

**P
R
I
O
R
I
T
Y**

Date: December 6, 2013

To: Mayor & City Council

From: Patrick H. West,
City Manager

Subject: Parking Citations
System and Services –
Additional Information on
Vendor Selection

Comments: Supplemental
Information related to Agenda
Item #UB-24 on the December
10, 2013 City Council Agenda

RECEIVED
CITY CLERK
LONG BEACH, CA

13DEC -9 AM 9:07



Date: December 6, 2013
 To: Patrick H. West, City Manager *P West*
 From: John Gross, Director of Financial Management *J Gross*
 For: Mayor and Members of Council
 Subject: **Parking Citations System and Services – Additional Information on Vendor Selection**

At its meeting on December 3, 2013, City Council directed staff to provide additional detail regarding staff’s recommendations to execute contracts with Data Ticket, Inc. for parking citation system replacement, implementation, processing and collection services, and with NexLevel Information Technology, Inc. for project management and related consulting services.

Summary

The City developed a comprehensive Request for Proposals (RFP) to replace the City’s outdated parking citation processing system and provide integrated citation processing and collection services. Five proposals were received and reviewed. Three finalists were selected, all of whom met the City’s functional requirements.

Table 1: Vendor Summary – Total Cost To Deliver Services

Vendor	Proposal Status	Total Cost		Net impact to City
		City and Customers	City Only	
Data Ticket	Finalist	\$1,812,270	\$1,587,414	Expected to generate highest revenue
Xerox	Finalist	\$1,975,653	\$1,565,248	
Duncan	Finalist	\$1,925,979	\$1,421,112	
CompluS	Vendor not further considered due to not demonstrating sufficient experience and competence in the systems and services proposed (no California municipal clients).			
iParq	Vendor not further considered due to not demonstrating sufficient experience and competence in the systems and services proposed (references were limited to campus permitting, permit enforcement, and related services).			

To identify the vendor selection that would be in the best interests of the City, staff conducted extensive analysis, interviews/demonstrations, site visits and reference checks, and evaluated proposals in accordance with the selection criteria set forth in the RFP.

After careful consideration by an Evaluation Committee (Committee), staff recommends Data Ticket, Inc. (Data Ticket) as the vendor best able to meet the City's needs for a parking citation system and related services. Data Ticket has been in operation for 24 years, and under the same management for 23 of those years. They serve more clients than either of the other two finalists combined, and their client base has been growing at a steady, manageable pace over the last few years. Their references were uniformly excellent. Staff's recommendation is based on the overall ability of the software, the willingness of the vendor to make changes to meet the City's needs, and the vendor's superior service and responsiveness, all of which is expected to allow the City to maximize its revenues. As a result, Data Ticket is felt to be the most financially beneficial solution. Data Ticket's solution is also the least costly when considering total costs, i.e., the total cost to the City and to the City's customers who pay fees related to parking citations. The cost to the City, not including expected additional revenue collection and not including cost to customers, is higher with Data Ticket than the other two proposed solutions (by \$22,166 for Xerox and \$166,302 for Duncan, per year), but the increased cost is expected to be offset by increased revenues. Data Ticket offers an integrated, web-based, single-version software solution. This technology is up-to-date, scalable, adaptable, and provides an intuitive, user-friendly interface for staff and customers. With this technology, the City will be able to integrate parking citation issuance (manual and via handheld devices), processing, billing, adjudication, collections and permitting functions into a unified, comprehensive, cost-effective and user-oriented system. This will improve data management, expand online services, and reduce manual processes. Strong vendor support and inclusion of client-requested development will ensure that the City's evolving business needs continue to be met. All of these improvements taken together will allow for increased efficiency and greater focus on revenue research and collection.

Staff also recommends that the City contract with NexLevel Information Technology, Inc. for implementation project management support. This will provide staff with technical expertise to help ensure smooth implementation of the City's goals and requirements.

The balance of this memo provides background and detail supporting the recommendation.

