

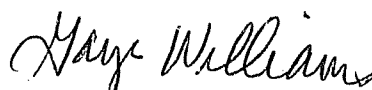
0150-09885-0000

TRANSMITTAL

TO The City Council	DATE MAY 14 2013	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT All	

**Proposed Contract Agreement between the Department of Transportation and
Xerox State and Local Solutions**

Transmitted for your consideration. See the
City Administrative Officer report attached.


MAYOR

MAS:IR:06130054

Report From
OFFICE OF THE CITY ADMINISTRATIVE OFFICER
Analysis of Proposed Contract
(\$25,000 or Greater and Longer than Three Months)

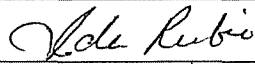
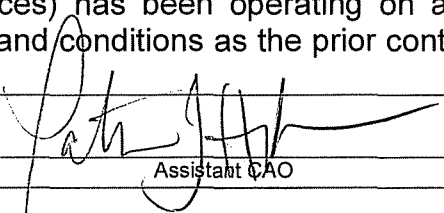
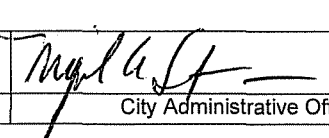
To: Mayor	Date: 05-08-13	C.D. No. All	CAO File No.: 0150-09885-0000
Contracting Department/Bureau: Department of Transportation		Contact: Robert Andalon (213)972-8404	
Reference: Department of Transportation report to the Mayor dated November 20, 2012; and request for report from Mayor dated November 21, 2012			
Purpose of Contract: To provide the operation of parking citation processing and collection services			
Type of Contract: (X) New contract () Amendment		Contract Term Dates: Five years from the date of execution plus one year option to extend. Total six years.	
Contract/Amendment Amount: Not applicable			
Proposed amount = Total \$52.7 million			
Source of funds: General Fund			
Name of Contractor: Xerox State and Local Solutions Address: 606 S. Olive Street, Suite 2300, Los Angeles CA 90014			
	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: 58 %			
8. Contractor has complied with:		Yes	No
a. Equal Employmt. Oppty./Affirm. Action		X	
b. Good Faith Effort Outreach**		X	
c. Equal Benefits Ordinance		X	
d. Contractor Responsibility Ordinance		X	
e. Slavery Disclosure Ordinance		X	
f. Bidder Certification CEC Form 50		x	
*N/A = not applicable ** Contracts over \$100,000			

COMMENTS

The Department of Transportation (DOT) requests authority to execute a contract with Xerox State and Local Solutions (Xerox) for the operation of parking citation processing and collection services for the City of Los Angeles. The proposed term is six years (five years plus a one year option) at a cost of \$52.7 million. The prior contract was with Xerox at a cost of \$45.5 million for five years, however this contract is currently on a month to month pending the outcome of the procurement process. The new proposed contract would be \$52.7 million and exceeds the current contract of \$45.5 million by \$7.2 million over five years. Given the proposed cost increases the DOT seeks authority to negotiate with Xerox for additional price concessions.

Selection Process

The DOT released a Request for Proposal (RFP) in February 2012 to solicit proposals to provide parking citation processing, collection services and related systems support and services, including the operation of the Parking Violations Bureau. The current operator, Xerox State and Local Solutions (formerly Affiliated Computer Services) has been operating on a month to month contract (since March 2011) using the same terms and conditions as the prior contract. The month to month contract

		
IR Analyst 0150-09885-0000	Assistant CAO	City Administrative Officer

was implemented to minimize any disruption in parking services, pending the outcome of the RFP process.

The DOT hosted a pre-proposal conference on March 23, 2012 and proposers were kept informed of posted questions and answers, including any amendments through the Los Angeles Business Assistance Virtual Network (LABAVN). The submission deadline was May 22, 2012. The RFP required that proposers have a minimum of five years experience in providing management support systems, collections of delinquent citations and coordinating activities with the Department of Motor Vehicles and the processing of over one million citations per year. In addition, the respondent's processing services office and staff must be located in the City of Los Angeles.

Although ten firms attended the Bidders Conference, only two proposals were received; one from Xerox State and Local Solutions (Xerox) and one from Duncan Solutions. Given the limited number of potential proposers within the industry, the DOT opted to move forward with the evaluation process. Proposals were reviewed on the following evaluation criteria: Capability of Proposed System to meet RFP requirements; Corporate Experience and Capability; Cost, Collection Activities and collection and closure rate achieved; Implementation Planning and Adequacy of Proposed Training; and other Options. Proposers were required to submit cost proposals under five different pricing options available which allowed the City to select the most responsive and cost effective proposal.

Both firms made oral presentations to the Evaluation Committee and reference checks were made to validate statements made by each proposer. The Evaluation Committee members ranked each proposal received. Overall, Xerox was ranked first and Duncan second. Although Xerox was ranked first, the Evaluation Committee advised DOT Management that both proposals exceeded the current cost of the contract and the Chair of the Committee was directed to solicit a "last best and final offer" (BAFO) from each proposer limited to pricing for each option. Both proposers submitted their BAFO and both proposers reduced their proposed price. The Evaluation Committee members reconvened and the proposals were re-scored and re-ranked. Xerox ranked first and Duncan second.

Based on the results of the RFP process, the DOT submitted a transmittal to the Mayor's Office on November 20, 2012 seeking authority to enter into a five year contract with Xerox. Included in the transmittal was a request for further policy direction relative to obtaining authority to negotiate the terms of the contract to maintain 2011-12 pricing levels because the cost of the proposed contract would exceed the current contracting costs. This report was subsequently referred to the City Administrative Officer (CAO) for review and recommendations.

Subsequent to the release of the transmittal to the Mayor's Office, the DOT received a protest letter on December 10, 2012 from Duncan Solutions. Per the Protest Procedures outlined in the RFP all protests must contain a comprehensive written statement specifying in detail the grounds for the protest and the facts supporting the protest. The protest is limited to the content of the terms and conditions in the RFP and the evaluation process. Both DOT and Duncan Solutions followed the protest procedures as outlined in the RFP and a protest hearing was publically conducted on January 29, 2013 by the Standing Protest Committee. The Standing Protest Committee consisted of two members of the City's Board of Transportation Commissioners and two members of DOT senior

management staff not involved in the proposal evaluation. The Standing Protest Committee reviewed and considered the written protest submitted by Duncan Solutions, oral testimony presented by both Duncan Solutions and Xerox, DOT's response to Duncan Solutions protest letter and DOT's recommendation to award the contract to Xerox.

During the oral testimony, DOT advised the Standing Protest Committee that Xerox was selected because they provided the best overall value in services at the lowest cost to the City of Los Angeles. After the parties were heard, the Standing Protest Committee unanimously approved DOT's recommendation to award the contract to Xerox for parking citation processing and collections.

Overall Pricing Summary and Cost Comparisons

In order for the City to determine the best operational and cost effective structure, proposers were required to submit five different pricing options for the base processing and the special collections function (Refer to Attachment A for description). This allowed the City the opportunity to review the various operational alternatives available and their respective costs in comparison to the current structure. Table 1 below provides an overview of the cost differentials between proposals for each of the five pricing options.

Table 1: Five Year Cost Proposals

Options	Description	Xerox	Duncan	Differential
1A	Processing Only	\$78.1M	\$96.4M	\$18.30M
1B	Special Collections Processing Fee*	\$22.00	\$21.60	\$.40 per citation
1C	Combined/Fixed Fee	\$58.1M	\$78.0M	\$19.90M
	Special Collections Processing Fee*	\$25.00	\$25.00	\$ -
2	System Lease Only	\$34.50M	\$34.40M	\$.10M
3	Combined/Proposed Fee set by vendor	\$52.70M	\$61.30M	\$8.5M
	Special Collections Processing Fee*	\$27.00	\$31.50	\$4.50 per citation

*Special Collections Processing Fee is collected by recipient per each citation paid.

After a thorough review by the Evaluation Committee, it was recommended that a combined citation processing and collections model at a fixed fee (Option 3) is the best value to the City and the most cost effective price option based on the issuance of 2.6 million citations. It should be noted that Option 3 represents the current operational structure.

DOT asserts that both firms were responsive in their proposals and are qualified to perform citation processing and collections services. ***However, the Evaluation Committee has recommended that Xerox would provide the best value which includes overall services such as customer service and innovative technology at a lower cost.*** In addition, Xerox has the corporate experience and financial stability that are desired to enhance service delivery.

Under Option 3 Xerox submitted the lowest cost proposal of \$52.7 million to provide both citation processing and collections. Both proposers submitted prices that exceed the current costs of \$45.5 million; For example, Xerox's proposal exceeds the current costs by \$7.2 million (16 percent) and Duncan's proposal exceeds the current costs by \$15.8 million (34 percent). Table 2 below provides a cost comparison between the current combined services costs and the recommended cost by Xerox over a five year period.

Table 2: Combined Service / Proposed Fee

Year	Current	Xerox	Change
1	\$9.10M	\$9.90M	\$.80M
2	\$9.10M	\$10.20M	\$1.10M
3	\$9.10M	\$10.50M	\$1.40M
4	\$9.10M	\$10.90M	\$1.80M
5	\$9.10M	\$11.20M	\$2.10M
Total	\$45.50M	\$52.70M	\$7.20M

The increased proposed costs of \$7.2 million reflect the net effect of the City no longer having to reimburse Xerox for some costs, (these expenses are currently provided in the current contract and will now be absorbed), new services to be provided, and enhanced infrastructure requirements and information systems requested by DOT as noted below. However, it should be noted that there is no offset in revenue for these services, only an increased collection rate guarantee to improve performance.

Reimbursed Expenses Removed

- Printing Costs – Annual average cost is \$433,000;
- Postage Costs – Annual average cost is \$934,000;
- Document Storage and Retrieval – Annual average cost is \$59,000; and,
- Voided Citations – Annual average cost is \$108,000 for processing voided citations

New Services to be provided: (Refer to DOT's report for a detailed description)

- Various Customer Services functions, including Multi-Lingual Correspondence Review and Response;
- Expanded Payment Options at three Police Garages as part of new pilot program;
- Security protection services at the public service centers and adjudication offices;
- Payment options via mobile website;
- Redesign of notices and correspondence to maximize responses and payment; and,
- Social Media access and a new redesigned website to enhance customer interaction relative to customer service, lodging complaints and reporting issues such as parking meter outages and abandoned vehicles.

Enhanced Infrastructure and Services to be provided: (Refer to DOT's report for a detailed description)

- Increased Collections subcontracting - Total of three subcontractors (previously only one) to support collection efforts and dedicated support staff to coordinate responses to appeals and appearing in Superior Court for hearings; and

- Use of new technology – Deployment and use of new technology to optimize parking enforcement activity, such as new software applications, handheld technology and smart routing. In addition, new tablets for field investigators with Wi-Fi access, increased network capabilities and a new subcontractor for procurement services to ensure purchase bids are at the lowest cost to the City; and,
- Data and Reporting - Additional data analytics and reporting features in the form of a parking meter dashboard and various other reports.

Other Options: Bundled (Combined) versus Unbundled (Stand Alone) Services

One alternative pricing model reviewed by DOT was the option of awarding separate contracts for citation processing only and special collections (Table 3 Price Option 1A and B). If the City unbundled the services under the citation processing only model, based on the BAFO's submitted, the processing costs alone as a single service will increase the City's costs significantly as both proposer's submitted higher costs for processing alone versus a combined service option; Xerox at a cost of \$78 million and Duncan at a cost of \$96.4 million. As such should the City elect to unbundle the services, the increased cost would be \$25.4 million higher than the bundled costs(Price Option3) as noted below in Table 3.

Table 3: Cost Comparison between Unbundled and Recommended Bundled Services

	Price Option 1A Cost (Unbundled)	Price Option 1B: Special Collections Cost (UnBundled)	Price Option 3: Combined Cost (Bundled)	Cost Difference (5 Year Period)	Annual Avg Cost Difference
Xerox	\$78.1 M	\$22.00 per cite	\$52.7 M	\$25.4 M	\$5.08 M
Duncan	\$96.4 M	\$21.60 per cite	\$61.30 M	\$35.1 M	\$7.02 M

With the processing only model (Price Option 1A), the processing contractor will still be responsible for some form of collection activity until the citation is assigned to Special Collections, (which occurs for citations that remain unpaid at or beyond seventy-nine days after issuance). These activities include working with the Department of Motor Vehicles (DMV) to acquire the name and address of the registered owner, utilizing skip tracing subcontractors if an address cannot be obtained from DMV, sending out the first notice of a delinquent parking violation, and sending out the 2nd notice of payment overdue.

Relative to the Special Collections Processing only model (Price Option 1B) should the City unbundle this service, the cost for collections is cost neutral as the fee is added to the amount due on the citation and paid by the recipient. Based on the BAFO's submitted, the proposed cost by Xerox is \$22.00 and Duncan is \$21.60, respectively. Therefore the unbundling of this service would not cost the City additional funding.

Review of Controller's Audit Compliance

As part of our contract review, this Office determined it was appropriate to review the status of the Controller's audit findings which assessed the City's Parking Citation Process and Collections performance in light of the recommendation to renew the contract.

In May 2011, the Controller's Office released its audit report of the City's Parking Citation Process at the Department of Transportation. The objective of the audit was to assess the adequacy of the controls and efficiency and effectiveness of the procedures used by the City and Xerox in processing and collecting payment for the City's parking citations. This audit included a review of the oversight and monitoring of the contract. The audit report found that overall Xerox was in compliance with the terms of the contract. However, the report identified opportunities for improvement relative to the Department's contract oversight of collection activities and internal processes which could be modified to ensure maximum parking citation revenue. The audit findings resulted in 23 recommendations and as of January 2013, the DOT has implemented 22 and partially implemented one of the recommendations identified in the report (Refer to Attachment B). The remaining recommendation to develop performance goals for collections will be implemented when the new contract becomes effective. Overall, it appears DOT addressed each of the audit concerns and is working towards stronger oversight of the contract and the monitoring of activities.

Collections Performance

The City and Xerox have improved the internal collection procedures by implementing key initiatives within the past two years. In addition, a Collections Action Plan was recently introduced in 2012, which includes managing receivables by analyzing debt, developing a collection strategy, and then partnering to collect on the account. The following are initiatives that are enhancing the City's parking citation collections program:

- Franchise Tax Board (FTB) Intercepts – Holds are place on state income tax refunds and intercepted to refund unresolved parking citations. Criteria for placing FTB holds were modified in Fiscal Year (FY) 2011-12 to include citations that are also on hold at the DMV.
- Outbound Calling - Citations which were unresolved and had aged to 36 months were assigned to outbound calling. During FY 2011-12, assignments were accelerated from 36 months to 24 months and further accelerated to 18 months from issuance date. In addition, a second vendor was added in June 2012 to reduce the backlog for citations that were between three and five years old. These efforts resulted in \$104,662 in collections from June through August 2012.
- Fleet Operator and Rental Agency Program – In 2012 modifications were made by Xerox working in collaboration with AVIS, Hertz and Enterprise rental car companies to develop a national registry of vehicles. This ensures that the Fleet Program has updated files of all vehicles belonging to the rental company. These files are then checked against citations issued and the rental company either pays the citation, provides renter information to the City or disputes the citation. This modification allows for greater efficiency in tracking and resolving citations issued to fleet vehicles rented or leased from rental car companies.

