001 to 115,000	Fixed fee total of \$535,900
115,001 to 180,000	\$4.66 per citation
180,001 to 220,000	\$3.96 per citation
220,001 and up	\$3.56 per citation

Since April 2019, negotiations with LADOT on an updated compensation structure to adequately cover operating costs continued until this Third Amendment was finalized. LADOT appropriately refused to consider adjusting compensation until the end of the Second Amendment in September 2020 and Conduent has continued to receive payment for providing services on a month-to-month basis, using the same compensation structure that was previously in place. The proposed Third Amendment would apply the modified compensation structure retroactively upon the expiration of the Second Amendment, which would result in approximately \$972,000 in additional compensation for citations issued from September 2020 through May 2021.

The Department notes that citation processing costs and citation issuance may not quickly recover to pre-pandemic levels due to reduced staffing levels as the result of various actions since the COVID-19 pandemic began, including the Separation Incentive Program, unpaid days, and the delay of backfilling vacant positions during the hiring freeze. The proposed compensation structure would provide the contractor with a limited guarantee going forward to cover operating costs and ensure that parking citation processing and collection services and support would continue uninterrupted throughout the remaining contract term, particularly if the City were forced to relax parking enforcement once again.

In accordance with Los Angeles Administrative Code Section 10.5(a), Council approval of the proposed agreement is required because the contract term, including the proposed amendment, is more than three years.

FISCAL IMPACT STATEMENT

There is up to a \$972,000 impact to the City General Fund. Funding for the contract and proposed contract amendment is budgeted in the Department's Contractual Services account in the 2021-22 Adopted Budget. The contractor is compensated by an issuance fee paid to the contractor for each issued parking citation. The overall net increase by year-end may be less, based on the actual number of citations issued during the proposed contract term.

FINANCIAL POLICIES STATEMENT

The recommendation in this report complies with the City Financial Policies in that appropriations are limited to available cash balances and current revenues.

Attachments

MWS:RC:06210200

CITY OF LOS ANGELES
INTER-DEPARTMENTAL MEMORANDUM

Date: May 24, 2021

To: The Honorable Eric Garcetti, Mayor
Office of the Mayor
Attention: Heleen Ramirez, Legislative Coordinator

From: Seleta J. Reynolds, General Manager  for
Department of Transportation

Subject: **AUTHORIZATION TO AMEND AGREEMENT C-124676 BETWEEN THE LOS ANGELES DEPARTMENT OF TRANSPORTATION AND CONDUENT STATE & LOCAL SOLUTIONS, INC. FOR CITATION PROCESSING**

SUMMARY

The Los Angeles Department of Transportation (LADOT) requests authorization to execute an amendment to Agreement C-124676 with parking citation processor, Conduent State & Local Solutions, Inc. (Conduent), to extend the term of the contract and modify the monthly contractor compensation in response to the Declaration of Local Emergency.

RECOMMENDATION

That the City Council, subject to concurrence by the Mayor:

APPROVE and AUTHORIZE the LADOT General Manager to execute an amendment to Agreement C-124676 with Conduent to extend the term of the contract to allow a 12-month extension from September 26, 2020 to September 25, 2021 with an option to extend an additional 9 months, and adjust monthly contractor compensation in response to the Declaration of Local Emergency.

BACKGROUND

LADOT issued a Request for Proposals (RFP) for the parking citations processing, collection services and related systems support and services in February 2012. On September 26, 2014, LADOT entered into an Operating Agreement (C-124676) with Conduent for the parking citations processing, collection services, and related systems support and services. On December 23, 2019, LADOT and Conduent, entered into a second amendment to exercise the option to extend terms of the agreement for an additional year. The second amendment expired on September 25, 2020. Per the terms of the original contract, services are continuing on a month-to-month agreement to avoid any interruptions.