Background

On an annual basis, the City of Long Beach processes about 300,000 parking citations and collects over \$13 million in revenue. We currently utilize handheld citation issuance units and a citation processing system by Duncan. Delinquent collections services are performed primarily by Xerox. Data Ticket provides out of state registered owner look-up services. City staff currently performs most of the activities associated with parking citation processing including:

- Parking citation issuance
- Processing and billing of citations
- Communication with registered owners/responsible parties
- Adjudication coordination and disposition (for protested citations)
- Payment processing and updating
- Vehicle registration holds
- Management and oversight of delinquent collection efforts
- Scofflaw reporting (tow eligibility of vehicles with five or more delinquent citations to the same registered owner) and related towing
- Preferential parking permit program implementation and oversight
- Reporting and revenue allocation
- Running the software in the City's data processing center

The bulk of the City's \$13 million in annual revenue is collected directly by the City. In FY13, the delinquent collections vendor directly remitted a net of about \$800,000 to the City. A substantial part of that is associated with the new tax intercept program authorized by City and not other collection procedures. Of the approximately \$12.2 million directly collected by the City, \$959,000 resulted in a commission paid to the delinquent citation processing vendor because the citation was turned over to the vendor before collection occurred.

The City's existing parking citation system was acquired in Fiscal Year 2000 and is antiquated by current industry standards. The stand-alone software package resides on the City's servers, and various functions are not fully integrated or require significant manual processes. The need for replacement of the system was emphasized by the City Auditor in 2012. A copy of the City's actions in response to the audit report is attached. City Council authorized a number of steps to improve collections. All of these actions, such as a clean-up of the parking citation database and use of the State's tax intercept program, have been implemented or are in the process of being implemented. The last major action is the replacement of the software system which is addressed by staff's recommendation to award contracts to Data Ticket and NexLevel.

Selection Process

In preparation for an RFP to replace the parking citation system, an Evaluation Committee (Committee) was formed, consisting of representatives from the Departments of Financial Management, Technology Services, and Public Works. The committee worked together along with a consultant to develop an RFP. This work included analysis of the City's current parking citations program operations, challenges and needs. With this information, the City developed RFP FM 13-020 for Parking Citation System Replacement, Implementation, Processing and Collection Services. The scope of work proposed in the RFP is to provide a parking management system/services solution that integrates parking citation issuance (manual and via handheld devices), processing, billing, adjudication, collections and permitting functions into a unified, comprehensive, and cost-effective user-oriented system that can meet the current and future business needs of the City's parking citation operations. The RFP proposed a contract term of five years, with the option for one five-year renewal.

The RFP was released on December 21, 2012. It was advertised in the Press-Telegram on December 28, 2012, and potential proposers specializing in parking operations were notified of the RFP opportunity. The proposal document was made available from the Purchasing Division and the Division's website. A proposal announcement was also included in the Purchasing Division's weekly update of Open Bid Opportunities.

The City conducted a pre-proposal conference and posted addenda that addressed questions from vendors and provided further information and direction. These steps were taken in order to ensure that prospective and actual proposers clearly understood the RFP and the City's operational needs, and to ensure that the City had the information it needed to conduct a thorough analysis.

Five proposals were received on February 20, 2013. Of those five proposals, one was from a Minority-owned Business Enterprise (MBE), one was from a Women-owned Business Enterprise (WBE), two were from certified Small Business Enterprises (SBEs), and none were from Long Beach businesses (Local). The proposals were submitted by the following vendors:

- Complus Data Innovations, Inc.
- Data Ticket, Inc.
- Duncan Solutions
- iParq
- Xerox

To identify the vendor selection that would be in the best interests of the City, the Committee proceeded to conduct a multi-phase RFP review process over eight months, involving many hours of analysis. Phases included:

- Written proposal review
- Interviews and system demonstrations
- Handheld equipment demonstrations
- Site visits to existing clients
- Vendor-provided reference checks
- Additional reference-related research
- Cost analysis
- Addenda and clarification requests

The information obtained through this process was evaluated in accordance with the following eight selection criteria, set forth in the RFP:

- Experience and competence
- Experience of other cities
- Initial and ongoing cost
- Net benefits of proposed outsourcing
- Implementation plan
- Overall plan for collections
- Proposed performance factors
- Financial and operational stability

After the initial review of the written proposals, two of the proposals were not recommended for further consideration, due primarily to inadequate demonstration of experience and competence in the systems and services proposed. iParq's experience and system configuration appeared to lean more heavily towards permit parking management rather than street parking enforcement, and listed references were limited to college campuses. In the case of Complus, the vendor had no California municipal clients and, as a result, did not demonstrate satisfactory experience with the guidelines and requirements of the California Vehicle Code and the California Department of Motor Vehicles. At that time, the Committee determined that the proposals from Data Ticket, Duncan, and Xerox appeared capable of meeting the City's functional requirements. These vendors were progressed as finalists for further consideration through subsequent evaluation phases.