- Credit Bureau Reporting – Increased activity in notifying the Credit Bureau agencies concerning unresolved citations has resulted in increased collections of \$280,651 from \$40,730 to \$321,381 from 11-12 to July 2012 to March 2013.

Enhanced Requirements in New Contract

The DOT intends to recommend the inclusion of enhanced contract language relative to annual collection efforts so that performance standards can be adequately measured. Institutionalizing performance goals will create a financial incentive to perform and would allow the City the ability to transfer some risk should the collection rate drop. Specific language has not been finalized as this would be part of contract negotiations but would include at a minimum the following:

- Specific performance goals and benchmarks - These goals will be linked to milestones and assessed periodically as recommended in the Controller's Audit. This will also assist the City in determining if changes are warranted relative to the timing of collection activities or current penalty amounts. At a minimum, DOT would use the current two year collection rate as a baseline standard with increases in future years.
- Financial Guarantee – An irrevocable letter of credit or bank guarantee will be secured from the selected vendor as a financial guarantee of collections performance. This level of accountability will create a financial incentive to perform at a higher level than in previous years. For example, DOT's report indicates that collection rates over a two-year collection cycle were 83.77 percent in Fiscal Year 2010 and 84.09 percent in Fiscal Year 2011. Under this scenario, if the select vendor failed to meet the collection goal set between the City and vendor, the City would have the ability to draw down on the line of credit to offset the lost revenue.
- Assignment/Referral to City collection agency pool - The time the vendor has to collect on delinquent accounts will be reduced from 1,825 days (or five years) to 450 days (15 months). This adds flexibility for the City to refer accounts to other collections agencies after 450 days and allows other collection agencies to provide like-kind or varying degrees of collection remedies that can be beneficial to the City. The current City model does not require automatic transfers of accounts from the current vendor.

Potential Options and Policy Considerations

As discussed earlier in the report, the DOT has submitted a request to the Mayor's Office seeking authority to move forward with specific direction regarding the unit pricing, the ability to modify the services in order to keep processing costs at current levels and the ability to secure a letter of credit.

We concur with DOT's request and recommend that additional price concessions be discussed with Xerox in order to maintain current pricing levels. However, based on discussions with the City Attorney's Office there cannot be any reduction in service levels proposed by Xerox as a result of additional price concessions. Lastly, we also concur with DOT's recommendation that a financial guarantee be secured from the select vendor due to the current General Fund fiscal shortfalls.

RECOMMENDATIONS

That the City Council, subject to the approval of the Mayor:

1. Authorize the General Manager of the Department of Transportation 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.
 - a. Instruct DOT to work with the City Administrative Officer on contract language relative to the enhanced contract requirements identified in this report, including the assignment of uncollectable citations to the City collection agency pool in the new contract prior to execution.
2. Instruct the Department of Transportation to seek additional price concessions from Xerox to maintain current level pricing without a reduction in the scope of services bid;
3. Instruct the Department of Transportation to 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;
4. Should the Department seek to reduce costs by reducing the scope of services, instruct DOT to report back to the Council and Mayor.

FISCAL IMPACT STATEMENT

The General Fund impact will be up to \$7.2 million over a five year term should the actions in this report be approved. Additional funding beyond current level funding has not been identified for this contract as the DOT has been instructed to seek additional price concessions. Our Office will report back with further analysis if required.

Key Definitions

Base Processing: Includes at a minimum the provision of the following services; operation of the Parking Violations Bureau, including in-person customer service functions at the customer service payment facilities via mail, web, and telephone; abandoned vehicle telephone system; meter hotline; correspondence processing; initial administrative review processing for all contested citations, operational support for the adjudication process and scheduling functions including appeals; boot and tow support; parking permit processing; handheld ticket writers, auditing reports and accounting functions; consultant services; training, and reporting functions.

Special Collections: Includes at a minimum the provision of the following services; collections software systems, debtor identification through interfacing with the Department of Motor Vehicles (DMV), notice dunning, collection activity through credit bureau reporting, franchise tax board intercepts, court judgment, CA DMV registration holds, telephone dunning, franchise tax board certification and payments, ability to offer various payment options, collection analysis and collection tracking and reporting.

LIST OF CONTROLLER AUDIT FINDINGS AND RECOMMENDATIONS

Finding Number	Summary Description of Finding	Rec. No.	Recommendations	Current Status	Basis for Status	Target Implementation Date
Section I			DOT management should:			
1	DOT has a backlog of Complaint and Investigations (CI) that resulted in the dismissal of citations and potential lost revenue.	1	Allocate adequate resources to ensure that Complaint and Investigations are completed within the prescribed timeframe and ensure that adequate supervision is performed to enable timely completion.	I	LADOT increased staffing and has reduced the backlog. Six as-needed hearing examiners began working for DOT on November 15, 2010 to conduct field investigations and provide ombudsman services. One Sr. Management Analyst II is assigned to oversee this program. As of March 1 2013, 40,961 CIs have been closed and \$2,681,520 has been paid on valid parking citations. An additional \$627,016 is being pursued. Currently, there are 1,083 CIs pending review with the oldest being 40 days.	Completed as recommended
		2	Ensure that Complaint and Investigations are dismissed/canceled when they are not completed within the required timeframe.	I	The senior level supervisor has been charged with monitoring the daily work performed by the field investigators and ombudsmen to ensure that Complaint and Investigations are reviewed, investigated and that a determination is made prior to the 240 day timeframe discussed in the audit report. In addition, there is a weekly report prepared and submitted to management that includes completed, pending and revenue collected. In the event a CI is not completed within the 240 day timeframe, the citation will automatically be dismissed as "untimely investigations".	Completed as recommended
2	Xerox processes and bills citations that are missing critical fields. Also, DOT has paid Xerox over \$400,000 since the inception of the contract for processing voided transactions, even though no collection efforts are required for these voids.	3	Consult with the City Attorney's Office regarding the appropriateness/legality of collecting on citations that are missing critical fields, and revise DOT policies and procedures accordingly.	I	On June 28, 2011, LADOT staff met with the Office of the City Attorney regarding this recommendation. The City Attorney's Office opined that the CVC has four (4) mandatory fields required on a parking citation (violation code, date, approximate time and location) and that the other fields mentioned in the CVC (license plate, VIN, registration expiration date, color and make) helps identify the vehicle to prove that a violation was committed. Case law (People v. Levinson, 14 Cal. App 4 th Supp 6) was cited in support of this opinion.	Completed as recommended
		4	In future contracts for parking citation processing services, specify that the contractor will not be paid processing fees for voided citations.	I	LADOT indicates in the new RFP that the contractor will not be paid processing fees for voided citations.	Completed as recommended
		5	Consult with the City Attorney, and if deemed appropriate, seek reimbursement of \$400,000	I	On June 28, 2011, LADOT staff met with the Office of the City Attorney to discuss this recommendation. The City Attorney's Office recommended that the department formally write a letter to Xerox seeking reimbursement of \$400,000 identified as being paid to Xerox related to voided citations since the inception of the current contract in 2006. A letter was sent to Xerox on July 27, 2011. After an internal discussion between the City and Xerox, it was determined that Xerox was not obligated to reimburse the City based on the current agreement. However, in the new contract, the selected vendor will not be reimbursed for processing citations	Completed as recommended
3	The citation cancellation process for the Gold Card Desk is inadequately controlled. Fines and/or penalties are waived for valid citations without proper supporting documentation, and citations are dismissed due to extenuating circumstances without clear criteria.	6	Identify the specific individuals who are authorized to approve cancellations and reductions of fines and penalties for parking citations.	I	On December 14, 2010, LADOT designated and advised Xerox staff in writing that only specific staff members are authorized to sign the formal dismissal documents. Those employees have signature specimens on file with the parking citation processing contractor.	Completed as recommended
		7	Designate an individual or section to coordinate and submit all citation cancellation requests to Xerox.	I	LADOT has designated two sections within the department that are authorized to dismiss citations, the Research & Compliance and Adjudication Divisions. The designated employees have signature specimens on file with the parking citation processing contractor.	Completed as recommended
		8	Develop formal policies and procedures for the Gold Card Desk's processing of citation cancellation requests. This should include ensuring that cancellations and reductions of fines and penalties are properly supported and approved.	I	LADOT cancelled the Gold Card Desk on May 20, 2011 at the direction of Mayor. This recommendation no longer applicable. However, DOT has taken steps to ensure that cancellations and reductions of fines and penalties are properly supported, approved and imaged into the parking citation processing database. On February 24, 2011, Xerox was directed in writing to scan and image all related email(s) and supporting documentation into the parking citations database.	Completed as recommended

LIST OF CONTROLLER AUDIT FINDINGS AND RECOMMENDATIONS

Finding Number	Summary Description of Finding	Rec. No.	Recommendations	Current Status	Basis for Status	Target Implementation Date
		9	On a sample basis, review cancellation reports provided by Xerox to ensure cancelled tickets conform with cancellation requests submitted to Xerox.	I	LADOT reviews Xerox cancellation audits on a monthly basis. In addition, in July 2011, LADOT began performing weekly random sample audits of cancelled and dismissed citations for cancel/dismiss policy compliance. Copies of the reviews are maintained within the LADOT office.	Completed as recommended
		10	Describe and document the types of acceptable extenuating circumstances that would qualify for valid citations to be dismissed by DOT.	I	Sec. 40215(a) of the California Vehicle Code allows the issuing agency to dismiss a citation when "extenuating circumstances make dismissal of the citation appropriate in the interest of justice". LADOT has drafted a working definition of extenuating circumstances that is under review by the City Attorney's Office. In addition, LADOT will develop acceptable categories and coding for the most common types of extenuating circumstances (e.g. medical emergency, etc.). LADOT anticipates implementing the new system in July 2011. On June 28, 2011, LADOT staff met with the Office of the City Attorney regarding this recommendation. The City Attorney's Office stated that the CVC does not define what "extenuating circumstances" would be appropriate in regard to dismissal of a citation, and that there was no case law involving parking citations dismissed for this reason. It was also stated, that in general, a documented medical condition (e.g., stroke, heart attack, coma, diagnosis of Alzheimer's, etc) that prevent the owner of the vehicle from moving the vehicle (e.g., a 72 hour violation), or other documented emergency that necessitated parking the vehicle in violation of an existing ordinance would qualify as an extenuating circumstance. These reasons may also suffice in regard to an extension of the time to contest the citation (as long as the requests were close in time to when the statutory period ended). A list has been prepared with specific suspend codes and has been implemented by ACS.	Completed as recommended
		11	Eliminate the Gold Card Desk when a new contract is signed to operate the Parking Violation Bureau.	I	LADOT cancelled the Gold Card Desk on May 20, 2011 at the direction of the Mayor. This recommendation no longer applicable.	Completed as recommended
4	The City failed to collect \$557,000 over two fiscal years because DOT did not consistently collect administrative fees and penalties for citations related to expired registration stickers (tabs) and vehicles with no evidence of registration. Of this amount, \$328,000 pertained to City revenue.	12	Work with Xerox to ensure that the \$10 fee and applicable penalties are assessed to motorists who are issued a citation for lack of current registration tabs but who later provide proof of proper registration.	I	LADOT implemented the recommendation on September 8, 2010. City staff were directed in writing to assess a \$10 administrative fee and any applicable late fees for these violations.	Completed as recommended
		13	Improve oversight over these types of activities to ensure Xerox bills the appropriate amounts as allowed by statute	I	LADOT assigned a senior level supervisor in March 2010 for improved oversight of the LADOT business rules. The supervisor reviews the business rules provided to Xerox annually for consistency with the California Vehicle Code (CVC) based on potential changes in state law. This review will include legislative updates from DMV and the California Public Parking Association.	Completed as recommended
5	DOT changed its methodology for calculating citation error rates after the public expressed concerns about the Department's high error rates. Also, DOT is not using the reports to identify Traffic Officers that may benefit from training.	14	DOT management should ensure error reports count all missing or blank critical fields as errors, and use the error reports to identify opportunities for additional training.	I	LADOT worked with Xerox to revise the report as recommended. The complete revision was completed in August 2011. Upon completion of the revised report, LADOT began monthly reviews and counseling of officers who are identified as having an error rate of 5% or greater for missing critical fields (license plate number, full vehicle description, the violation); began providing additional in-service training; and began formally documenting and monitoring progress.	Completed as recommended
6	The City lost potential revenue because DOT did not pursue collections from protective plate holders who failed to pay their citations.	15	DOT management should establish written policies and procedures for handling citations issued to protective plate holders, which includes regular monitoring to ensure agency address and contact information remains up to date.	I	New policies and procedures were implemented February 15, 2011. As of March 2013, the closed percentage for confidential plate citations is 89%. Deliverables completed as part of this process include new correspondence letters, new business processing rules, flow chart of the new business process, and monthly issuance and collection reports for tracking and management purposes.	Completed as recommended
Section II						

LIST OF CONTROLLER AUDIT FINDINGS AND RECOMMENDATIONS

Finding Number	Summary Description of Finding	Rec. No.	Recommendations	Current Status	Basis for Status	Target Implementation Date
7	Xerox is not utilizing all collection tools required	16	Adopt a methodology where collection rates are based on dollar amounts, instead of solely on the number of citations issued.	I	A new methodology was finalized in August 2010. Reports were reviewed and enhancements have been requested to determine its practicability and accuracy. LADOT began using the methodology in addition to the number of citations on July 1, 2011.	Completed as recommended
		17	Develop performance goals for collections that are linked to milestones and periodically assess performance to determine if changes to the nature and timing of collection activities or to the amount of penalties are warranted.	PI	Key Performance Indicators (KPIs) are mandatory for collection activities in the new RFP and contract.	Completed as recommended
		18	Ensure that vendors comply with the requirements of the contract with respect to collection tools utilized.	I	Xerox is currently in compliance with the contract requirements regarding collection efforts described in their contract. LADOT included more specific language for enhanced collection efforts in the new request for proposals (RFP).	Completed as recommended
		19	Explore the cost effectiveness of making phone calls to debtors earlier in the collection process.	I	On February 24, 2011 LADOT directed and Xerox began making debt collection phone calls to individuals with unpaid citations 24 months past due (previously was 36 months). This has been further reduced to 18 months.	Completed as recommended
8	DOT has at least \$270 million in delinquent accounts that are over five years old but have never been written-off	20	Submit regular write-off requests to the Board of Review for accounts deemed uncollectible	I	LADOT began submitting quarterly write-off request in October 2011.	Completed as recommended
		21	Report all accounts receivables (excluding any accounts written-off) to the Controller's Office when reporting accounts receivable amounts for inclusion in the City's financial statements	I	LADOT is currently complying with this recommendation and has revised the reporting format in accordance with the Office of Finance directives. The new report complies with the Office of Finance requirements.	Completed as recommended
9	A key application for the parking enforcement officers' handheld devices has not been developed, implemented, or loaded on their equipment, five years into the contract. Other applications took several years to implement.	22	Employ a sound systems development methodology in the future to ensure that applications are defined, developed, and installed in a timely manner.	I	LADOT has included a requirement that all future applications include a detailed project plan with specific timelines. There are penalties in the new RFP for delayed delivery by the selected vendor.	Completed as recommended
		23	In future contracts provide timelines for deliverables and specify penalties for not meeting the required dates. Any adjustments to timeframes should be formally approved.	I	As recommended, the new RFP provides timelines for deliverables and specifies penalties for not meeting the required dates.	Completed as recommended

I - Implemented
PI - Partially Implemented or In Progress
NI - Not Implemented
D - Disagree

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: February 19, 2013

To: Honorable Antonio R. Villaraigosa,
Mayor of Los Angeles

Attention: Mandy Morales, Legislative Coordinator

From: Dorothy Tate, Acting Commission Executive Assistant
Board of Transportation Commissioners

Subject: **PROTEST HEARING FROM DUNCAN SOLUTIONS (DUNCAN)
RE: LADOT NOVEMBER 20, 2012 RECOMMENDATION TO THE
MAYOR TO AWARD A PARKING CITATION PROCESSING AND
COLLECTIONS CONTRACT TO XEROX STATE AND LOCAL
SOLUTIONS, INC., (XEROX)**

At a protest hearing on January 29, 2013, the Department of Transportation (LADOT) Standing Protest Committee approved LADOT's recommendation to award a contract for Parking Citation Processing and Collections to Xerox State and Local Solutions. After your review of the attached documents, please forward it to the City Clerk's office for Council consideration.