DISCUSSION

Term Extension

LADOT originally intended to release an RFP for parking citation processing, collection services, and related support services prior to September 2020 contract expiration date. However, shortly after Mayor Garcetti declared a local emergency on March 3, 2020 in response to the Coronavirus (COVID-19) pandemic, followed by a Council approved resolution ratifying the Declaration of Local Emergency on March 6, 2020, LADOT redirected staff who directly supported the RFP development to address other

critical impacts and develop COVID-19 related citation relief programs. Further, potentially changing service providers through a contract transition during a pandemic could have exacerbated customer support services. Due to the extenuating circumstances, LADOT postponed the release of the RFP by an additional year. Although LADOT made progress with developing a draft scope of work, the pandemic fundamentally changed and influenced how customer service programs will be implemented in the future. LADOT will work to incorporate these nuances and anticipates releasing the RFP in the first quarter of Fiscal Year (FY) 2021-22.

LADOT requests authority to execute the attached third amendment to extend the current agreement an additional 12 months from September 26, 2020 to September 25, 2021, and add an option for an additional 9-month extension to allow sufficient time for an RFP selection and transition period in a post-pandemic environment.

Modified Compensation

On March 16, 2020, the Mayor relaxed parking enforcement across the City putting a temporary halt to the issuance of several types of citations, which significantly affected the Contractor's ability to sustain operations. The relaxed parking enforcement order significantly decreased parking citation issuance and halted parking citation collection services. These actions considerably reduced compensation to the Contractor without a parallel reduction in effort and costs. The Contractor also encountered an increase in the volume of work due to policy changes from the City and health agencies reacting to the pandemic.

During the past five years prior to COVID-19, LADOT issued on average, approximately 187,000 citations per month. The cost to process these citations are based on a per-citation rate, currently \$4.46. The requested amendment modifies the rate to reflect an ongoing standard annual per citation fee escalator per contract of 4.5%, which increases the rate to \$4.66. In addition, several citation issuance fee thresholds and fixed fee amounts are included to account for fluctuating issuance numbers (see Amendment Section 7.A). The monthly average citation issuance during relaxed enforcement dropped to approximately 73,000 per month, from April 2020 to mid-October 2020. The fixed fee ensures that the City will receive uninterrupted services throughout the agreement should the City relax parking enforcement issuance again.

Since processing costs are directly tied to citation issuance, costs and issuance may further decrease due to impacted staffing levels from the Separation Incentive Program, unpaid days, and the delay of backfilling positions during the hiring freeze. Below is a comparison of costs for parking citations only, for each FY of the current contract term for the past six years and the estimated pricing for FY 2021. The FY 2021 pricing includes various tiers to account for potential fluctuating issuance numbers as indicated in the description below the chart and in the Amendment Section 7.A. This chart indicates the potential cost based on projected issuance numbers in FY 2021.

FY	15	16	17	18	19	20	21*
Total Citations	2.05M	2.43M	2.30M	2.24M	2.10M	1.82M	1.60M
Cost Per Citation	\$3.56	\$3.73	\$3.90	\$4.08	\$4.27	\$4.46	\$4.66
Total Cost	\$7,298,000	\$9,063,900	\$8,970,000	\$9,139,200	\$8,967,000	\$8,117,200	\$7,456,800

*Estimated amount based on actual charges from July-Feb 2021 and the proposed fixed total up to 115,000 citations issued per calendar month through June 2021. Any citations issued over 115,000 will be charged \$4.66 per citation. Citations issued over 180,001 will be charged \$3.96 per citation and citations issued over 220,001 will be charged \$3.56 per citation. If citations fall under 75,000 per month, the issuance fee will increase to \$7.15 each. The breakdown of fees is included in the attached Amendment Section 7.A.

FISCAL IMPACT STATEMENT

LADOT deposits the parking citation revenue into the General Fund and pays the cost of citation processing from the General Fund. The cost to provide parking citation processing services is an average of \$8.6 million per year for the base term of the existing contract agreement. These costs directly impact the General Fund and are calculated based on a fixed rate multiplied by the number of citations processed. Due to an anticipated decrease of citation issuance for FY 2021, compared to previous year averages, the cost to provide citation processing services through the extension period is not expected to exceed prior year annual costs.