One round of demonstrations was dedicated to the handheld units, and field staff had the opportunity to test the units. While all units had the same general capabilities,

differences such as unit size and weight, key size and placement, screen size, and built-in vs. separate printer, were important distinctions to the individuals who will be using the equipment on a daily basis. In response to the strong preferences expressed, all finalists were asked via addendum to revise their proposals to specify Motorola MC9500 handheld units with wireless functionality, and Datamax O'Neil microFlash 2te printers. All three vendors complied with this request.

After careful consideration by the Committee of all evaluation criteria factors, Data Ticket, Inc., of Newport Beach, CA (MBE, WBE and SBE) was selected for recommendation to City Council. On November 25, 2013, the City Council meeting agenda containing the recommendation was posted on the City Clerk's website, and prospective vendors were electronically notified of the City's intent to award. No protests have been received.

Evaluation of Finalists

The three finalist vendors were evaluated on the eight criteria outlined in the RFP. Below is a summary of the Committee's findings for each criteria. In following standard practice, the focus of this section is to describe why the selected vendor was selected and is not intended nor designed as a report on the deficiencies of vendors. This is a typical approach for evaluation reports – describe why the recommended vendor was selected.

Where an individual vendor's response was judged to be strongest, that vendor is listed alongside the criteria. Criteria for which no one vendor response was determined to be notably stronger are noted as: "All finalists substantially similar."

Below is a summary matrix of the Evaluation Criteria findings. Detail follows.

Table 2: Evaluation Criteria Summary Matrix

Evaluation Criteria	Summary Result
Experience and competence	Data Ticket Strongest
Experience of other cities	Data Ticket Strongest
Initial and ongoing cost	Data Ticket Strongest
Net benefits of proposed outsourcing	Vendor Differences Reflected in Cost Comparison
Implementation plan	Xerox provided clearest description
Overall plan for collections	All Finalists Substantially Similar
Proposed performance factors	All Finalists Substantially Similar
Financial and operational stability	All Finalists Substantially Similar

- *Demonstrated experience and competence in the systems and services that have been proposed, including implementation services:*

Data Ticket strongest. All three finalists proposed solutions that meet the City's functional requirements, and all three have experience and competence in the systems and services they are proposing. All also proposed hosted solutions (computer software maintained by others, not the City). However, Data Ticket was felt to offer the best technology and service for the City.

While generally Data Ticket has customers with lower volume, we don't expect service or scalability problems. The City's volume would not unduly impact their total processing volume and, in any event, testing was done to help verify that there would not be any service or scalability problems.

Data Ticket utilizes the latest Microsoft web development technologies. This architecture is the most up-to-date of all those proposed. It allows the applications to be truly browser-based and not require middle-ware or emulators to provide the end user interface. As a result, the City will benefit from the intuitive, user-friendly appearance, functionality and behavior of a modern web-based application, as well as the ease with which the vendor can maintain and quickly enhance the applications.

In terms of service, Data Ticket has demonstrated itself to be capable and responsive. During the RFP process, we explored vendors' willingness, ability, and charges (costs) to make improvements. These characteristics are important to the City and can impact revenues. Data Ticket's proposal includes client-requested enhancements. Their policy and attitude towards these enhancements are the most generous of all three finalists. They also demonstrated an excellent ability to understand what the City is looking for and provide a solution.

Data Ticket has significant expertise in the parking field. They are dedicated solely to the field of parking and administrative citations, with 24 years of experience in delinquent collections and 20 years in daily citation processing. They have California as well as nationwide experience.

- *Experience of other cities in successfully implementing and utilizing the proposed systems:*

Data Ticket strongest. As part of the RFP process, the Committee requested referrals from the vendors for site visits and reference calls. The Committee also identified additional customers for each vendor and made additional reference calls as well as reviewed public documents and information.

Data Ticket's references from clients were consistently excellent. Data Ticket was the only vendor whose site visits, reference checks and public document research did not raise any potential concerns. These strong references give the Committee confidence that the City's goals of efficiency and revenue maximization will be best addressed by Data Ticket.