If you need further information, please contact Robert Andalon, Executive Officer at (213) 972-8404.

DT

Attachments

C: Robert Andalon
Jasmin San Luis

2013 FEB 19 PM 3:24
CITY ADMINISTRATIVE OFFICE

CITY OF LOS ANGELES
CALIFORNIA

Jaime de la Vega
GENERAL MANAGER



ANTONIO R. VILLARAIGOSA
MAYOR

DEPARTMENT OF TRANSPORTATION
100 South Main Street, 10th Floor
Los Angeles, California 90012
(213) 972-8470
FAX (213) 972-8410

January 23, 2013

(E-Copy and Certified Mail)

James Kennedy, Sr. Vice President
Duncan Solutions
633 W. Wisconsin Avenue, Suite 1600
Milwaukee, WI 53303

Subject: **NOTICE OF PROTEST HEARING FROM DUCAN SOLUTIONS (DUCAN) RE:
LADOT NOVEMBER 20, 2012 RECOMMENDATION TO THE MAYOR TO
AWARD A PARKING CITATION PROCESSING AND COLLECTIONS
CONTRACT TO XEROX STATE AND LOCAL SOLUTIONS, INC., (XEROX)**

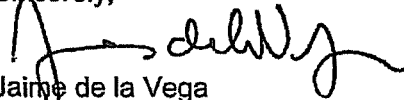
Dear Mr. Kennedy:

Notice is hereby given that the Standing Protest Committee (Committee) of the City of Los Angeles Department of Transportation (LADOT) will conduct a protest hearing on the above-entitled matter on the date, time and location as follows:

DATE: Tuesday, January 29, 2013
TIME: 11:30 a.m.
LOCATION: Room 1070, City Hall

At this hearing, the Committee will review and consider (1) the written protest submitted by Duncan, (2) any oral testimony presented, (3) the department's response to Duncan Solution's protest letter, and (4) the department's recommendation to award a contract. The Committee will make findings relative to the submitted protest.

Sincerely,


Jaime de la Vega
General Manager

Attachments: Duncan Solutions Protest Letter
LADOT Protest Response
LADOT Citation Processing Recommendation

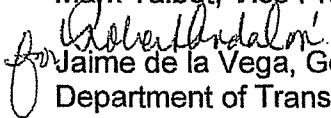
E-Copy: Ann Muenster-Nuir, Vice President, Xerox State and Local Solutions
(E-Copy and Certified Mail)
Mark Talbot, Vice President, Xerox State and Local Solutions
Miguel Santana, City Administrative Officer
Michael Nagle, General Counsel, Office of the City Attorney
Borja Leon, Deputy Mayor for Transportation
Mandy Morales, Legislative Coordinator, Office of the Mayor
Jaime de la Vega, General Manager, LADOT

**CITY OF LOS ANGELES
INTER-DEPARTMENTAL MEMORANDUM**

Date: December 17, 2012

To: Standing Protest Committee
George Moss, President, Board of Transportation Commissioners (BTC)
David Malcolm Carson, Vice-President BTC
Selwyn Hollins, Executive Officer, LADOT
Detrich Allen, Executive Officer, LADOT

E-Copy: Borja Leon, Deputy Mayor for Transportation
Mandy Morales, Legislative Coordinator, Office of the Mayor
Michael Nagle, General Counsel, Office of the City Attorney
Miguel Santana, City Administrative Officer
James Kennedy, Senior Vice President, Duncan Solutions
Mark Talbot, Vice President, Xerox State and Local Solutions, Inc.

From:  Jaime de la Vega, General Manager
Department of Transportation

Subject: **RESPONSE TO DUNCAN SOLUTIONS PROTEST LETTER RE: LADOT
NOVEMBER 20, 2012 RECOMMENDATION TO THE MAYOR TO
AWARD A PARKING CITATION PROCESING AND COLLECTIONS
CONTRACT TO XEROX STATE AND LOCAL SOLUTIONS, INC.
(XEROX)**

SUMMARY

The following memo responds to Duncan Solutions' (Duncan) December 10, 2012 protest letter. In short, LADOT has reviewed the allegations and rejected all of them as a basis for any of the following: disqualifying Xerox; awarding the contract to Duncan; allowing both proposers to submitted revised proposals; or re-bidding the contract altogether. The reasons for this conclusion are detailed below.

DISCUSSION

Introduction

LADOT appreciates that Duncan competed for this contract and that both the department and policymakers have the advantage of comparing two quality proposals from reputable service providers. We hope that Duncan will compete again next time regardless of the final decision by the Mayor and City Council.

Assessment of Contracting Process

LADOT executed a fair evaluation process and the recommendation reflects a determination that Xerox's proposal was superior to Duncan's proposal using the evaluation criteria in the request for proposals (RFP). LADOT engaged the industry before the release of the RFP, provided the industry the opportunity to review and comment on the draft RFP, incorporated industry suggestions to strengthen the RFP, administered the process according to the RFP, conducted reference checks, and made a recommendation after careful consideration of all information available.

Award Recommendation & Notification

LADOT transmitted its recommendation to Mayor Villaraigosa on November 20, 2012. Both proposers (Duncan and Xerox) were advised in writing of the decision via e-mail on November 21, 2012 and both certified via e-mail that they received LADOT's e-mail.

The RFP stated that protests must be received within 10 business days of the recommendation, which normally would be December 4, 2012. Because LADOT notified the proposers one day after transmitting the report, it could be argued that the deadline should be December 5, 2012 instead. In light of the Thanksgiving holiday, LADOT administratively extended the protest deadline to December 10, 2012 and advised the proposers of this decision. No objection to this extension was raised by either proposer and LADOT exercised appropriate discretion to ensure an adequate period for either proposer to submit a protest letter.

Transmittal of Protest

LADOT received a four-page protest letter plus attachments via e-mail in PDF format from Duncan dated December 10, 2012 on December 10, 2012 at 2:42 p.m. LADOT certified via e-mail that the department received the protest letter. The protest letter and attachments are included at the end of this report. The remainder of this memo is organized to respond to seven allegations in the protest letter.

Protest Allegation No. 1

LADOT rejects allegation number 1 as a basis to change LADOT's recommendation.

Duncan provided no documentation that Xerox colluded to direct or cause the vendor FSSI to withdraw from Duncan's team however LADOT takes allegations of possible collusion and misconduct very seriously. Given that Duncan provided no evidence and admits to such in their protest letter, LADOT could – and perhaps should – ignore the allegation.

However, in an abundance of caution and due diligence, LADOT contacted FSSI to confirm or refute Duncan's undocumented allegation. LADOT spoke with Jennifer Dietz from FSSI on December 11, 2012, read her the allegation in the protest letter, and asked for an official response from FSSI. LADOT received a written response from Ms. Dietz on December 12, 2012 at 1:02 p.m. that refutes Duncan's allegation. The text of the statement is below and LADOT has the original e-mail in our file.

"In connection with the award to Xerox for the Los Angeles Department of Transportation Parking Citation Processing and Collection Services contract, FSSI confirms that we made a business decision to continue our relationship with Xerox for this project and for other FSSI/Xerox projects, instead of agreeing to become a subcontractor with Duncan in connection with this project. FSSI looks forward to continuing to our partnership with Xerox to print and mail the parking ticket notices and letters on behalf of the City."

LADOT finds no evidence of collusion or inappropriate behavior by Xerox as alleged and finds that Duncan's allegation is not only undocumented as they admit, but unsubstantiated.

Protest Allegation No. 2

LADOT rejects allegation number 2 as a basis to change LADOT's recommendation.

LADOT disagrees that recommendations numbers 3 through 5 in the recommendation report to the Mayor (November 20, 2012) represent "substantial revisions to the proposed scope, price and guarantee". Duncan seems to fail to understand that Xerox is recommended because LADOT evaluated their proposal as superior to Duncan's proposal.

Recommendation 3 seeks policy direction from the Mayor and City Council on whether the city should increase its citation processing and collections cost in light of the city's

budget situation. LADOT's position is that it is not fiscally responsible to do so and made that recommendation to the Mayor.

Both proposers submitted initial pricing and last best and final offers that exceed LADOT's current costs, with Duncan proposing the higher costs in both instances. Both proposers were afforded the opportunity to submit pricing twice. The Mayor and City Council retain discretion to approve or modify terms proposed by LADOT as well as to provide alternative direction to LADOT if they disagree with LADOT's recommendations. Nothing in the RFP compels LADOT to accept or recommend a particular price nor does it prohibit LADOT from exercising management discretion in making its recommendation to the Mayor and City Council.

Recommendation 4 (identified in Duncan's protest letter as two separate issues labeled "b" and "c") also is not a change or revision to the proposed contract scope. Both proposers asserted that their respective approaches would increase collection rates and therefore increase revenue for the city. Recommendation 4 simply asks for policy direction to LADOT from the Mayor and City Council to create a legally binding contractual mechanism to ensure that the proposed collections improvements are met. LADOT did not have to include this recommendation and could have addressed the issue during final contract negotiations, but decided that the issue merited transparent disclosure and possible policy discussion by the Mayor and City Council. For example, the Mayor and City Council may decide that a guarantee is not warranted or may want to provide direction on the level of guarantee.

Recommendation 5 is not a change or revision to the proposed contract scope. LADOT's recommendation to award the contract to Xerox reflects the department's assessment using the RFP evaluation criteria that Xerox made a superior proposal to Duncan. LADOT provided both proposers the opportunity to reduce their cost structure. (Also see our response to recommendation 3 above.) Recommendation 5 is included because LADOT wanted to disclose to the Mayor and City Council that modifications in non-essential functionality may be necessary to achieve the current price structure, but that basic functionality still can be maintained and that Xerox is the superior, most cost effective option.

Finally, the fact that LADOT exercised different management discretion on a different contracting process with a different scope and a different situation is irrelevant.

Notwithstanding our recommendation, the Mayor and City Council retain the option of rejecting our recommendation to maintain the current price structure, and instead: award the contract to the highest rated proposer (Xerox), pay Xerox's unit pricing (which is substantially lower than Duncan's proposal), and receive all functionality proposed by Xerox. This alternative is explicitly described in our recommendation report (p.5).

Protest Allegation No. 3

LADOT rejects allegation number 3 as a basis to change LADOT's recommendation.

LADOT disagrees with Duncan's assertion that LADOT "...didn't properly consider the benefits of splitting the program between two vendors, overstated the complexity and cost of managing separate processing and collections contracts, and failed to note the fact that most comparable cities have split programs."

LADOT conducted a comprehensive assessment of both proposals consisting of a review of submitted written materials, consideration of statements and responses made during oral interviews, and reference checks. Both proposers provided detailed descriptions of their approaches and this, plus oral presentations and reference checks, was the basis for LADOT's evaluation.

Based on LADOT's assessment, we concluded that there would not be significant net benefits from splitting citation processing and collections into separate contracts. LADOT acknowledges and is aware that some cities separate these two functions contractually. Likewise, LADOT is aware that other cities combine these functions (e.g. Los Angeles, Philadelphia, and Boston). LADOT did not provide a narrative history of contracting methods by city because it is not relevant. LADOT's evaluation assessed whether separating the functions as proposed by Duncan and/or Xerox would create superior benefits to combining the functions. Furthermore, separating the two functions would significantly increase citation processing costs above LADOT's recommendation, as well as the lowest combined processing/collections proposal (which was provided by Xerox, not Duncan). To be clear, LADOT is not saying that splitting citation processing and collections is operationally infeasible, only that there is transition risk and a high cost based on the proposals received.

Duncan's processing-only cost was significantly inferior to LADOT's current combined costs, the lowest combined cost proposal (Xerox), and lowest processing-only proposal (again Xerox). Duncan's lowest processing-only price was originally \$107.2 million over five years, with a last best and final offer of \$96.5 million. This is substantially higher than Xerox's proposed \$78.1 million for the same services and double what the city pays for these services today. All these figures are included in our recommendation report.

For the evaluation criterion "Collection Activities and Collection and Closure Rate Achieved", three individual evaluators ranked Duncan ahead of Xerox and a fourth evaluator ranked Duncan and Xerox as tied. LADOT acknowledges that Duncan has strong collections capabilities as reflected in evaluator scores and rankings. Based on the scores for this one criterion, Duncan was determined to be superior to Xerox.

Duncan also was scored and ranked higher than Xerox on some other criteria by individual evaluators. Likewise, Xerox scored and ranked higher than Duncan in various criteria by individual evaluators. This demonstrates that the evaluators were objective and seriously considered both proposals. However, when all criteria were taken into account, all five proposers concluded that Xerox was the consensus highest ranked proposer.

Duncan's reference that Xerox's inclusion of outside collections agencies means that integrating separate citation processing and collections functions is not difficult misses the point. Any integration does have risk however Xerox – not the city – bears any potential risk and would be contractually obligated to meet performance goals. Conversely, the city bears the risk of separate service providers working together and potential integration issues.

LADOT acknowledges that based on the proposal and experience of other cities that Duncan should be capable of successfully transitioning services if awarded the contract. However, as noted in our recommendation report, there is no guarantee of a smooth operational transfer (risk), the timeline was 12-18 months, and – unfortunately – the city is reducing non-sworn positions and generally not allowing operating departments to add staff.