SJR:KH:mg

Attachment

**THIRD AMENDMENT TO AGREEMENT C-124676
BETWEEN
THE CITY OF LOS ANGELES
AND
CONDUENT STATE & LOCAL SOLUTIONS, INC.
FOR PARKING CITATION PROCESSING AND COLLECTION SERVICES**

This Third Amendment to Contract Number C-124676 (“Agreement”) between the City of Los Angeles, a municipal corporation (“City”), acting by and through the Department of Transportation (“LADOT”), and Conduent State & Local Solutions, Inc. (Formerly Xerox State & Local Solutions, Inc.), a New York corporation (“Contractor”), collectively referred to as “Parties” or individually as “Party”, is entered into with reference to the following:

WHEREAS, the LADOT released a Request for Proposal (RFP) on February 27, 2012 to solicit proposals to provide parking citations processing, collection services, and related systems support and services; and

WHEREAS, the Contractor submitted a proposal in response to the RFP and the City found the Contractor’s response to satisfy the level of qualifications and experience necessary to provide the type and level of service required by the City; and

WHEREAS, the Contractor’s proposed services are expert and technical in nature, and the work could be performed more economically and feasibly by independent contractors rather than by City employees; and

WHEREAS, the parties entered into Agreement C-124676 on September 26, 2014 wherein the Contractor agreed to provide parking citations processing and collection services for a five-year term with an option to extend the term for an additional year; and

WHEREAS, on February 16, 2017, Xerox State & Local Solutions, Inc. changed its name to Conduent State & Local Solutions, Inc.; and

WHEREAS, on March 28, 2018, the parties entered into the First Amendment to Agreement C-124676 to reflect the name change; and

WHEREAS, on December 23, 2019, the parties entered into the Second Amendment to Agreement C-124676 to exercise the option to extend the term of the Agreement through September 25, 2020, update the City’s Standard Provisions for City Contracts (Rev. 10/17) [v.3], and add certain City contracting provisions as required by various ordinances; and

WHEREAS, on March 4, 2020 the Mayor of the City of Los Angeles (Mayor) declared a local emergency pursuant to Los Angeles Administrative Code Section 8.21 *et seq.*; and

WHEREAS, on March 6, 2020 the City Council approved a resolution ratifying the Declaration of Local Emergency; and

WHEREAS, with the COVID-19 related Declaration of a Local Emergency and stay at home orders, on March 16, 2020 the Mayor relaxed parking enforcement across the City putting a temporary halt to the issuance of several citations, which significantly impacted the Contractor's ability to sustain operations; and

WHEREAS, the Parties desire to execute this Third Amendment to Agreement C-124676 to add a 12-month extension with an option to extend the term of the Agreement another nine (9) months through June 25, 2022, and modify the pricing to reflect a fixed and variable fee structure for the contractor; and

NOW, THEREFORE, in consideration of the above premises, and the mutual covenants and agreements herein contained, the Parties agree as follows:

1. SECTION 5, PRODUCTS AND SERVICES, is hereby amended by adding as Subsection C, immediately after Subsection B, to read as follows:

C. The City shall receive the base contract services and any additional services listed below during the period of September 26, 2020 through September 25, 2021, and shall compensate Contractor based on the subsection titled Fixed Price Due to COVID- 19 Impact, found in Section 7 – CITATION PROCESSING COST. Contractor agrees that all staff working on the City's services, as outlined in Exhibit 1, Section 1.2.24 of the base contract, during this period shall be exempt from furloughs following execution of this Amendment.

1. Program Management Support
2. Information Technology Support
 - a. Network Maintenance
 - b. Help Desk Support for LADOT Parking Operations Support computer users
 - c. Handheld Ticket Writer repair and support
3. Production Control and Accounting Support
4. Customer service at the Parking Violations Bureau Call Center
5. Correspondence processing for incoming contesting statements and inquiries
6. Lockbox Processing and Data Entry
7. Adjudication Hearing Scheduling
8. Installment Payment Plans (IPP) Support
9. Community Assistance Parking Program (CAPP) Support
10. Fleet Management
11. Noticing, Training, and Reports
12. Interactive Voice Response (IVR) System
13. System Availability
 - a. eTIMS®
 - b. Batch and online services (name and address acquisitions and DMV holds)