- *Initial and ongoing cost of the proposal, taking into account expected (with justification) revenue increases compared to cost:*

Data Ticket strongest. The Committee analyzed costs to the City to operate under each proposal, and considered potential revenue increases. Data Ticket is felt to be the most financially beneficial solution for the City. Data Ticket's excellent reference checks, technology, and anticipated responsiveness and ability to make changes that benefit City operations and revenues are characteristics that indicate that Data Ticket will best maximize the City's revenue generation.

The cost to the City of providing parking citation processing services, not including expected additional revenue collection and not including cost to customers, is higher with Data Ticket than the other two proposed solutions (by \$22,166 for Xerox and \$166,302 for Duncan, per year). Total cost to the City and the customers of providing these same services is lower with Data Ticket (by \$163,383 for Xerox and \$113,709 with Duncan, per year). Most importantly, the Committee believes that overall quality of the Data Ticket system and the responsiveness of the vendor will result in the Data Ticket system and service providing more revenue than the other finalists that would more than offset any cost difference.

The following table summarizes the cost proposals of the three finalists. Following the table is a brief description of the key elements of the chart and a summary of how the comparisons were done.

Table 3: Vendor Cost Proposals

	Data Ticket			Duncan			Xerox		
	City	Vendor	Total	City	Vendor	Total	City	Vendor	Total
One-Time Costs	\$90,256	\$236,900	\$327,156	\$310,875	\$291,189	\$602,063	\$88,016	\$307,136	\$395,152
Annualized One-Time Cost to City	\$18,051	\$47,380	\$65,431	\$62,175	\$58,238	\$120,413	\$17,603	\$61,427	\$79,030
Annual Pass-Throughs	\$76,182	\$132,034	\$208,216	\$1,650	\$141,203	\$142,853	\$213,993	-	\$213,993
All Other Annual Costs	\$1,127,914	\$204,388	\$1,332,302	\$933,293	\$224,553	\$1,157,846	\$1,127,914	\$144,311	\$1,272,225
Total Annual Cost to City	\$1,204,096	\$336,422	\$1,540,519	\$934,943	\$365,756	\$1,300,699	\$1,341,907	\$144,311	\$1,486,218
Total Annual and Annualized Costs	\$1,222,148	\$383,802	\$1,605,950	\$997,118	\$423,994	\$1,421,112	\$1,359,510	\$205,738	\$1,565,248
Less Increased Revenue to City	(\$18,536)	-	(\$18,536)	-	-	-	-	-	-
Total Net Cost to City	\$1,203,612	\$383,802	\$1,587,414	\$997,118	\$423,994	\$1,421,112	\$1,359,510	\$205,738	\$1,565,248
Costs to Customers	\$18,536	\$206,320	\$224,856	\$0	\$504,867	\$504,867	\$0	\$410,405	\$410,405
Total Cost to City and Customers	\$1,222,148	\$590,122	\$1,812,270	\$997,118	\$928,861	\$1,925,979	\$1,359,510	\$616,143	\$1,975,653

Comparison of Total Cost to City

	Data Ticket	Duncan	Xerox
FY14 Budgeted Revenue	\$1,587,414	\$1,421,112	\$1,565,248
\$13,401,669	Total Cost	Total Cost	Total Cost
	<u>Over/(Under):</u>	<u>Over/(Under):</u>	<u>Over/(Under):</u>
FY14 Budgeted Expense	Duncan \$166,302 1.24%	Data Ticket (\$166,302) -1.24%	Data Ticket (\$22,166) -0.17%
\$1,625,008	Xerox \$22,166 0.17%	Xerox (\$144,136) -1.08%	Duncan \$144,136 1.08%

Comparison of Total Cost to City and Customers

	Data Ticket	Duncan	Xerox
FY14 Budgeted Revenue	\$1,812,270	\$1,925,979	\$1,975,653
\$13,401,669	Total Cost	Total Cost	Total Cost
	<u>Over/(Under):</u>	<u>Over/(Under):</u>	<u>Over/(Under):</u>
FY14 Budgeted Expense	Duncan (\$113,709) -0.85%	Data Ticket \$113,709 0.85%	Data Ticket \$163,383 1.22%
\$1,625,008	Xerox (\$163,383) -1.22%	Xerox (\$49,674) -0.37%	Duncan \$49,674 0.37%