A successful transition of services, while possible and likely on Duncan's side given Duncan's track record, would be significantly undermined by the lack of additional staff in LADOT to dedicate to support this purpose. This is an operational reality and the Mayor and City Council should be aware of these facts and the associated risks. The Mayor and City Council retain the authority to award the contract to lower ranked Duncan with more transition risk and a higher cost if they so choose.

Protest Allegation No. 4

LADOT rejects allegation number 4 as a basis to change LADOT's recommendation.

LADOT did consider Duncan's track record of performance and this is why our recommendation report stated that Duncan is capable of performing the services. It also is why Duncan's collections proposal was ranked higher than Xerox's as noted on pages 5-6 above.

LADOT did not consider the performance of either proposer in any single city as the determinative factor in our evaluation. LADOT did consider the overall performance at cities where both proposers provide combined service or one of two services and conducted reference checks to confirm proposer statements and performance. Since both proposers are qualified and generally provide quality services to their clients,

Parking Citation Processing and Collections Services Protest Letter Response
December 17, 2012
Page 7

LADOT chose not to articulate in the recommendation report particular performance, deviations, or omissions from the either proposer's statements.

For example, during reference checks, LADOT confirmed that revenue did indeed increase in Washington, DC after Duncan started providing services. However, Duncan failed to disclose that part of the revenue increase was due to Duncan collecting red light photo enforcement violations, which had significant fine increases that contributed to the revenue increase. Thus, Duncan overstated and failed to clarify how their collections approach actually increased parking citation revenue.

Likewise, Duncan is being selective in their protest letter in presenting limited facts and examples related to their company's performance. During reference checks, LADOT was told that Duncan's performance on its Inglewood contract resulted in no revenue increase and Duncan itself indicated its most recent performance (fiscal year 2011) at a low 68%. While LADOT is sure that Duncan is not satisfied with this performance and is making every effort to improve, the department did not consider this in isolation to reach a conclusion about Duncan's overall qualifications, which we determined capable of delivering the requested services. We did not think that highlighting this negative reference check in the recommendation report was helpful given the overall positive or satisfactory reference checks we received on Duncan. In short, LADOT's recommendation report summarized our findings and overall assessment of both proposals.

As stated in the recommendation report (p.25), LADOT did not consider the potential additional revenue asserted by either proposer as superior because neither proposer documented or guaranteed a clear advantage. To elaborate, both proposers identified the same order of magnitude improvement in collections revenue, articulated strategies to improve collections, and provided no performance guarantee. LADOT's assessment of both proposers' strength in collections is reflected in the scores awarded for collection services and those scores contributed to each evaluator's final score, final ranking of proposers, and average rank (a consensus that determined Xerox to have a stronger overall proposal).

Protest Allegation No. 5

LADOT rejects allegation number 5 as a basis to change LADOT's recommendation.

LADOT acknowledges that no legally binding guarantee was required in the RFP or requested of either proposer during the evaluation process. LADOT notes that Duncan asserted in writing that the firm would guarantee collections performance, but offered no details on the form or level of guarantee. Xerox asserted comparable performance but

did not offer a guarantee. LADOT did not describe either proposer's specific assertions in our recommendation report because both proposers were equivalent.

Regarding Duncan's potential guarantee, it was premised on a number of assumptions that LADOT assessed as not desirable or highly unlikely to occur. Duncan's proposed additional \$11 collection fee would increase the total collections fee charged to violators to \$42.60.

In addition, Duncan's proposal is heavily dependent on LADOT increasing citation issuance, not improved collection performance. With recent staff reductions, increased staffing levels unlikely (at best) in the foreseeable future due to the city's overall budget situation, and the need for traffic officers to perform non-enforcement duties outside the control of a collections service provider, Duncan should not reasonably expect that issuance will increase dramatically to 3.3 million citations annually.

LADOT recommended to the Mayor and City Council that the selected firm should be required to provide a financial guarantee. If Duncan was the recommended firm or the Mayor and City Council direct LADOT to award the contract to Duncan, we would recommend the same requirement. Duncan's allegation of unequal treatment therefore is false.

LADOT is satisfied with the requested scope of services and service proposals from both Duncan and Xerox. As Duncan is aware, LADOT was not satisfied with the price proposals from either proposer and requested a last best and final offer on price. LADOT already has solicited and received revised bids from Duncan and Xerox and final evaluator scores, ranks, and the department's recommendation reflect the revised bids from both proposers.

Finally, the recommended financial guarantee is a contractual mechanism to create a performance incentive for the selected service provider and to codify the performance improvements asserted by both proposers. It is not an evaluative criterion that was scored during the evaluation process. Again, LADOT wanted to advise the Mayor and City Council that specific contract terms should be pursued to protect the city from revenue risk.

Protest Allegation No. 6

LADOT rejects allegation number 6 as a basis to change LADOT's recommendation.

The "challenges and risks" identified by LADOT are real, not perceived as characterized by Duncan, and we disclosed them so that the Mayor and City Council are aware of these considerations as they deliberated our recommendation.

Parking Citation Processing and Collections Services Protest Letter Response

December 17, 2012

Page 9

The remainder of the allegation is declarative commentary that suggests that Duncan's proposal alone was capable of "reinvigorating [the] program" and attributing a negative opinion about LADOT's current citation processing and collection services to various stakeholders without specificity. Even if specifics had been provided in their protest letter, the RFP development process, the RFP itself, and proposals received are indicative of LADOT's desire and commitment to improve the parking citation and processing program. LADOT's overall assessment of both proposers' abilities and approach is reflected in the individual evaluators' scores and rankings, average rank (Xerox was the consensus number one), and our recommendation to award the contract to Xerox.

LADOT solicited feedback and incorporated virtually every recommendation from the industry, including from Duncan, into the final RFP so that we were soliciting the most innovative and effective services possible. In its November 9, 2011 letter to LADOT commenting on the draft RFP, Duncan stated, "We greatly appreciate the opportunity to participate in this important step in the procurement process as it signals LADOT's commitment to conducting a truly competitive procurement." If Duncan believes that LADOT failed to seek further possible improvements, Duncan itself failed to identify those improvements when afforded the opportunity so that LADOT could add that to the RFP. In addition, both proposals were strong with many attractive and innovative services and features that differ from our current service contract.

Finally, to the degree that former Xerox employees familiar with LADOT's needs and the current Xerox operations are part of Duncan's team, we concur that this would reduce transition risk if Duncan was awarded the contract. However, they do not eliminate the transition risks we identified in our recommendation report. We fully stand behind our assessment of transition risk. The Mayor and City Council retain the discretion to consider or ignore the issue of transition risk in their deliberations.

Protest Allegation No. 7

LADOT rejects allegation number 7 as a basis to change LADOT's recommendation.

LADOT did not omit consideration of "key aspects of Duncan's technical and price proposal" and did not fail "to thoroughly evaluate Xerox's corporate responsibility" as alleged. We carefully considered all aspects of both proposals, including technical approach, price, and corporate capabilities. Not every detail of either proposal is included in the recommendation report and LADOT's role is to summarize our overall assessment of the proposals to policymakers.

Pricing option 4 requested a price for a citation processing system bought and staffed by LADOT, not a joint ownership model proposed by Duncan. LADOT considered

Parking Citation Processing and Collections Services Protest Letter Response
December 17, 2012
Page 10

pricing option 4 during the evaluation process, but chose not to document it in our recommendation report. This was a management decision to streamline the recommendation report and focus policymaker deliberations on the most feasible options. As noted elsewhere in this memo, we determined that the city's overall budget situation would not allow LADOT to hire sufficient qualified staff to successfully deliver citation processing and collections services.

The specific joint ownership model in Duncan's proposal was non-responsive to the service delivery models required in the RFP (i.e. it was an unsolicited proposal). If Duncan believed this was a viable or even superior service delivery model, then Duncan should have advised LADOT during the industry review of the RFP so that we could have considered including that as a required pricing option in the RFP.

For sake of brevity, LADOT did not list every subcontractor on either proposer's team in our recommendation report. IBM's inclusion on the Duncan team is reflected in the strong scores attributed to Duncan proposal, specifically in the area of system capability, and is one of the reasons LADOT stated that Duncan is capable of providing the services. Xerox also had a number of strong subcontractors on their team that LADOT did not assess or describe in the recommendation report. On the whole, LADOT determined Xerox's proposal to be superior to Duncan's and that is the basis for our recommendation.

The quality of the services provided by Xerox and Duncan's subcontractors was considered during the evaluation process. Again, for sake of brevity, LADOT did not choose to list subcontractors or describe their qualifications in our recommendation report. The strength of each proposer's overall team is reflected in the evaluator scoring and final ranking of firms. The totality of each team was considered by LADOT in making our recommendation.

LADOT utilized the evaluation criteria in the RFP and is not aware of any information that suggests or concludes that corporate restructuring by Xerox – resulting in a global reduction of less than 2% of its workforce (as identified in the article Duncan attached to their protest letter and in other media reports) – would have a negative impact on Xerox's ability to provide these particular services to the city. As such, LADOT did not note this or describe Xerox's consolidated financial statements in our recommendation report. Likewise, we did not comment on Duncan's consolidated financial statements. LADOT chose to summarize the differences in our recommendation report as, "Both proposers are proven leaders in this field, but Xerox has an edge in scale and parent company backing" (p.7).

Both proposals were strong but neither proposal was perfect. In short, there was not a preponderance of evidence or a single overriding flaw with either Xerox or Duncan that

Parking Citation Processing and Collections Services Protest Letter Response
December 17, 2012
Page 11

significantly and negatively impacted the evaluation of proposals so LADOT chose not to mention these in our recommendation report as our overall assessment of both proposers was positive. This was an intentional management decision and not an omission as Duncan alleges.

Follow-Up

The Office of the Mayor has referred LADOT's recommendation report to the CAO for review and the Mayor has not transmitted a recommendation to the City Council as of today.

The standing protest committee should follow the protest procedures described in the RFP. The committee should conduct a publicly noticed protest hearing within 30 days of the protest submission deadline if possible, i.e. Wednesday, January 9, 2013, or shortly thereafter. (Note that the 30 day period is described as a "goal" in the RFP, not a hard deadline.) The committee is to present its findings to the Board of Transportation Commissioners (BTC). The BTC may adopt findings and if it does, the board secretary should forward those to the City Council's Transportation Committee. LADOT recommends that if the BTC adopts findings that the findings also be transmitted via the board secretary to the Mayor and CAO for their review and consideration.

LADOT would be happy to provide written clarification or expansion on any issues the committee wants to consider in our recommendation report, Duncan's protest letter, and/or this response memo before the protest hearing. Of course, copies of any additional reports would be provided to both Duncan and Xerox.

ATTACHMENTS

LADOT recommendation report to Mayor, "Recommendation to Award Contract for Parking Citation Processing and Collection Services", November 20, 2012

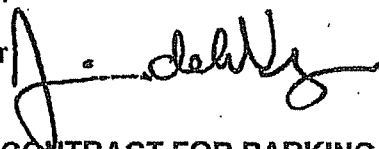
Duncan Solutions Protest Letter, December 10, 2012

**CITY OF LOS ANGELES
INTER-DEPARTMENTAL MEMORANDUM**

Date: November 20, 2012

To: Honorable Antonio R. Villaraigosa, Mayor
Attention: Mandy Morales, Legislative Coordinator

Copy: Borja Leon, Deputy Mayor for Transportation

From: Jaime de la Vega, General Manager
Department of Transportation 

Subject: **RECOMMENDATION TO AWARD CONTRACT FOR PARKING
CITATION PROCESSING AND COLLECTION SERVICES**

SUMMARY

The Los Angeles Department of Transportation (LADOT) is requesting authority to execute a five-year contract with Xerox State and Local Solutions (Xerox) for the operation of parking citation processing and collection services for the City of Los Angeles with an estimated contract value of \$46 million and is requesting policy direction on the key contract terms.

RECOMMENDATION

That the Council, subject to concurrence by the Mayor:

1. **AUTHORIZE** the general manager of LADOT to execute a five year contract with an optional one year extension with Xerox State and Local Solutions (Xerox) for parking citation processing and collection services for the City of Los Angeles, subject to the terms and provisions in this report
2. **DIRECT** the general manager to utilize pricing option 3 for the contract
3. **DIRECT** the general manager to negotiate a contract structure with unit pricing no higher than that for fiscal year 2011-2012
4. **DIRECT** the general manager to codify the minimum net collection rate in the contract and to secure a letter of credit from Xerox to cover any revenue shortfall if the minimum net collection rate is not achieved
5. **AUTHORIZE** the general manager to modify services in order to achieve the cost structure in recommendation no. 3

DISCUSSION

Overview

Both firms that submitted responses to the request for proposals (RFP) were responsive and responsible. Based on the responses (written and oral) and additional reference checks conducted by departmental staff, LADOT believes that both firms (Xerox and Duncan Solutions) are qualified and could effectively deliver citation processing and collection services.

The recommendation reflects LADOT's assessment that Xerox would provide the best service with minimal service interruption or performance risk. This was the unanimous consensus recommendation of all five evaluation committee members.

In addition, while LADOT used a "best value" selection process (see Appendix A), not a low bid procurement, Xerox also proposed the lowest – and substantially lower (\$8.5 million lower over five years) – cost. However, both proposals are more expensive than current costs. This is why the recommended action by the Mayor and City Council is to direct LADOT to negotiate a contract that holds the line on citation processing costs to fiscal year 2011-2012 levels.

Significance

Citation processing and collections is a significant revenue source. It represents one of the top 10 general fund revenue sources with \$152.8 million in actual revenue in fiscal year 2011-2012 and \$151 million in estimated revenue for fiscal year 2012-2013.

Cost

Contract & Price Model

LADOT recommends continuing a combined citation processing and collections model and contract (option 3). Bringing the services in-house is cost prohibitive (see Appendix B).

It is apparent from the proposals that both proposers believe they will derive significant value (revenue) from collections activities. In fact, unbundling the services increases the five-year cost of processing alone by approximately \$20 million. Based on the proposals, there is no financial advantage to unbundling the services and issuing separate contracts (see Appendix B).

LADOT's recognizes that there are on-going, but unresolved, policy discussions about centralizing citywide collections activities from multiple operating departments. The Mayor and City Council could pay a price premium to unbundle citations collections if it wanted maximum flexibility in the future to consolidate citywide collections. Based on the pricing in these proposals, the city would need to secure a minimum annual increase in collections revenue of approximately \$4 million to offset the increased processing costs. A decision on this policy matter is outside the purview of LADOT, but is identified so that policymakers can consider this issue if desired.

A more expansive discussion of the disadvantages of unbundling processing and collections services is in Appendix C.

Contract Cost

The overall contract structure is essentially "unit pricing", meaning that costs (and revenue) will rise as issuance increases and vice versa. In fiscal year 2011-2012, LADOT issued 2.6 million citations with total processing costs of \$9.1 million and gross revenue of \$152.8 million. This is an average of 219,182 citations per month. Each proposer gave a different unit price per citation at three monthly volumes (less than 200,000; 200,000 to 300,000; more than 300,000), with the unit price decreasing as volumes rise.