- c. Business Objects, ReportWeb
 - d. CitySight™ suite of applications (Productivity, Enforcement, Mobile)
 - e. GIS Data Viewer
 - f. PVB Website
 - g. Pay by Phone, Pay by Web
 - h. Residential Parking Permit Online
 - i. Customer Service Portal
 - j. PayTix app
14. Courier delivery of inter-office mail for five Enforcement agencies, one Initial Review location, three Adjudication offices, and LADOT Accounting
15. Continuous issuance data load for Open Data Portal
2. SECTION 6, PERIOD OF PERFORMANCE, first paragraph is hereby amended in its entirety to read:
- The Period of Performance will be from September 26, 2014 through September 25, 2021, with a nine (9) month option to extend the contract at the mutual agreement of the parties, unless otherwise terminated earlier as provided herein.
- To the extent that Contractor's services were performed prior to the execution of this Third Amendment, the Parties agree said performance and services are hereby ratified in accordance with the terms and conditions of this Agreement.
3. SECTION 7, CITATION PROCESSING COST, is hereby amended by adding the following:
- Fixed Price Due to COVID-19 Impact**
- A. Citation Processing Cost during the period of September 26, 2020 through June 25, 2022 ("Impact Period") the City will pay Contractor:
- (a) A fee per issued citation of \$7.15 per citation issued up to 75,000 issued per calendar month and (f); or
 - (b) A fixed fee of \$535,900 per month for the total of all citations over 75,000 and up to 115,000 issued per calendar month; and
 - (c) A fee per issued citation of \$4.66 per citation issued for each citation over 115,000 up to 180,000 issued per calendar month; and
 - (d) A fee per issued citation of \$3.96 per citation issued for each citation from 180,001 to 220,000 issued per calendar month; and
 - (e) A fee per issued citation of \$3.56 per citation issued for each citation over 220,001 issued per calendar month; and
 - (f) A fee for Special Collections of \$27 per transaction with a monthly minimum Special Collections fee amount of \$421,000 per month and no monthly maximum fee limitation for Special Collections.

- (g) Should issued citation volumes drop below 115,000 citations for any two (2) consecutive calendar months, Contractor and LADOT will negotiate an amendment for a reduction in services provided to help offset revenue reduction to Contractor.
- B. Additional pricing through June 25, 2022, when the service is provided at the written request of the City, the City will pay Contractor:
 - (a) A monthly operational and support fixed fee of \$4,200 per month for Paylock integration and system support.
 - (b) A monthly operational and support fixed fee of up to \$13,750 per month for License Plate Reader and system support as follows:
 - a. If provided by Contractor at the written request of the City, Warranty for additional 2 years will be billed at \$9,000/month for 12 months.
 - b. Hosting, Licensing, and wireless data plan billed \$4,750/month.

Should the parties mutually desire to exercise the nine (9) month option extending the contract to June 25, 2022, the terms for processing costs and/or fee escalators shall be negotiated prior to exercising the option.

- 4. SECTION 23, DISCLOSURE OF CONTRACTS AND SPONSORSHIP OF THE NATIONAL RIFLE ASSOCIATION FOR HIRING ORDINANCE, is hereby deleted in its entirety and the remaining sections renumbered accordingly
- 5. Except as amended herein, all other terms and conditions of the Agreement shall remain in full force and effect.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

THE CITY OF LOS ANGELES

**CONDUENT STATE & LOCAL SOLUTIONS, INC.,
a New York Corporation**

By: _____
Seleta J. Reynolds
General Manager
Department of Transportation

By*: _____
Holly Cooper
Vice President, General Manager
Conduent State & Local Solutions, Inc.

Date: _____

Date: _____

APPROVED AS TO FORM:
MICHAEL N. FEUER, City Attorney

By**: _____

By: _____
Michael Nagle
Deputy City Attorney

Title: _____

Date: _____

Date: _____

ATTEST:
HOLLY L. WOLCOTT, City Clerk

NOTE: If Contractor is a corporation, two signatures are required.

By: _____

* The signature of President, Chairman of the Board, or Vice President is required here; and

** an additional signature of Secretary, Assistant Secretary, Chief Financial Officer, or Assistant Treasurer is also required for the Corporation.

Date: _____

City Agreement Number: C-124676-2

Council File Number: 13-0586