A brief description of the columns and rows are as follows:

Columns:

- City Costs: Costs incurred by the City under the vendor proposal
- Vendor Costs: Costs to City from vendor contract

Rows:

- One-Time Costs: Hardware (handheld units, printers, etc.), data conversion, training, one-time interface charges
- Annual Pass-Throughs: Wireless service charges, citation materials, postage, annual interface costs
- All Other Annual Costs: Handheld maintenance, charges for functionality and services (citation and payment processing, customer service, adjudication, preferential parking, etc.)
- Increased Revenue to the City: A portion of the vendor collection fee would become City revenue under Data Ticket
- Costs to Customers: Convenience fees for phone and web payments, vendor collection fees for delinquent payments

Comparison of Total Cost to City: This section provides the cost differential between each vendor. It shows how much each vendor's cost is above or below that of the other vendors. The percentages indicate how much revenue variance is needed to make up that difference.

Comparison of Total Cost to City and Customers: This section provides similar comparisons as the section described above, but also includes both the cost to the City and the cost to customers.

In order to provide valid comparisons, staff used constant volumes for citations, mailings, etc. across all vendors. In some cases, certain vendors included costs under their own proposal that other vendors left as direct City costs. This is why the above cost matrix had to include City costs as well as vendor costs in order to have a valid comparison total. That is also a key reason why City and vendor costs can vary significantly between vendors. In general, staff handled the determination of which City costs should be reduced or maintained with consistent rules across all three vendors. Costs to customers reflect penalties for delinquent payments and convenience fees for online and phone payments. Staff also sent vendors the costs analysis (prepared by staff for that vendor) to verify accuracy. The cost matrix was also reviewed by two different consultants in order to help ensure there were not any significant comparison issues.

- *Net benefits of any proposed outsourcing component:*

Vendor Differences Reflected in Cost Comparison. The RFP required vendors to propose an integrated citation processing system as well as delinquent collection services. The RFP also provided vendors with the option to propose an alternative package that included additional services for outsourcing work currently performed by City staff. All vendors offered options that provided at least some outsourcing. After a first level of analysis, most outsourcing options were eliminated because they were not financially cost effective or offered little savings along with practical implementation problems. In some cases, this was due to outsourced services costing more than City services. In others, the City would be unable to realize savings because it was not practical to break up small functional areas. As a result, the only proposals moved forward for additional consideration were those that were most beneficial to the City, and those proposals are presented in the cost analysis shown in the previous section.

Duncan proposed only one option, which included significant outsourcing (4 FTE out of approximately 8 FTE), and it was considered viable. However, overall,

Duncan's proposal was not recommended as the best proposal, and there would be service level concerns that potentially would impact a Proposition L analysis.

- *Implementation plan: thoroughness of plan to provide support and ensure a successful and timely implementation, expertise of staff assigned to manage implementation, and convenience/ease of implementation to City:*

Xerox provided clearest description. All three vendors proposed satisfactory implementation plans. These plans detailed major phases, tasks, milestones, and assumptions. They each described the staff assigned, and the Committee was satisfied with the expertise of all staff proposed. Xerox did a particularly good job of reflecting in their description the City's desire for the selected vendor to take on a strong role during implementation. While Xerox's plan was the best in terms of description, and all the vendors had different approaches, the Committee believed all vendors would provide a successful and timely implementation.

Implementation will consist of the following phases:

- Project Start-Up
 - System Configuration
 - Data Conversion
 - Test Plan
 - Installation
 - Training and Documentation
 - Production/Go Live Approach
 - Ongoing Project Implementation Quality Assurance
- *Overall plan for collections and how that plan impacts collection dollars and rates, timing of collections, and considerations of customers:*

All finalists substantially similar. All three vendors proposed satisfactory plans and strategies for collections, and all three vendors expressed willingness to adapt notice/penalty timing and other factors to the City's business needs from the viewpoint of impact to the City. Collection methods employed are reasonably consistent across all vendors, and include:

- Delinquent noticing
- Skip tracing
- DMV holds
- Outbound calling
- Credit bureau reporting
- Franchise Tax Board Intercept Program

- *Proposed performance factors, their credibility, and any incentives/penalties for meeting/not meeting performance factors:*

All finalists substantially similar. All three vendors have stated their willingness to establish performance factors with the City, and all three are also willing to obtain a performance bond if requested by the City (not included in the pricing). The Committee reviewed all system performance metrics and sample service level agreements provided by the vendors, and will establish appropriate performance factors during contract negotiations.