Both proposers are more expensive than current costs. Both proposers were asked to submit "last best and final offers" (BAFO) on price, both reduced their costs, but both are still more expensive than current costs by 16-35% over five years.

The table below summarizes the annual costs for the current cost structure and the two proposals using pricing option 3. (A complete pricing comparison of all options is

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contained in Appendix B.) For reference, current year costs are increased 3% in year 1 (the current month-to-month contract was not increased), then 3% annually.

Cost Comparison
Based on BAFO

Year	Current (1)	Current + 3%	Xerox (2)	Duncan (2)
1	\$9.1 m	\$9.4 m	\$9.9 m	\$11.8 m
2	\$9.1 m	\$9.7 m	\$10.2 m	\$12 m
3	\$9.1 m	\$10 m	\$10.5 m	\$12.3 m
4	\$9.1 m	\$10.3 m	\$10.9 m	\$12.5 m
5	\$9.1 m	\$10.6 m	\$11.2 m	\$12.8 m
Total	\$45.5 m	\$49.8 m	\$52.8 m	\$61.3 m

(1) "Current" data for FY 12 based on 2,630,181 citations processed

(2) Calculated assuming 2.6 million citations processed

Even the lower Xerox cost, if accepted, would increase the city's processing costs by \$0.8 million (+9%) in year 1 and \$7.2 million (+16%) over a five-year contract. If Duncan was selected, the cost increases would be more.

Change in Costs vs. Current
Based on BAFO

Year	Xerox		Duncan	
1	\$0.8 m	9%	\$2.7 m	30%
2	\$1.1 m	12%	\$2.9 m	32%
3	\$1.4 m	16%	\$3.1 m	34%
4	\$1.8 m	19%	\$3.4 m	37%
5	\$2.1 m	23%	\$3.6 m	40%
Total	\$7.2 m	16%	\$15.8 m	35%

The following table compares the unit pricing per citation for the alternatives:

Unit Pricing

Average processing cost including reimbursables @ 2.6 million issuance/yr.

Description	Yr. 1	Vs. Current	5-yr. Avg.	Vs. Current
Current	\$3.46			
Xerox BAFO	\$3.82	10.2%	\$4.06	17.2%
Xerox	\$3.94	13.6%	\$4.19	20.9%
Duncan BAFO	\$4.54	31.0%	\$4.72	36.2%
Duncan	\$5.04	45.5%	\$5.24	51.4%

BAFO vs. Original

Xerox	(\$0.12)	-3.0%
Duncan	(\$0.50)	-9.9%

In light of the city's overall budget situation LADOT recommends that the city freeze costs at the current level. This would mean processing fees of \$3.46 per citation assuming the same annual volume of 2.6 million citations. This is consistent with the absence of pay raises for city staff in recent years (whether through no cost of living adjustment, increased pension and health contributions, and/or furloughs).

This means that Xerox will need to reduce their proposed price further. It may mean that some of the additional services proposed by Xerox would need to be eliminated to achieve the target pricing.

Alternatively, the Mayor and City Council could accept Xerox's proposed price structure, which would increase annual costs by \$0.8 million in the first year and \$7.2 million over a five-year contract. Xerox proposes annual cost increases of approximately 3.1%. With this approach, the city would be guaranteed the additional services proposed by Xerox. Duncan proposed a lower annual cost growth rate of 2%, but still exceeded Xerox's costs each year and in total.

Service Quality

Both proposers provide quality services to various clients across the U.S. The proposals and subsequent reference checks indicate that both proposers provide excellent services in most instances and that both providers have had occasional challenges they had to work through, demonstrating the corporate commitment to service delivery. Both Xerox and Duncan could successfully provide citation processing and/or collections services.

System Capability

Xerox proposed to continue and upgrade its existing system (highlights in Appendix D). LADOT has extensive experience with this system and has confidence that it is functional. A weakness is that Xerox uses a legacy mainframe system that supports its national customer base. This makes it hard to improve the system's underlying architecture, e.g. adding new data fields that would improve information capture and analytics.

Duncan proposed a more modern server-based system that is functional according to the experience of their other clients. Theoretically this makes system changes, data compilation, and analytics easier. Duncan did not produce sample reports demonstrating analytics capability, but they did commit to customize any desired reporting features if awarded the contract.

LADOT finds Xerox's capabilities proven and with minimal performance risk while Duncan appears competitive, but without any overwhelmingly compelling or proven functional advantages that off-set the transition risk.

Corporate Experience

Xerox has more experience than Duncan nationally through its acquisition of ACS, the company that provided services to LADOT since the 1980's. The addition of Xerox as the corporate parent strengthens the technical and financial capabilities of the former ACS operation. Xerox serves many of the nation's largest cities.

Duncan also has significant national experience, with more experience in collections service as opposed to citation processing or combined services. They do not currently have experience with a single client with the volume of citations LADOT issues but does have comparable experience processing a similar volume from multiple clients at a single facility.

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Both proposers are proven leaders in this field, but Xerox has an edge in scale and parent company backing. A summary of Xerox's qualifications and team is contained in Appendix D.

Collections

Collections Fee

The collections fee under option 3 is a fixed price charged by the contractor on each delinquent citation. Xerox proposed a fee of \$27.00 and Duncan proposed a fee of \$31.50 in their respective BAFO. There is no cost to the city as the fee is passed on to the recipient of the citation.

Capability

Xerox has proven success in this area for LADOT and has been increasing its effectiveness each year. Their proposal includes the addition of a national collection manager and a nationally recognized subcontracted collections firm (Harris & Harris).

Duncan has extensive experience in collections with a national track record of success. A key competitive advantage proposed by Duncan was its access to the National Law Enforcement Telecommunications System (NLETS) which should improve their ability to locate scofflaws.

LADOT recently applied for its own access to NLETS as a law enforcement agency and once access is granted the selected vendor and subcontractors should be able to capitalize on this additional information for collections work.

Collections Revenue Increase

Both Xerox and Duncan state that they will increase collections (i.e. the delinquent citations paid within two years) compared to the current rate. Xerox states they will increase revenue by \$12 million annually and Duncan states that they will increase revenue annually by \$10-15 million.

For reference the table below illustrates the net collection rate for the past five fiscal years for the current vendor (Xerox). With the exception of FY 2012, data reflect the percent of citations issued paid within two years. FY 2012 data reflect the percent of citations paid in the prior 12 months, i.e. the most recent fiscal year rate always lags.

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FY	Rate
2008	83.32%
2009	83.56%
2010	83.77%
2011	84.09%
2012 *	73.95%

"Net collection rate" is calculated as the number of citations paid (processed or collected) divided by the net number of citations issued (i.e. total issuance minus voids, suspends, dismissals, and reductions).

Xerox asserts that they can raise the net collection rate to 82% during the first 12 months of the contract and to at least 85% thereafter.

In order to create a financial incentive to perform to this level, LADOT recommends a legally binding financial guarantee of this collections performance via a letter of credit. Revenue should not be used as the basis to measure performance because this could increase independent of the vendor's performance if the Mayor and City Council decide to increase citation fines.

In addition, the new contract will reduce the time the vendor has to collect on delinquent accounts and add the flexibility for the city to refer accounts to other collections agencies after 450 days.

Other

Both proposers recommend a Motorola handheld unit for LADOT traffic officers. LADOT traffic officers and information technology staff have tested multiple models provided by both proposers and will make a final selection after contract award and final testing.

Xerox team members demonstrated a more thorough understanding of current and emerging technology. They also indicated openness to new approaches that can improve service quality.

Duncan has seasoned employees, many of whom are former Xerox staff with experience working on LADOT's contract.

Both proposers included qualified staff, but on balance LADOT gives the edge to Xerox and believes they will provide superior technical support. This is informed by LADOT's direct experience with both proposers: Xerox on citation processing and collections and

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Duncan on ExpressPark (as a subcontractor to Xerox) and supporting handheld units used by LADOT meter maintenance staff.

Optional Services

LADOT requested proposers to describe additional services in nine different areas that could benefit the city (RFP Sec. 10, pp.183-190). The purpose was to provide a menu of service and functional upgrades that could be added in the future if desired by policy makers and LADOT management, likely at an additional expense.

In addition, the optional services may present opportunities to increase competition and innovation by pursuing separate agreements with other service providers who are not able to offer the full range of service required in the RFP.

Proposers did not price their optional services and they were not considered or scored in the evaluation process.

Schedule

There is no transition time for Xerox to maintain continuity of services. The implementation timetable for new services by Xerox is two to six months (see Appendix F). Duncan indicated that it would take 12-18 months to fully transition as the city's service provider.

Risk

Changing service providers inherently creates risk related to the timeline and complexity of the transition. It also requires additional city staff oversight at a time of reduced staffing. Since the recommended proposer is the incumbent, this risk is minimized.

Duncan's implementation timeline would require Xerox (as the current service provider) to agree to maintain continuity of service during the transition period. Because of the city's dependence on Xerox to provide this service, there would be additional price risk.

There are no compelling reasons (i.e. cost and service quality) that would cause LADOT to recommend bearing additional risk (in addition to a higher cost) on this contract. Changing service providers at this time is not recommended.

Term

A five year term is consistent with past practice and strikes a balance between having service consistency with the same provider and having competition that occurs during any procurement process.

In addition, the size and complexity of the contract and resulting services require significant staff time, therefore any term less than five years will increase costs.

The Mayor and City Council could decide to either reduce or lengthen the contract term.

BACKGROUND

The City of Los Angeles has contracted with Xerox (formerly ACS) for parking citation processing and collections since 1985. The current agreement expired on March 9, 2011 and is currently being extended on a month-to-month basis using the same terms and conditions as the prior contract.

FISCAL IMPACT

Funding for the services performed under the proposed contract historically is included in the department's general fund budget. The contract cost is off-set by citation revenue that is deposited in the general fund. For FY 2012, the citation processing costs (including reimbursable expenses) represented 6.0% of \$152,844,148 in actual revenue.

ATTACHMENTS

The attachments provide additional detail to support the analysis and recommendations in the main report.

- APPENDIX A – PROCUREMENT PROCESS
- APPENDIX B – PRICE COMPARISON
- APPENDIX C – DISADVANTAGES OF UNBUNDLING PROCESSING & COLLECTIONS
- APPENDIX D – RECOMMENDED VENDOR QUALIFICATIONS
- APPENDIX E – NEW SERVICES
- APPENDIX F – IMPLEMENTATION TIMELINE

APPENDIX A – PROCUREMENT PROCESS

Procurement Type

The request for proposals (RFP) process was a “best value” procurement, not a low bid contract. This means that both price and non-price qualifications were considered. This type of procurement was selected to ensure that the city will receive the best service quality possible.

Request for Proposals

Prior to releasing the final RFP, on October 26, 2011, LADOT released a draft to the industry for review and comment. This was to ensure that the RFP was clear, addressed industry issues, and incorporated private sector expertise in parking citation processing and collections services. A total of six companies received the draft RFP and three companies submitted written comments to LADOT on November 9, 2011.

- ACS State and Local Solutions * (acquired by Xerox)
- City of Inglewood Parking Outsource Services *
- Duncan Solutions *
- IBM
- Turbo Data Systems
- Universal Collection Systems

All companies received copies of all other companies' comments and LADOT's responses. Most of the comments were incorporated into the final RFP.

On February 27, 2012, LADOT issued a RFP for parking citation processing and collections services. The RFP was electronically posted on the Los Angeles Business Assistance Virtual Network as required by city policy.

On March 23, 2012, a mandatory pre-proposal meeting was held at the LADOT headquarters office located at 100 South Main Street. The purpose of the pre-proposal conference was to provide an overview of the RFP and to provide an opportunity for prospective bidders to request clarification of the city's administrative requirements.

Ten different companies participated in the pre-proposal meeting. The procurement officer chaired the meeting and the department's contract analyst was available to answer any questions regarding the city's administrative requirements. Addenda were issued at various times throughout the process, to address questions submitted by prospective proposers and to clarify sections as necessary.

Evaluation Committee

The evaluation committee ("committee") consisted of the executive officer of the administration group (chair) plus four additional staff members with expertise in different facets related to the contract: parking adjudication, systems (information technology), parking enforcement, and contract administration. The committee members have a combined 70 years of experience in parking citation processing and collections.

Evaluation Criteria

The RFP identified the evaluation criteria (summarized below) and weighting (maximum points for each criterion). A bonus of up to 8% was awarded to proposers who qualified under the city's "Local Business Preference Program".

<u>Criteria</u>	<u>Max. Points</u>
Capability of proposed system to meet RFP requirements	250
Corporate experience and capability	200
Cost	200
Collection activities	150
Implementation planning and training	100
Other (hand held ticket writers, GIS, etc.)	100
Total	1,000

A complete description of the evaluation criteria is contained in the RFP on pp.195-196.

Proposals Received

Only two companies submitted proposals on the due date of May 22, 2012 (in alphabetical order): Duncan Solutions (Duncan) and Xerox State and Local Solutions (Xerox).

Pre-Screening Proposals

A "pre-screening" of each proposal was completed by the department's contract administration division to verify that all required information was received before the committee evaluated the proposals, i.e. that the proposals were responsive to the city's administrative requirements. Both proposals complied with the city's various contract requirements including the business inclusion program, the living wage ordinance, the service contractor worker retention ordinance, the equal benefits ordinance, the contractor responsibility ordinance, and the child support obligation ordinance.

Proposal Distribution to Committee Members

On June 13, 2012, the proposals were distributed to all committee members under the oversight of the deputy city attorney.

Evaluation Process

The evaluation process was administered as described in the RFP.

Initial Scoring

Committee members reviewed the written proposals and gave initial scores for each criterion for each proposer. Committee members did not discuss the proposals or share scoring with each other.

On July 30, 2012, committee members turned in their scores for each proposer to the chair. The chair tallied the scores of each member and confirmed that both proposers scored the minimum required 700 points from all committee members.

Oral Presentations

Both proposers made oral presentations to the committee on August 21, 2012 at LADOT headquarters.

References

The chair conducted telephone reference checks of current and former customers for both proposers:

Duncan Customers

Houston, TX
Inglewood, CA
Milwaukee, WI
Oakland, CA
San Diego, CA
Washington, DC

Xerox Customers

Boston, MA
Denver, CO
LADOT (ExpressPark)
Los Angeles County, CA
Washington, DC
West Hollywood, CA

The customers were selected based on references provided by the proposers as well as other major customers selected by the chair.

Reference checks were used to validate statements made by each proposer and to assess their past and present performance as it relates to the scope, size, and complexity of services in the RFP. The quality and performance of both proposers was assessed based on the feedback received from each proposers past and current customers.

On October 30, 2012 the chair verbally shared the results of the reference checks with the committee members.

Ranking

Each committee member gave final scores for each criterion for each proposer based on the quality of the written proposal, oral interview, and reference checks. (Initial scoring was not considered, did not account for all information available for each proposer, and was used for screening purposes only.) Based on each committee member's score, he or she ranked the proposers.

