



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-24

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July 24, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize City Manager to amend Contract No. 30774 with Xerox/ACS State & Local Solutions, Inc., and extend the term date to June 30, 2013, for collection services of delinquent parking violations for a period of one year. (Citywide)

DISCUSSION

On May 13, 2008, the Department of Financial Management made the recommendation to award an agreement to Xerox/ACS State & Local Solutions, Inc., now known as Xerox/ACS, for collection services for delinquent parking violations for a three-year period, with the option of renewing for two additional one-year periods. This recommendation was based on an extensive Request for Proposals (RFP) process conducted by the Department of Financial Management and evaluated by a committee comprised of City staff from various departments. The City Council adopted Resolution No. C-27898, authorizing the City Manager to execute an agreement with ACS.

In April 2012, the City Auditor presented the Parking Citations and Collections Process Audit Report, which emphasized the need for new technology. At the direction of the City Council, the Department of Financial Management took steps to address the immediate and long-term needs to improve this collection process. In a memo dated April 27, 2012, the Director of Financial Management provided a summary of the steps taken to address these improvements (Attachment A).

The April 27, 2012 memo recommended extending the collections contract with Xerox/ACS and implementing a number of enhanced collection efforts in their extension including:

- Increased contact with delinquent customers, including telephone and mail contact;
- Reporting of delinquents to credit bureaus;

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- Intercepting state tax refunds via the state established tax intercept program; and,
- Concurrently as the City places the delinquent accounts on DMV renewal registration hold, the City will assign to collections and pursue this additional process.

The proposed contract extension will incorporate these changes and include a provision for a contract termination should that be necessary when a new system is installed.

With these immediate improvements, we are confident the City's collection rate will improve. The Department of Financial Management is also working with Technology Services to prepare an RFP for the acquisition of a new parking software system.

This matter was reviewed by Deputy City Attorney Amy R. Webber on July 3, 2012 and Budget Management Officer Victoria Bell on July 9, 2012.

TIMING CONSIDERATIONS

City Council action is requested on July 24, 2012 to amend and extend Contract No. 30774 with Xerox/ACS, to ensure the City receives as much parking citation revenue as possible and there is no lapse in services.

FISCAL IMPACT

The contract currently generates about \$250,000 per year net revenue to the General Fund, which is expected to increase with the changes described above. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

JG:ES
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ATTACHMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER



City of Long Beach
Working Together to Serve

ATTACHMENT A

Memorandum

Date: April 27, 2012

To: Patrick H. West, City Manager *PWest*

From: John Gross, Director of Financial Management *JGross*

For: Mayor and Members of the City Council

Subject: UPDATE ON PARKING CITATIONS PROCESSING & COLLECTIONS

On April 3, 2012, the City Auditor presented the Parking Citations and Collections Process Audit Report to the City Council, with a primary emphasis on the need for new technology. The City Council requested that staff act quickly to take steps, both immediate and long-term, that would result in improved collections. Financial Management has taken the lead and is working as a team with Public Works and Technology Services to make these much-needed improvements. Following is a summary of the steps that have already been taken or are underway:

- On April 17, 2012, the City Council approved the City Manager's recommendation to add language to the 2012 State Legislative Agenda to support or sponsor legislation that would reduce the number of delinquent parking citations required to impound a vehicle from five to three; support or sponsor legislation requiring the Department of Motor Vehicles to implement a collections system in which delinquent parking citations would be payable upon sale or transfer of the vehicle; and to support legislation that would give cities additional tools for collecting outstanding parking citations. In addition, the City Council also approved the City Manager's recommendation to request the City Attorney to prepare an amendment to the Long Beach Municipal Code that would require any and all delinquent parking citations be paid before release of a towed vehicle to the owner, regardless of the reason the vehicle was towed.
- Major database clean-up completed - The current system does not have a database purge/clean-up feature. Over the years since its initial installation, the system database had become more and more problematic. A number of months ago, FM and TS staff designed and began implementing a data clean-up process. This is the single most important step to improve collections and was noted by the Auditor in her report. A more aggressive collection effort was delayed until the database purge/clean-up had occurred. The database is now sufficiently reliable to allow more aggressive collections. Additionally, ongoing minor clean-up work is continuing.

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- Coordination of delinquency notices - Notices and the timing of the notices the City sends out are being coordinated to coincide with more aggressive collection activities to encourage payment. There will likely be some additional mailing costs.
- Increased contact with delinquent customers - Through a collections firm, we will begin additional contact with delinquent customers at about 80 days and beyond, both by mail and phone contact.
- Credit reporting - If customers fail to respond to mail and phone contacts, adverse credit reporting (credit "hold") will be used. Customers will be warned in advance.
- Tax refunds - If customers fail to respond to mail and phone contacts, the State Franchise Tax Board will be used to collect fines when income tax refunds occur. Customers will be warned in advance.
- Concurrent collection effort with DMV - The City will now utilize a collection agent (using the tools described above) concurrently with the DMV and will begin much earlier in the delinquency timeframe. The City has negotiated with the collections agent a fee waiver so that the City will not double-pay the collections agent if DMV collects on the citation first. Citation collection costs assessed to the customer will go up by 25 percent at about the 80-day point. Previously, citation costs increased by this amount only at about the two-year point. We considered using a 60-day point, but wanted to give the customer a few more days to pay before the final significant increase in fines and costs was imposed.
- Database reconciliation with collections vendor - This is an additional step in the database clean-up process that will aid with collection efforts and help to avoid unintended over-collection of fees by the collections vendor.
- Update to scofflaw report automation - A modification is being made to the parking citation system and procedures to improve the accuracy of the scofflaw report used by Towing staff to make it less time-consuming to verify tows.
- Publicity - The City will use its web site and other means to advise the public that collection activities for outstanding citations will be increased and encourage payment to avoid further penalties as described above.

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- Extension of the collections contract – Staff will be renewing the contract with the current vendor (ACS) for an additional year (through June 2013, with possible earlier termination if a new system is in place before then) in an effort to immediately implement a number of the enhanced collection efforts described above.
- System replacement - A Request For Proposals (RFP) is being developed in-house that is anticipated to allow a broad range of proposals and services to be enhance collections, including replacement of the computer system, replacement of the handheld enforcement devices, and a full range of collection services. A consultant will be used, as appropriate, to help ensure that the City has a selection process that provides the best solution and a successful implementation.
- An amnesty program has been explored and discussed with our collections vendor. Such a program will not be used for parking citations at this time as it is believed to be counterproductive in terms of our long-term goals. Our focus remains on implementing a stable and reliable long-term program rather than a one-time infusion of short-term cash. We are considering experimenting with an amnesty program for these types of City receivables.
- The sale of outstanding parking citations receivables is not believed to be financially beneficial.

The more aggressive collections process as described above, including more notices, phone calls, credit rating impacts and the interception of tax refunds will likely increase the number of customer complaints. While a new system is in process, we believe our refreshed database is adequate for this increased collection activity. The collections vendor has controls and customer contact points so that any errors can be corrected by way of customer contact before adverse actions, such as credit reporting, are taken.

In summary, the City Auditor's key recommendation is to replace the antiquated software system and that is staff's priority; however, with the current cleaner database, and more aggressive collection efforts as described above, collections can be improved and the average outstanding receivable amount can be reduced even before the new system is in place.

We thank the City Auditor for her recommendations and will continue to keep the Council apprised of our progress.

JG:jp
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CC: LAURA DOUD, CITY AUDITOR
SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD HARRISON, DEPUTY CITY MANAGER
MIKE CONWAY, DIRECTOR OF PUBLIC WORKS
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