- *Financial and operational stability of vendor over the next ten years:*

All finalists substantially similar. The Committee has reviewed vendor history, client counts and fluctuations, annual citation volume, financial statements, and technology platforms. All three vendors demonstrate satisfactory financial and operational stability.

Benefits and Enhancements

This new system provided by Data Ticket will provide a number of benefits, some of which are:

- Modern web-based system that will be kept up to date with ongoing enhancements
- User-friendly interface for staff and the public
- Hosted – City no longer needs to maintain the system in-house
- Better controls, auditing and reporting capabilities
- Unified processing and collections – no separate databases to get out of sync
- More automation, meaning less manual work to conduct reconciliations and internal processes
- Expanded online services (apply for preferential parking permits online)
- More functionality of field equipment (verification of tow eligibility using new handheld units with wireless capabilities)

The proposed system will also address all system-related items raised by the audit:

Table 4: Key Audit Issues Related to System Problems

Item Raised in Audit	How it is Addressed
Process to purge old data requires significant effort.	Automated processes will follow the City's business rules and keep the database clean.
System does not electronically interface with the DMV.	The process to send citations to the DMV to get registered owner information updated into the system will be automated.
Database is unreliable for use by parking enforcement	Handheld units will be able to automatically confirm tow eligibility from the field using wireless functionality.
System lacks features, resulting in significant manual processes.	A single database of record and improved reporting will significantly reduce the need for manual reconciliations. New system also automates adjudication review, preferential parking permit management, etc.
System control weaknesses increase the risk of fraud or misappropriation	Improved security profiles based on assigned roles. Improved audit reporting capabilities. System displays citation history (date, change, and user).
Software is obsolete and future support may be questionable	Current technology. Generous policy towards client-requested enhancements. Experienced, stable management team that understands parking citation processing and operations.

Contract Negotiation and Implementation Project Management Support

For contract negotiation and implementation project management support for the City, staff recommends the selection of NexLevel Information Technology, Inc. (NexLevel). NexLevel will provide the technical expertise to help ensure smooth implementation of the City's goals and requirements. NexLevel was one of three consultants identified as providing the needed services and considered for this project. The others were AEF Systems Consulting, Inc. and Plante Moran. NexLevel was determined to be the best option to provide the City these services due to its expertise and responsiveness to the City's needs.

The parking citations system controls an important revenue source, and an appropriate contract and a successful implementation are very important. Regardless of the vendor selected, staff strongly recommends a consultant to assist with advice with regard to contract design and negotiation, including performance specifications and with ensuring successful implementation. NexLevel is not substituting for the implementation

assistance provided by the vendor and none of the finalist vendor's implementation plans were felt to be deficient. But particularly with the heavy workload of staff already engaged in other simultaneous system implementations, the assistance of NexLevel will be invaluable in helping to ensure the best contract and a successful implementation. NexLevel support will include assisting City staff to:

- Establish and monitor contract deliverables, acceptance criteria, triggers for payment, and ongoing performance factors and related penalties
- Manage and coordinate City participation in overall implementation activities
- Conduct quality assurance and acceptance testing

JG:SP
C:\DATA\LONG BEACH\PARKING TICKETS\PARKING CITATION SYSTEM\TFE RE PARKING CITATIONS RECOMMENDATIONS - FINAL.DOCX

ATTACHMENTS

MARCH 2, 2012 PARKING CITATIONS PROCESSING & COLLECTIONS AUDIT FOLLOW-UP

CC: SUZANNE FRICK, ASSISTANT CITY MANAGER
REGINALD I. HARRISON, DEPUTY CITY MANAGER
TOM MODICA, DEPUTY CITY MANAGER



City of Long Beach
Working Together to Serve

Memorandum

Date: February 14, 2013

To: Patrick H. West, City Manager

From: Pamela Horgan, Commercial Services Bureau Manager
John Gross, Director of Financial Management

For: Laura Doud, City Auditor

Subject: March 2, 2012 Parking Citations Processing & Collections Audit Follow-up