"Forced ranking" was used to eliminate potential bias related to totaling or averaging points from evaluators with different spreads (variances) between scores.

On October 30, 2012, the chair convened the committee and each member submitted his or her rankings to the chair. Committee members did not discuss their scores or rankings prior to submittal to the chair.

The chair tabulated the rankings and the unanimous consensus showed Xerox ranked first, followed by Duncan ranked second. The committee then discussed the strengths and weaknesses of each proposal.

Last Best and Final Offer (BAFO)

On October 31, 2012, the committee met with the general manager and advised him of the rankings and staff recommendation. The committee also advised that the price of both the recommended proposer and second ranked company exceeded the current cost. Xerox had a lower price than Duncan.

The general manager directed to chair to solicit a "last best and final offer" (BAFO) from each proposer limited to pricing for each option. No other changes to the proposals were allowed.

Both proposers submitted their BAFO on the deadline of 9:00 a.m. PST, Monday, November 5, 2012 and both proposers reduced their proposed price.

Final Ranking

The committee members reconvened, were advised of the BAFO, and individually re-scored and re-ranked the proposers. The chair tabulated the rankings and the unanimous consensus again showed Xerox ranked first, followed by Duncan ranked second.

APPENDIX B – PRICE COMPARISON

Pricing Model

Options

The RFP required proposers to submit prices based on pricing models established by LADOT after 12 months of research of the best practices in the U.S. The selected pricing models (summarized below) were designed to allow true “apples-to-apples” comparisons and to provide the Mayor and City Council with the prices for different policy options.

- **Option: 1A citation processing only** – If collections is centralized outside LADOT or if the services and pricing made it advantageous to award separate contracts for citation processing and collections.
- **Option 1B: collections only** – If the services and pricing made it advantageous to award separate contracts for citation processing and collections.
- **Option 1C: citation processing & collections (fixed fee)** – If the services and pricing made it advantageous to award a combined contract citation processing and collections. This option allowed staff to identify the service levels for a given collection fee as well as compare processing costs when collections fee revenue is fixed.
- **Option 2: citation processing & collections system lease** – If the Mayor and City Council decide to operate the service with city staff.
- **Option 3: citation processing & collections** – If the services and pricing made it advantageous to award a combined contract citation processing and collections, with proposers setting the price for both processing and collections (same as current practice).

Recommended Pricing Model

LADOT staff recommends option 3. Option three is more cost effective and avoids the negative operational impacts of unbundling citation processing and collections functions (see Apperidix F).

Contract Cost

The proposed contract would provide for fixed unit pricing (i.e. per citation processed or delinquent citation collected). Citation processing pricing is on a sliding scale with the unit price decreasing as volumes rise and vice versa.

Because pricing is per unit and actual citation issuance may vary, the total fiscal year cost may be higher or lower than the figures shown in this report. However, the change in revenue will exceed the incremental cost (if issuance increases) and vice versa.

Pricing Comparison

Both proposers submitted prices that exceed current costs (\$9.1 million in FY 2012, inclusive of reimbursed costs). This is partially attributable to the following factors:

- Expanded scope of work requested by LADOT
- Removal of reimbursable expenses, now borne by operator and blended into processing fee
- Enhanced infrastructure requirements requested by LADOT
- Enhanced information systems requested by LADOT

Proposers submitted costs at different annual citation processing volumes ranging from 2.5 million to 3.0 million in 100,000 increments. Prices were submitted for each option and volume by each proposer. The table below compares the proposed prices to process 2.6 million citations annually, which is the FY 2012 level of service.

The pricing shows that unbundling the two main services results in the city paying a higher proportion of operating costs and profit to the operator. Conversely, when the collections fee is included – and when the operator can set the fee – the processing costs are lower.

Details for each pricing option follow the pricing summary table.

Pricing Summary

Option Description		Xerox BAFO	Xerox Original	Duncan BAFO	Duncan Original
5-Year Cost					
1A	Processing Only		\$78.1 m	\$96.4 m	\$107.2 m
1C	Combined/Fixed Fee		\$58.1 m	\$78 m	\$86.7 m
2	System Only		\$34.5 m		\$34.4 m
3	Combined/Proposed Fee	\$52.8 m	\$54.4 m	\$61.3 m	\$68.2 m
Collections Processing Fee					
1B	Collections Only		\$22.00		\$21.60
1C	Combined/Fixed Fee		\$25.00		\$25.00
3	Combined/Proposed Fee		\$27.00		\$31.50

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Option 1A - Ticket Processing Only

SUMMARY			
Lowest cost	Xerox	78,140,000	
Next lowest proposer	Duncan	96,436,000	
5-year variance		18,296,000	23.4%

CITATION VOLUME						
Annual	2,600,000	2,600,000	2,700,000	2,800,000	2,900,000	2,900,000
5-Year	12,600,000	13,000,000	13,500,000	14,000,000	14,500,000	14,500,000

XEROX - ORIGINAL

	Annual Cost					
Year 1 (\$3.99 & \$3.29)	14,295,000	14,694,000	15,093,000	15,492,000	15,891,000	16,290,000
Year 2 (\$4.11 & \$3.39)	14,739,000	15,150,000	15,561,000	15,972,000	16,383,000	16,794,000
Year 3 (\$4.24 & \$3.50)	15,184,000	15,608,000	16,032,000	16,456,000	16,880,000	17,304,000
Year 4 (\$4.37 & \$3.61)	15,653,000	16,090,000	16,527,000	16,964,000	17,401,000	17,838,000
Year 5 (\$4.51 & \$3.72)	16,147,000	16,598,000	17,049,000	17,500,000	17,951,000	18,402,000
5-Year Total	76,018,000	78,140,000	80,262,000	82,384,000	84,506,000	86,628,000

XEROX - BAFO

	Annual Cost					
Year 1						
Year 2						
Year 3						
Year 4						
Year 5						
5-Year Total						

DUNCAN - ORIGINAL

	Annual Cost					
Year 1 (\$5.25 & \$2.49)	20,245,000	20,694,000	20,943,000	21,292,000	21,641,000	21,990,000
Year 2 (\$5.36 & \$2.54)	20,660,000	21,016,000	21,372,000	21,728,000	22,084,000	22,440,000
Year 3 (\$5.46 & \$2.59)	21,051,000	21,414,000	21,777,000	22,140,000	22,503,000	22,866,000
Year 4 (\$5.57 & \$2.64)	21,490,000	21,860,000	22,230,000	22,600,000	22,970,000	23,340,000
Year 5 (\$5.68 & \$2.70)	21,906,000	22,284,000	22,662,000	23,040,000	23,418,000	23,796,000
5-Year Total	105,352,000	107,168,000	108,984,000	110,800,000	112,616,000	114,432,000

DUNCAN - BAFO

	Annual Cost					
Year 1	18,218,000	18,532,000	18,846,000	19,160,000	19,474,000	19,788,000
Year 2	18,584,000	18,904,000	19,224,000	19,544,000	19,864,000	20,184,000
Year 3	18,951,000	19,278,000	19,605,000	19,932,000	20,259,000	20,586,000
Year 4	19,341,000	19,674,000	20,007,000	20,340,000	20,673,000	21,006,000
Year 5	19,708,000	20,048,000	20,388,000	20,728,000	21,068,000	21,408,000
5-Year Total	94,802,000	96,436,000	98,070,000	99,704,000	101,338,000	102,972,000

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Option 1B – Collections Only

Current: \$21.00/citation
Xerox: \$22.00/citation
Duncan: \$21.60/citation

The city may recall uncollected, delinquent citations after 450 days and refer to another collections agency under this option.

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Option 1C - Ticket Processing & Special Collections with Fixed Fee of \$25.00

SUMMARY			
Lowest cost	Xerox	58,090,000	
Next lowest proposer	Duncan	78,022,000	
5-year variance		19,932,000	34.3%

CITATION VOLUME						
Annual	2,500,000	2,600,000	2,700,000	2,800,000	2,900,000	2,900,000
5-Year	12,500,000	13,000,000	13,500,000	14,000,000	14,500,000	14,500,000

XEROX - ORIGINAL

	Annual Cost					
Year 1 (\$3.99 & \$3.29)	10,559,000	10,918,000	11,277,000	11,636,000	11,995,000	12,354,000
Year 2 (\$4.11 & \$3.39)	10,882,000	11,252,000	11,622,000	11,992,000	12,362,000	12,732,000
Year 3 (\$4.24 & \$3.50)	11,232,000	11,616,000	12,000,000	12,384,000	12,768,000	13,152,000
Year 4 (\$4.37 & \$3.61)	11,578,000	11,972,000	12,366,000	12,760,000	13,154,000	13,548,000
Year 5 (\$4.51 & \$3.72)	11,925,000	12,332,000	12,738,000	13,144,000	13,550,000	13,956,000
5-Year Total	66,177,000	68,090,000	70,003,000	71,916,000	73,829,000	75,742,000

XEROX - BAFO

	Annual Cost					
Year 1						
Year 2						
Year 3						
Year 4						
Year 5						
5-Year Total						

DUNCAN - ORIGINAL

	Annual Cost					
Year 1 (\$5.25 & \$2.49)	16,383,000	16,662,000	16,941,000	17,220,000	17,499,000	17,778,000
Year 2 (\$5.36 & \$2.54)	16,701,000	16,986,000	17,271,000	17,556,000	17,841,000	18,126,000
Year 3 (\$5.46 & \$2.59)	17,042,000	17,332,000	17,622,000	17,912,000	18,202,000	18,492,000
Year 4 (\$5.57 & \$2.64)	17,384,000	17,680,000	17,976,000	18,272,000	18,568,000	18,864,000
Year 5 (\$5.68 & \$2.70)	17,726,000	18,028,000	18,330,000	18,632,000	18,934,000	19,236,000
5-Year Total	85,236,000	86,688,000	88,140,000	89,592,000	91,044,000	92,496,000

DUNCAN - BAFO

	Annual Cost					
Year 1	14,747,000	14,998,000	15,249,000	15,500,000	15,751,000	16,002,000
Year 2	15,041,000	15,298,000	15,555,000	15,812,000	16,069,000	16,326,000
Year 3	15,333,000	15,594,000	15,855,000	16,116,000	16,377,000	16,638,000
Year 4	15,650,000	15,916,000	16,182,000	16,448,000	16,714,000	16,980,000
Year 5	15,944,000	16,216,000	16,488,000	16,760,000	17,032,000	17,304,000
5-Year Total	76,715,000	78,022,000	79,329,000	80,636,000	81,943,000	83,250,000

Option 2 – Parking Management System Lease

Xerox: \$34,500,000
Duncan: \$34,392,100

Overview

- City pays fixed price for five-year lease
- City staff processes citations
- Vendor makes available experienced consulting services
- Vendor proposes hourly rate for consulting services
- City uses consulting services on as-needed basis

Additional Costs

If the city opted to bring citation processing (but not collections) in-house, the city would have to add an estimated 125 position authorities and personnel to match Xerox's current staffing levels (as the current service provider).

LADOT human resources and budget staff identified a corresponding civil service position for each Xerox position. Direct compensation costs were estimated using Wages & Count figures. Indirect costs also were estimated. The annual total cost is \$15.8 million and \$78.9 million over five years. This excludes any salary growth (COLA, step increases, etc.) or growth in benefits costs or pension obligations.

Combined with the lowest system cost above (Duncan), this is a five year cost of \$113.3 million. Other services associated services were not estimated in light of the huge cost variance between in-house staffing and the current proposals, but would increase the total cost further. These services include armed guards, armored vehicle cash pick-up, data entry, storage, courier, ad hoc consulting, and third party collections.

Policy Alternative

LADOT met with eight labor unions representing various classifications that would be involved if the city brought services in-house and provided them with detailed written information about the services during the development of the RFP. LADOT received no proposal from any city labor union to provide the services.

If the Mayor and City Council want to bring citation processing in-house, the cost premium would be approximately 100% (double). If the city takes this policy direction, position authority and budget estimates should be confirmed by the City Administrative Office and Department of Personnel.

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Option 3 - Citation Processing & Special Collections with Proposed Fee

SUMMARY			
Lowest cost	Xerox	52,788,000	
Next lowest proposer	Duncan	61,326,000	
5-year variance		8,538,000	16.2%

CITATION VOLUME						
Annual	2,500,000	2,800,000	2,700,000	2,800,000	2,900,000	2,900,000
5-Year	12,500,000	13,000,000	13,500,000	14,000,000	14,500,000	14,500,000

XEROX - ORIGINAL						
Collections fee	27.00					
	Annual Cost					
Year 1 (\$3.99 & \$3.29)	9,905,000	10,234,000	10,563,000	10,892,000	11,221,000	11,550,000
Year 2 (\$4.11 & \$3.39)	10,203,000	10,542,000	10,881,000	11,220,000	11,559,000	11,898,000
Year 3 (\$4.24 & \$3.50)	10,526,000	10,876,000	11,226,000	11,576,000	11,926,000	12,276,000
Year 4 (\$4.37 & \$3.61)	10,849,000	11,210,000	11,571,000	11,932,000	12,293,000	12,664,000
Year 5 (\$4.51 & \$3.72)	11,196,000	11,568,000	11,940,000	12,312,000	12,684,000	13,056,000
5-Year Total	52,679,000	54,430,000	56,181,000	57,932,000	59,683,000	61,434,000

XEROX - BAFO						
Collections fee	27.00					
	Annual Cost					
Year 1	9,607,000	9,926,000	10,245,000	10,564,000	10,883,000	11,202,000
Year 2	9,905,000	10,234,000	10,563,000	10,892,000	11,221,000	11,550,000
Year 3	10,203,000	10,542,000	10,881,000	11,220,000	11,559,000	11,898,000
Year 4	10,526,000	10,876,000	11,226,000	11,576,000	11,926,000	12,276,000
Year 5	10,849,000	11,210,000	11,571,000	11,932,000	12,293,000	12,664,000
5-Year Total	51,090,000	52,788,000	54,486,000	56,184,000	57,882,000	59,580,000

DUNCAN - ORIGINAL						
Collections fee	31.50					
	Annual Cost					
Year 1 (\$5.25 & \$2.49)	12,849,000	13,098,000	13,347,000	13,596,000	13,845,000	14,094,000
Year 2 (\$5.38 & \$2.54)	13,118,000	13,372,000	13,626,000	13,880,000	14,134,000	14,388,000
Year 3 (\$5.46 & \$2.59)	13,363,000	13,622,000	13,881,000	14,140,000	14,399,000	14,658,000
Year 4 (\$5.57 & \$2.64)	13,632,000	13,896,000	14,160,000	14,424,000	14,688,000	14,952,000
Year 5 (\$5.68 & \$2.70)	13,902,000	14,172,000	14,442,000	14,712,000	14,982,000	15,252,000
5-Year Total	66,864,000	68,160,000	69,456,000	70,752,000	72,048,000	73,344,000

DUNCAN - BAFO						
Collections fee	31.50					
	Annual Cost					
Year 1	11,576,000	11,800,000	12,024,000	12,248,000	12,472,000	12,696,000
Year 2	11,797,000	12,026,000	12,255,000	12,484,000	12,713,000	12,942,000
Year 3	12,017,000	12,250,000	12,483,000	12,716,000	12,949,000	13,182,000
Year 4	12,262,000	12,500,000	12,738,000	12,978,000	13,214,000	13,452,000
Year 5	12,507,000	12,750,000	12,993,000	13,236,000	13,479,000	13,722,000
5-Year Total	60,159,000	61,326,000	62,493,000	63,660,000	64,827,000	65,994,000

This option allows for relatively fixed costs, minimizes risk to the revenue stream, identifies one responsible vendor and provides cost effective business solutions. Using this model, the city receives a price reduction of \$5.3 million (~ 10%) versus the next lowest priced option (1C) at 2.6 million citations processed annually. The exact cost benefit will depend on actual issuance over the five year contract term.