On April 3, 2012, the City Auditor presented the Parking Citations and Collection Process Audit Report to the City Council, with a primary emphasis on the need for new technology. In response to the identified recommendations, Financial Management has taken the lead and worked as a team with the City Manager's Office and Technology Services to implement measures that will significantly improve the effectiveness of the Parking Citation Processing Program. To date, a variety of measures have been instituted to encourage vehicle owners with unpaid parking citations to pay their fines. Following is a summary of the steps that have been implemented or are in progress:

- City staff recommended that the City Council amend their State Legislative Agenda in order to allow staff to work on legislation related to parking citations. The City has come up with the following four changes to State law, and has been actively pursuing a strategy to get them included in a bill:
 1. Lower the threshold for towing a vehicle from five delinquent citations to three;
 2. Allow the Franchise Tax Board (FTB) collection method to be used for parking tickets up to five years old;
 3. Require Department of Motor Vehicles (DMV) to disapprove certain transfers of ownership if the registered owner has outstanding parking citations; and
 4. Require that registered owners pay delinquent parking citations on all vehicles registered to that owner before a towed vehicle can be released.

After extensive discussions in Sacramento, the City has determined that there is little support for Items #1 and #4 above, as legislators have significant concerns that this will impact low-income populations. City staff is working to introduce a bill at the end of February to close these loopholes. If the bill is passed this year and signed into law, these changes will go into effect January 1, 2014.

- Extension of the collections contract – The contract with Xerox (ACS) has been renewed for an additional year (through June 2013). As a result, many of the enhanced collection efforts that will be described below have been implemented. Additional notices to the registered owner are sent along with outbound calling campaigns to encourage collection of the unpaid debt.
- Major database clean-up completed – Successful measures have been taken to purge/cleanse the database that now supports the implementation of aggressive collection efforts. One of the substantial tasks was the database reconciliation with the collections vendor. This effort is an ongoing process to avoid unintended over-collection of fees by the collections vendor.
- Increased collection efforts - The parking citation billing process has been modified to allow additional time for citations to be paid before penalties are assessed. In addition, a Final Notice is generated as a reminder to the registered owner that the parking citation has not been paid and additional penalties and collection actions will be pursued. Delinquent parking citations are referred to the collection firm about 80 days from the citation issue date. As a result, collection activity is now performed earlier by the collection firm to improve City revenues. There are increased (approximately \$40,000 annually) mailing costs associated with this enhancement but this is expected to be easily offset by increased revenue.
- Credit reporting – Parking Citations that remain unpaid after numerous attempts to seek payment through notices and phone contacts are now subjected to adverse credit reporting (known as a credit “hold”). Credit Bureau Warning notices have been mailed to inform registered owners that unpaid citations must be paid to avoid additional collection efforts.
- Tax refunds – The City has been enrolled in the State Franchise Tax Board Tax Intercept Program. As a result, customers that have failed to respond to the warnings are eligible to have their income tax refunds intercepted by the City to be applied to outstanding fines and penalties. We have begun to see some increased revenue (\$11,000) from the activity but it generally will be in the tax refund cycle (March-May) that the most revenue will be seen.
- In September 2012, system modifications were completed to facilitate concurrent collection efforts with the DMV and the collection firm (using the tools described above) much earlier in the delinquency timeframe.
- Enhancements to the scofflaw report have been implemented. As a result of the improved accuracy of the scofflaw report, Towing staff can now verify tows more efficiently.

Laura Doud, City Auditor
February 14, 2013
Page 3 of 3

- **Publicity** – The Parking Citation website was revamped in September 2012 to be more accessible and user-friendly. The new website has a modern feel and allows customers to make payments or contest citations through the use of online forms rather than having to download a form and mail or e-mail. Since the website update, more than 38,000 customers have taken advantage of the new and improved features. Also, as an added convenience, customers are now able to pay for outstanding parking citations at the City's Tow facility.
- **System replacement** – A Request for Proposals (RFP) has been released and proposals are due February 20, 2013.

We believe these efforts have had a positive impact on revenue collections and will continue to do so. However, we believe a new computerized parking citation system is needed to take full advantage of the new processes and to generate the maximum additional revenue. With the new system, the supporting procedures will likely be further revised.

JG:PH
K:\Exec\Correspondence\Commercial Services\TFF re Audit Response Follow-up 02.07.13.docx

CC: SUZANNE FRICK, ASSISTANT CITY MANAGER