Changes to Current Pricing Model

LADOT make five notable changes in the RFP compared to how we currently operate.

1. **Printing Costs** – The city will not reimburse the selected respondent for printing costs. These fees are currently reimbursed by the city at an average annual cost of \$433,000 per fiscal year.
2. **Postage Costs** – The city will not reimburse the selected respondent for postage costs. This fee is currently reimbursed by the city at an average annual cost of \$934,000 per fiscal year.
3. **Document Storage** – The city will not reimburse the selected respondent for document storage and retrieval costs. This fee is currently reimbursed by the city at an average annual cost of \$59,000 per fiscal year.
4. **Voided Citations** – The city currently pays approximately \$108,000 annually in processing fees for voided citations. In the most recent audit, the Controller recommended not paying the contractor for voided citations because of the limited processing activities involved. We concurred with the Controller's recommendation and will not pay the contractor for processing voided citations.
5. **Performance Bond** – We are requiring a performance bond in an amount of at least \$5 million per year. However, as an option, the city may accept a \$3 million performance bond combined with another acceptable alternative to the city such as a cash-in-lieu payment or a \$2 million irrevocable letter of credit.

Revenue Off-Set

Both proposers asserted that they could increase city revenues through improved collections efforts. They assert that the increased revenue would off-set the higher costs in their proposals.

LADOT did not consider the potential additional revenue for the following reasons:

1. **Same order of magnitude increase** – Duncan asserted an increase in the \$10-15 million range while Xerox asserted a \$12 million increase. There was not a substantial difference that would merit weighing either proposer's assertion more favorably than the other.
2. **No guarantee** – Both firms asserted increased revenue and explained how they would achieve the revenue through enhanced collections efforts, but neither offered a legally binding guarantee. To increase accountability and incentive to perform, the selected firm should be required to provide a financial guarantee.

APPENDIX C – DISADVANTAGES OF UNBUNDLING PROCESSING & COLLECTIONS

Because of the close and interdependent nature of citation processing, collections, and data collection and analysis, LADOT concluded that there are significant actual and potential negative impacts from unbundling services in addition to the cost premium identified elsewhere in this report.

Issue	Impact
Customer service	• Additional routing costs if customer contacts wrong co. (2 phone numbers, web portals, service staff, etc.) • May affect performance standards • May cause monitoring issue • Unclear dispute resolution
Change orders	• Required integration and data sharing may increase costs
Systems interface	• Interface between systems increases internal costs & may be passed on to city • May encourage finger pointing by vendors • No true centralized system of record
City's financial management system (CARRS)	• Have to build interfaces to multiple vendors • Increased staff and/or service fee cost and difficulty keeping data and status in "sync" • Possible reconciliation issues
Revenue distribution & payments at cashiering	• Two sets of revenue distribution processes • Increased work for staff to reconcile • Cost to process collection payments • Potential additional cost to send files to collection company to update their file
Reports, record reconciliation & audit	• Additional staff time to review two sets • Lag in record reconciliation • Double audit capability will be needed • Double performance reports to monitor, analyze, etc.
Privacy rights	• May violate privacy rights • All collection vendors must secure independent access to DMV records • Possibly increases opportunities for name and address confidentiality breaches

APPENDIX D – RECOMMENDED VENDOR QUALIFICATIONS

Overview

Xerox is the largest parking citation processing and collections firm in the U.S. They also have significant experience operating LADOT's parking citation processing and collection program and are the incumbent contractor of the related services contained in this RFP. Xerox is a provisionally qualified local business under the city's new "Local Business Preference Program".

Experience

The RFP required five or more year experience with clients issuing/processing at least one million citations per year. Xerox has five clients that meet this threshold and was the only proposer to process this volume with a single client. (Duncan processes over one million citations annually at a single facility, but from multiple clients.)

<u>Top Five Clients</u>	<u>FY 2010-11 Issuance</u>
District of Columbia	2.6 million
Los Angeles, CA	2.6 million
Philadelphia, PA	1.6 million
San Francisco, CA	1.6 million
Boston, MA	1.4 million

Team

The local Xerox team consists of 17 staff members and 15.4 full-time equivalents (FTE). The proposed team has 140 years of collective experience serving the Los Angeles area. Specific positions and staff are listed in the table below.

The total Xerox team includes 125 staff members.

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Count	Position	Staff	FTE	LA Exp. (Yrs.)
1	Regional Director	Arti Gupta	0.70	2.5
2	Program/Project Manager	Esther Borenstein	1.00	3.0
3	Director of Operations	Elaine MacGilfrey	0.90	0.5
4	National Director of Collections	Mike Brown *	0.10	20.0
5	Support Service Manager	Kim Birket	0.90	7.0
6	Call Center Manager	Alicia Villalpando	1.00	13.0
7	Public Service Center Manager	Linda Webb	0.90	21.0
8	Lockbox Manager	Lisa Schearer	0.90	8.0
9	Business Analyst	TBD	1.00	new hire
10	Business Analyst	Sarah Palmer	1.00	new hire
11	Collection Analyst	Josephine Seitang	1.00	new hire
12	Systems Manager	Juan Bejar	1.00	20.0
13	Network Support	Kevin Nguyen	1.00	3.5
14	Systems Technician	Artin Voskanian	1.00	5.5
15	Software Development	Nate Gilchrist	1.00	12.0
16	Citation Reviewer	Rose Dymally	1.00	20.0
17	Citation Reviewer	Janet Luong	1.00	4.0
Total			15.40	140.0

* 1.0 with Xerox (Los Angeles)

APPENDIX E – NEW SERVICES

Below is a high-level summary of the services in the Xerox proposal that are in addition to services they currently provide. This list is not all inclusive, as some new enhancements are either process or technical in nature and relate to enhancements of software in eTIMS, ReportWeb, ReportWrite, Business Objects or DataViewer.

Customer Service

- **Multi-Lingual Correspondence Review and Response** – Xerox will respond in Spanish to customers that write to the parking violations bureau in Spanish.
- **ProAmerica Bank** – This a new Xerox subcontractor that will provide payment processing and manage the public service centers. María-Contreras-Sweet (former California Secretary of Business, Transportation and Housing under Governor Gray Davis) is the cofounder and CEO of ProAmerica Bank, which is the first Latino-formed business bank to debut in downtown Los Angeles in the past 30 years.
- **Expanded Payment Options** – This new partnership with the Official Police Garages (OPG) will provide optional cashiering services in support of parking citation collections at three impoundment lots as an initial pilot program. If the pilot proves successful, a continuation or expansion of the program will be subject to further negotiations.
- **Security** – Allied Protection Services (subcontractor) will provide protection service at the public service centers and adjudication offices.
- **Mobile Website** – Xerox is offering a mobile website so customers can make payments via smart phone. This will result in faster and timelier payment options.
- **Social Media** – Xerox is offering a social web portal, similar to the ParkIndy project, where customers can comment and receive responses on parking citation matters utilizing social media, such as Facebook and Twitter, so the department can communicate with the public through the parking violations bureau.
- **Xerox Communication Engineering Group** – A group within Xerox that will redesign notices and correspondence to maximize responses and payment.
- **Redesigned Website** – Xerox will provide a new customer service based website redesign and refresh based on city specifications. Xerox states in their proposal that they will have a new enhanced website available on the first day of the contract with numerous enhancements (see table below).

Feature	Description
Customer Service	
Social media	New tool that allows the city a mechanism for proactively communicating with the public on parking related matters
Request a hearing	New screen and graphics refresh
Pay-by-web	New screen and graphics refresh
Parking permit	New enhanced RPP application
Mobile web	New customer access to specific web applications using their smart phone
Download forms	New revised PDF forms
Contest a ticket	New enhanced application that allows customers to upload documents and see images attached to the citation record
Complaints & Problem Reporting	
Abandoned vehicles	New screen and graphics refresh
City complaints	New specific window that allows city agencies to submit complaints directing into work queues
Customer service surveys	New tool used for measuring the effectiveness of the city's parking program and web based tools
Customer web portal	New easy and intuitive means of accessing parking violation information and provides notification feature for registered
Faded curb complaint	New screen and graphics refresh
Officer complaints	New specific window that addresses officer complaints and submits directly to city staff via work queues
Parking meter outages	New screen and graphics refresh
Sign complaint	New screen and graphics refresh

Collections

- **Harris & Harris** – This new Xerox subcontractor will provide collection services. This company has 40 years of experience and collects over \$300 million in government debt annually. This is a new subcontractor for Xerox which began an outbound calling campaign in June of 2012 for citations that were between 3 and 5 years old. The current data shows that this company has collected \$104,662 of the most difficult to collect citations from June through August 2012.
- **GC Service** – This new Xerox subcontractor will provide collection services as well. This company currently manages collections for the LA County Court System and is the largest collection agency in North America.
- **Small Claims and Superior Court Filings** – Xerox will have staff that will serve as dedicated liaisons responsible for coordinating responses to appeals and appearing in Court for hearings and will also submit Entry of Judgments for citation in excess of 180 days of issuance and a total balance in excess of \$400.

Parking Enforcement Integration

- **Enforce** – A new Xerox citation issuance application that uses inputs from multiple real time sources such as sensors, meters, and GPS-equipped handhelds. This software will be able to assist parking enforcement by looking at potential regulations, past occupancy patterns, policy data and historic data on ticket issuance and provide a graphic suggestion to officers via their handheld on how to optimize productivity on their beats.
- **Handheld Technology** – The two options for handheld ticket writers are the Motorola MC9500 or Motorola MC75A with the PocketPEO software. The Motorola handhelds being offered are the best in class in terms of handheld solutions and are currently being used in other California cities such as San Francisco, Oakland, West Hollywood, Santa Monica, Beverly Hills, LA County Sheriff's Department and are currently in use for the LA Express Park project.
- **Smart Routing** – LADOT field investigators will have a smart routing application for street complaint and investigations.

Analytics

- **Dashboard** – In addition to the current parking enforcement dashboard, Xerox proposes to add an additional reporting suite for management so that data will be automatically converted to near real-time charts and graphical images. Include with

the Xerox dashboard proposal, is a parking meter dashboard that will provide data on parking meter revenue, maintenance and occupancy by area, block and device.

- **PARC** – The Palo Alto Research Center (PARC) currently supports LA Express Park and the development of the congesting pricing algorithm for Merge. Xerox is offering one technology pilot program for each year of the contract with a seed money allocation not to exceed \$50,000 per year. During the oral presentation, a Xerox PARC scientist explained how they would utilize PARC social scientists to bring the separate disciplines of research, engineering, social science, design, and business strategy to the Los Angeles parking program.
- **Xerox Innovation Group** – A group within Xerox that will provide consulting and provide data analytics.
- **Reports Analyst** – A new position of report analyst will be hired to create and run reports specifically for LADOT.
- **Management Information Analyst** – This analyst will be responsible for responding to all of the City's ad hoc report requests.
- **GIS Application** – The handhelds provided by Xerox will include GPS in the handheld ticket writers and all related computer equipment to support a complete web-based automated handheld GPS system that can track the handheld device from a database application. In addition, the GIS application will be able to produce GIS maps of officer activities during any given shift.

Other

- **Tablets for field investigators** – LADOT field investigators will have tablets for street (paint/curb) complaints and investigations with Wi-Fi access to speed investigations.
- **Increased Network Capabilities** – Xerox will increase network capabilities for all hearing examiners so they can store and review photographic evidence submitted at hearings in a paperless virtual case file storage system.
- **G&C Services** – This new Xerox subcontractor will provide procurement services. This company currently provides procurement service for the LA Express Park program.

APPENDIX F – IMPLEMENTATION TIMELINE

Xerox proposes to install new features, enhancements, and the technology refresh in three to six months after LADOT Issues a notice to proceed (NTP). The specific schedule for each enhancement is in the table below.

Function	Enhancements	Days After NTP
Production notices, collection notices, sweep noticing	Re-design of notices	50
Lockbox operations, call center, four public service centers, pay-by-pone	- Return mail update to eTIMS - DMV inquiries at service centers - Courtesy phone adjudication offices - Remote audio/visual system - Workflow for referral of review	60
PVB web-site Maintenance, online contesting, hearing scheduling, pay-by-web	- Redesign of PVB web-site - Abandoned vehicle/real-time work orders - Customer service portal, including access to photos of violation incident - Improved on-line contesting with ability to submit documents	60
Managed receivables, noticing, enhanced outbound calling	- Dynamic noticing - Enhanced outbound calling - Judgment entry - Payment plan for delinquent citations	60
IVR system, phone system, call recording, call tracking and monitoring, voice recognition	- Telephone system upgrade - Enhanced call tracking - Supervisor call back option with number recorded - Enhanced call recording and monitoring	74
Electronic Ticket Information Management System (eTIMS)	- Spanish outgoing correspondence - All outgoing correspondence imaged - New reports - Call recordings available in eTIMS - Custom liable letters - Real-time update of citations	75

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Fleet subsystem	• New fleet portal for contesting and payments	75
Issuance dashboard	• Issuance tracking • Revenue tracking • Correspondence and phone calls	90
Adjudication subsystem, virtual case folders, workflow, customized letters	• Organized virtual case folders • SharePoint repository • Refresh to security system • Audio recordings of hearings • Xerox court liaison for court appeals	137
Residential permit parking subsystem, permit renewals by web, guest permits by web, permit replenishment, renewal noticing, new permit application	• GIS based inventory and mapping database • District maps with participation and occupancy data • Implement data entry of block limits • LPR software to support studies • Recording of permit related calls • Dedicated staff at PSC to answer RPP questions • PVB website enhanced for renewal of permits	137
Desktops, printers, servers, application software	• Equipment refresh – Rolled-out in phases by location	137
Handheld Equipment	• Selection of new handhelds and printers • Selection of handhelds • Field testing • Training • Order equipment • Equipment roll out by location	No later than April 1, 2013
Handheld software PocketPEO	• Modifications to PocketPEO software • Wireless application for impounds • Access to RPP subsystem • Wireless access to abandoned subsystem • Vehicle abatement • Parking survey application	No later than June 20, 2013

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Complaint and Investigation Handhelds	• Enhanced application • New equipment-Tablets • Plotting of investigation location	No later than June 20, 2013
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December 10, 2012

Mr. Jaime de la Vega
General Manager
Los Angeles Department of Transportation
100 S. Main Street, 10th Floor
Los Angeles, CA 90012

Dear Mr. de la Vega:

Duncan Solutions ("Duncan") is submitting this protest in response to the Los Angeles Department of Transportation's "Recommendation to Award Contract for Parking Citation Processing and Collection Services" to Xerox (formerly ACS) State and Local Solutions ("Xerox").

Protest Overview

The basis for Duncan's protest is seven-fold:

- 1) Xerox violated the City's procurement regulations by pressuring a subcontractor of Duncan's to drop off of Duncan's team after Oral Presentations were made to the Department's Evaluation Committee. The City's RFP Attachment C, Non-Collusion Affidavit, requires the bidder to swear, in part, that "the proposer had not directly induced or solicited any other proposer to put in a sham proposal, or any other person, firm, or corporation to refrain from submitting a proposal, and that the proposer has not in any manner sought by collusion to secure for him/herself an advantage over any other proposer." Duncan followed the Business Inclusion Program (BIP) rules, submitted a proposal, and attended the City's Oral Presentation having identified FSSI as its local, certified mailhouse vendor. Following the release of the Oral Presentation sign-in sheet to both bidders, FSSI, who provides services on a non-exclusive basis to Xerox for the current parking ticket program, was contacted by Xerox and directed to withdraw from Duncan's team or face commercial consequences for current and future business with Xerox. While FSSI did not provide written documentation to Duncan, the fact is that FSSI subsequently informed the Department that they were withdrawing from Duncan's team after Oral Presentations were complete and the Evaluation Committee had begun deliberations. The City should investigate these circumstances and, if confirmed, Xerox's actions clearly violate its sworn Non-Collusion Affidavit, and Xerox should be disqualified from consideration as a non-responsible bidder.
- 2) The Department's recommendation, following a BAFO process, includes four specific requests to negotiate substantial revisions to the proposed scope, price and guarantee solely with Xerox. This is despite the fact that "LADOT believes that both firms (Xerox and Duncan Solutions) are qualified and could effectively deliver citation processing and collection services" (page 2 of Recommendation). These requests include that the Council (page 1 of Recommendation):
 - a. "DIRECT the general manager to negotiate a contract structure with unit pricing no higher than that for fiscal year 2011-2012"
 - b. "DIRECT the general manager to codify the minimum net collection rate in the contract"

- c. "DIRECT the general manager to...secure a letter of credit from Xerox to cover any revenue shortfall if the minimum net collection rate is not achieved"
- d. "AUTHORIZE the general manager to modify services in order to achieve the cost structure [recommended above]"

Given the magnitude of these desired changes and the significant impact they will have on the services received and price paid by the City, it is not appropriate that the opportunity to make such significant changes be afforded to only one party when both are acknowledged as qualified. In fact, there is recent precedent for multiple parties to be afforded the opportunity to submit revised technical and price proposals to LADOT. When bids were received for the LA ExpressPark project which exceeded the project's budget, bidders were given the opportunity to revise their scope of services and pricing. Duncan should be given the same opportunity to adjust their technical and price proposals since the recommendation acknowledges that Xerox's bid is not acceptable in its current form.

- 3) The Department didn't properly consider the benefits of splitting the program between two vendors, overstated the complexity and cost of managing separate processing and collections contracts, and failed to note the fact that most comparable cities have split programs. Appendix B of the Recommendation (page 16) states that keeping the services bundled, "avoids the negative operational impacts of unbundling citation processing and collections." However, the Recommendation fails to acknowledge that many comparable programs, including the other two largest parking programs in the US (NYC & Chicago) have unbundled processing and collections programs:

- a. New York City separates processing and collections contracts and has done so for years without negative operational impacts.
- b. Chicago separates processing and collections contracts and has done so for years without negative operational impacts. In fact, one of Xerox's two proposed outside collections vendors (Harris and Harris) is one of Chicago's collections vendors highlighting that even Xerox and its collections partner know the fears and costs of separating processing and collections are overstated.
- c. Washington, DC unbundled collections from Xerox's processing contract in 2007 and, with Duncan now providing these collections services, Washington, DC has generated significantly more collections revenues without any negative operational impacts. Duncan's proposal documents the significant revenue increases realized by Washington, DC, and this model could easily be implemented for Los Angeles.
- d. Houston separates processing and collections contracts and has done so for years. Duncan provides these collections services for Houston, and Houston has dramatically increased its collections revenues with no negative operational impacts.
- e. San Diego separates processing and collections services and has done so for years. Duncan provides processing services for San Diego, was recently awarded a five-year sole source extension to provide these services. There are no negative operational impacts for the City.

As noted above, one of Xerox's attempts to increase collections entails bringing in two outside collections firms under its contract. If integrating outside collection agencies were difficult, it is unlikely that Xerox would introduce not one but two such firms as part of its solution.

- 4) The Department's recommendation failed to properly weigh Duncan's proven track record of increasing collections revenues when taking over from Xerox. As noted above for Washington, DC and detailed for other clients in Duncan's proposal, Duncan has significantly increased revenues for former Xerox clients. Moreover, Duncan provided six specific, targeted strategies to pursue "hard-to-collect" debts which Xerox has been unable or unwilling to effectively implement. As a result of these efforts, Duncan Solutions identified \$10-\$15 million in additional annual revenues that would be generated if Duncan was chosen to provide these services. However, the Department failed to differentiate between Duncan's specific, documented plan and

Xerox's unsubstantiated claim that, despite decades of opportunity to do so, Xerox would now increase the City's revenues by \$12 million annually. Xerox's underperformance of its contractual requirements to Los Angeles regarding collections has been documented in numerous City Controller audits issued over the 27 years that Xerox has held this contract. Similar long-term incumbent clients of Xerox have issued similar findings; in 2011, the City of New Orleans issued a Collections Corrective Action Plan (Attachment A) against Xerox for its failure to effectively collect the City's parking tickets. There is no reason for Xerox promises (made while facing its first competitive procurement in two decades) to be weighed comparably to Duncan's performance which is supported by empirical evidence.

- 5) The Department stated that neither party "offered a legally binding guarantee" (page 25 of Recommendation) despite the fact that no such guarantee was requested and that Duncan's "Last Best and Final Offer" stated that, "we are willing to guarantee the City the revenue increase necessary to pay for our superior service." Duncan's offer of a guarantee was omitted from the Recommendation while the Recommendation (page 25) noted that Xerox "should be required to provide a financial guarantee." This unequal treatment is another reason why the City should solicit revised bids from both parties.
- 6) The Department's recommendation highlights perceived challenges and risks associated with changing vendors without counterbalancing these with the benefits of reinvigorating a program that, in the opinion of many stakeholders (including members of LADOT, City Council, Transportation Commission, City Controller, Finance Department, the media, and the public), has failed to keep the City's parking program on the leading edge. While Duncan does not underestimate the challenges of transitioning this program, if the Department is not open to such change and the timeline it necessitates, the City will never improve its program. Duncan is the only bidder to submit against Xerox in twenty years, and Duncan has hired approximately 20 former Xerox executives to minimize transition risk for the City.
- 7) The Department's recommendation omitted key aspects of Duncan's technical and price proposal, and failed to thoroughly evaluate Xerox's corporate responsibility as a vendor to the City. In particular, the Recommendation:
 - a. Omitted any mention of Duncan's Option 4 which provided for Joint Ownership of the Processing System. This model, which is used by both New York City and Chicago, provides significant long-term value to the City, and the Administration and City Council should be made aware of it in the Recommendation.
 - b. Omitted mention that IBM was a key team member on Duncan's bid. IBM's exclusive participation on Duncan's team significantly reduces the risk noted in the Recommendation, and the Administration and City Council should be aware of this as well as Duncan's other local team members.
 - c. Omitted mention, and any evaluation consideration, that for over two decades, Xerox has used a Philadelphia-headquartered company as its primary subcontractor on this contract. As a result, over \$100 million in subcontractor expenditures have been diverted from worthy, local businesses and have left the local economy.
 - d. Omitted mention, and any evaluation consideration, that last month Xerox announced 2,500 layoffs within Xerox's services division (Attachment B) that provides services to Los Angeles.

Desired Relief

By submitting this protest, Duncan is seeking one of the following methods of relief:

- 1) By virtue of Xerox violating the City's RFP and procurement regulations, Xerox should be disqualified from consideration and the Department should commence contract negotiations with Duncan as the only responsive, responsible bidder.

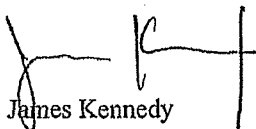
- 2) Alternatively, based on Duncan's documented, superior collections performance and Xerox's failures to provide acceptable collections services, the Department of Transportation should enter into negotiations with Duncan for the collections portion of the contract while negotiating with Xerox for the processing portion of the contract.
- 3) Alternatively, the Department of Transportation should be directed to negotiate with both parties to revise the scope and price, and to provide a revenue guarantee/letter of credit before making a revised recommendation. This negotiation should include consideration of Duncan's Option 4, Joint Ownership of System.

Summary

In accordance with the Department's published protest procedures, it is the goal of the Standing Protest Committee to convene a publicly-noticed protest hearing within 30 calendar days. Given the holiday season, we would appreciate the earliest possible notice following the scheduling of this hearing.

If you have any questions, please feel free to contact me at (414) 847-3773 or via email at jkennedy@duncansolutions.com.

Sincerely,



James Kennedy
Sr. Vice President – Sales & Marketing
Duncan Solutions, Inc.

CC: Ms. June Lagmay, City Clerk
Mr. Robert Andalon, Department of Transportation, Administration & Finance
Mr. Wayne Garcia, Department of Transportation, Sr. Management Analyst II

Attachments

CHIEF ADMINISTRATIVE OFFICE
CITY OF NEW ORLEANS

MITCHELL J. LANDRIEU
MAYOR

ANDREW D. KOPPLIN
FIRST DEPUTY MAYOR & CAO

July 21, 2011

Mark J. Talbot
Senior Vice President and Managing Director
Parking and Safety Solutions
ACS, a Xerox Company
12410 Milestone Center Drive
Germantown, MD 20876

Re: Agreement for professional services (Parking Violations Processing, Collection and Management Services) between the City of New Orleans and ACS State and Local Solutions, Inc. dated August 1, 2005

Dear Mr. Talbot,

This letter addresses a potential extension to ACS' existing contract with the City of New Orleans for Parking Violations Processing. Based on initial conversations between your team and representatives from the City's Department of Public Works and ITI, it is my understanding that ACS wishes to submit an extension proposal for City review. The City requests that this proposal be submitted no later than Tuesday, July 26th. Further, we request that ACS' written offer specifically addresses the following matters:

- **Price Concession.** While the original contract required ACS to provide up-front capital investment, the City appreciates that this initial expenditure is now fully depreciated. The City requests, therefore, that this cost savings to ACS be extended to the City in the form of a price concession.
- **Title of Hand-Held Computer Hardware and Software.** The City requests that title be passed from ACS to the City for all Hand-Held Computer Hardware and Software Licenses upon expiration of the proposed extension term.
- **Corrective Action Plan (CAP) for Collections.** The City is concerned regarding ACS' collection performance on tickets that remain fully un-paid in excess of eighty (80) days. While the City compensates ACS twenty-seven percent (27%) of the original citation

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amount for these violations, extraordinarily large balances remain uncollected. According to the latest data provided to the City, ACS has failed to collect in excess of \$91 Million dollars in City-issued parking violations. A summary of this data, by fine and penalty code, is presented below:

FULLY UNPAID PARKING VIOLATIONS	TOTAL
\$ FINE	\$ 27,095,135
\$ PENALTY 1	\$ 22,619,375
\$ PENALTY 2	\$ 42,540,470
\$ PENALTY 3	\$ 39,405
\$ PENALTY 4	\$ -
\$ PENALTY 5	\$ -
SUM PEN 2-5	\$ 42,579,875
\$ REDUCTION	\$ 516,655
Net Total Outstanding Fully Unpaid	\$ 91,777,730

ACS' collection performance is further depicted below, through an *Analysis of Revenue Breakdown by Year of Violation Issuance*. The data represent a sample date range from January 1, 2011, through February 28th, 2011.

TOTAL COLLECTED 1/1/11 TO 2/28/11:	Tickets	Amount Paid	Percent
TOTAL PAYMENTS RECEIVED 2011	34,383	\$1,546,891	100.0%
AS APPLIED TO TICKETS ISSUED IN:			
FISCAL YEAR 2011:	17,346	\$517,220	33.4%
FISCAL YEAR 2010:	14,985	\$857,942	55.4%
FISCAL YEAR 2009:	1,113	\$104,547	6.7%
FISCAL YEAR 2008:	486	\$38,602	2.4%
FISCAL YEAR 2007:	189	\$14,600	0.9%
FISCAL YEAR 2006:	73	\$5,660	0.3%
FISCAL YEAR 2005:	46	\$2,910	0.1%
FISCAL YEAR 2004:	12	\$830	0.0%
FISCAL YEAR 2003:	14	\$640	0.0%
FISCAL YEAR 2002:	7	\$395	0.0%
PRIOR FISCAL YEARS:	2	\$75	0.0%
NO ISSUE DATE PAYMENTS:	110	\$3,470	0.2%

For this sixty (60) day period under review, the collection data reveal that only 4.5% of deposited revenue was attributed to tickets issued prior to 2009. This tends to demonstrate that ACS' collection efforts are largely focused on the "easier-to-collect," "recently-ticketed" parking violations. This statistic is particularly troublesome in that \$73,762,912 remains un-collected for tickets issued prior to 2009. For reference, a detailed listing of fully un-paid parking tickets, by year of issuance, is provided as an attachment to this document.

Based on the above, the City requests that ACS provide a Corrective Action Plan (CAP) concerning fully un-paid parking violations.

At a minimum, ACS should discuss the following items in its CAP:

1. Additional collection activities appropriate for municipal debt. These items include the use of out-bound calling, a predictive dialer, skip tracing, and credit bureau reporting where appropriate. The City currently compensates ACS twenty-seven percent (27%) of the original citation amount for collection on these violations.
2. ACS' ability to assist the City in implementing In-State Registration holds for scofflaws.
3. ACS' ability to leverage its Parking Subject Matter Expertise in the re-negotiation of the City's current third party liability agreements for both its Fleet (e.g. FedEx, UPS, etc.) and Rental Programs (e.g. AVIS, National, etc.).
4. Additional use of Consolidated Noticing
5. Recommended use of Field Noticing
6. Implementation of a potential Amnesty Program designed to maximize the one-time collection of the City's \$91 Million in fully-un paid parking violations.

The City appreciates its long-standing partnership with ACS. In the case of Parking Violations, ACS has been the City's chosen vendor for over 20-years. We look forward to ACS' diligent response no later than Tuesday, July 26th.

Sincerely,



Andrew Kopplin
First Deputy Mayor & Chief Administrative Officer

Cc: Cedric Grant, Deputy Mayor
Allen Square, Chief Information Officer