



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Julia H. Cooper  
Hans F. Larsen

**SUBJECT:** SEE BELOW

**DATE:** July 30, 2012

Approved

Date

8/3/12

**SUBJECT: SECOND AMENDMENT TO THE TURBO DATA SYSTEMS, INC.  
AGREEMENT FOR PARKING CITATION PROCESSING AND  
COLLECTION SERVICES**

## RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute the Second Amendment to the Agreement with Turbo Data Systems, Inc. to:

1. Provide an on-line appeal process and support new handheld citation writing equipment currently on order.
2. Revise the compensation rate to reduce fees for special collections and increase discounts for citation processing.
3. Extend the term of the Agreement by six months from December 31, 2013 to June 30, 2014 and add three additional one-year options to renew the agreement, subject to the appropriation of funds.

## OUTCOME

This amendment will reduce fees for current services in exchange for extending the term of the agreement, resulting in direct net savings of \$41,400 annually, or \$207,000 over the remaining term of the Agreement. In addition, cost avoidance for the estimated value of a on-line appeals process that TurboData will provide is \$105,000. The amendment will also add scope to include on-line appeals processing and hardware/software support for the new handheld ticket writers, at a favorable rate to the City.

## **EXECUTIVE SUMMARY**

Approval of this recommendation will amend the scope of services to include an on-line parking citation appeals process and provide a single point of contact for all handheld ticket writer software and hardware service and support issues. Turbo Data has agreed to lower prices in exchange for extending the term of the existing agreement by six months, and adding three additional option years to extend the agreement.

## **BACKGROUND**

On December 2, 2008, Council approved the Turbo Data agreement for parking compliance and processing services for an initial one year term with up to four additional one-year option periods. The City has exercised three of the option years, and the agreement will expire on December 31, 2013, assuming the City exercises the final option as anticipated. On September 14, 2010, the Council approved a First Amendment to the Agreement to increase the scope of services to include special collections of unpaid parking citations through the Franchise Tax Board (FTB).

On June 27, 2012, the City completed a competitive request for bid (RFB) process to lease 50 handheld citation writers and portable printers for a maximum five year lease term. This new equipment will replace equipment that is outdated and no longer serviceable.

Under the existing agreement, Turbo Data provides a variety of processing and collection services, including the processing, tracking and updating of all parking citations, issuing of courtesy and past due notices, pursuing collections through the Department of Motor Vehicles registration hold process, and special collections services including collection via the FTB. In addition, Turbo Data provides and maintains the software for all handheld citation issuing equipment, the associated server and server software licensing agreements.

## **ANALYSIS**

At the completion of the new citation writer purchase, staff entered into discussions with Turbo Data to amend the agreement to require Turbo Data to load their software on the new equipment, and coordinate turnkey warranty and maintenance support for the new devices. Staff also used this opportunity to discuss the opportunities for reducing rates for services currently provided, in exchange for adding six months to the existing agreement, and adding an additional three, one-year option terms to extend the agreement.

The current agreement compensates Turbo Data on a volume based scale ranging from \$1.97 to \$3.05 for each citation processed, and 28% of citation revenue collected for basic special collection efforts. The City also receives a discount ranging from \$0.03 to \$0.08 for each citation issued electronically via our handheld citation writing equipment.

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The second amendment will extend the current agreement through June 30, 2017. As consideration for the extended term, Turbo Data has agreed to the following compensation reductions and to provide additional services at no cost, retroactive to July 1, 2012:

- Reduce the special collection rate from 28% to 24%.
- Increase the volume discount from \$0.03-\$0.08 to \$0.08-\$0.16 for each citation that is issued electronically.
- Provide the ability for an individual to appeal their citation via a paperless on-line process and for the City to receive and process all adjudication requests on-line (no cost).
- Transfer all existing handheld citation issuance software licenses to our new handheld ticket writers (no cost).

Based on current citation issuance and collection activity, the changes noted above would generate savings of approximately \$281,500 through the extended term of the agreement (\$56,300 annually). In addition, the estimated value of the on-line appeal process that Turbo Data will provide at no cost is \$105,000 over the extended term of the agreement.

Under the proposed second amendment, Turbo Data will also provide the following additional services at a reduced cost:

- Supply handheld citation issuance software and software support for newly acquired equipment.
- Coordinate the maintenance and repair of all citation writing equipment with MSA Systems, Inc, which will include the removal and reloading of proprietary software from the handheld units prior to service or repair.

The City has negotiated a cost of \$14,900 annually for these services. These additional costs will be offset by the above noted savings, resulting in a net savings of \$41,400 annually, or \$207,000 over the remaining term of the Agreement, assuming all options to renew are exercised.

In the past ten years, two Request for Proposals (RFP) have been conducted for this service. In 2003, two proposals were received and the contract was awarded to the incumbent vendor, Turbo Data. When the last RFP was conducted in 2008, only one qualified proposal was received and it was from Turbo Data. Two competitive processes have demonstrated that there are a limited number of competitors in this market. In addition, any new company would be faced with start-up costs making it difficult to be price competitive when amortizing these costs over a relatively short contract term.

The City would retain the unilateral right to exercise each of the additional one-year options. In addition, the agreement has a termination for convenience provision that gives the City the right to terminate the agreement at any time on 30 days notice. Therefore, as is current practice, staff will review market conditions prior to exercising any options to renew and elect not to extend the agreement if it is determined that it is in the best interest of the City to conduct a new request for proposal process. Examples of market conditions that would warrant not exercising an option to renew and soliciting a new competitive process would be if any new competitors entered the

market, or if any competitors contact the City requesting an opportunity to compete for the service.

### **EVALUATION AND FOLLOW-UP**

As previously stated, Turbo Data's compensation is based on the volume and types of citations that they process. No additional follow-up is anticipated for the original agreement, or this second amendment to the agreement.

### **POLICY ALTERNATIVES**

*Alternative #1:* Amend the agreement for the required additional services, but do not extend the term of the agreement.

*Pros:* The City will issue a competitive RFP in 2013 to select a new service provider by January 2014.

*Cons:* Turbo Data has agreed to reduce existing rates in exchange for extending the term and adding additional renewal options, therefore, the City will not realize cost savings of approximately \$207,000 retroactive to July 1, 2012. In addition, if a new vendor is selected, then software for the newly acquired citation writing equipment will also need to be purchased at additional cost to the City.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although the above criteria do not apply to this item, this memorandum will be posted on the City's website for the August 21, 2012 Council meeting.

### **COORDINATION**

This memorandum was coordinated with the City Manager's Budget Office and the City Attorney's Office.

**FISCAL/POLICY ALIGNMENT**

The amendment of the agreement complies with Council direction to reduce costs associated with contracted services.

**COST SUMMARY/IMPLICATIONS**

The second amendment is anticipated to result in net savings of approximately \$207,000 (\$41,400 annually) if the agreement is extended through each of the option terms, as demonstrated below:

	<u>Annual Change</u>	<u>Change through Proposed Five Year Agreement Extension</u>
Compensation Adjustments for Existing Services & Added Scope at No Cost	\$56,300 Savings	\$281,500 Savings
Additional Services	\$14,900 Cost	\$74,500 Cost
Approximate Net Change	\$41,400 Savings	\$207,000 Savings
Estimated cost avoidance to implement on-line appeals process		\$105,000

It should be noted, however, that the anticipated savings are dependent upon certain activity levels. If the actual level of ticket issuance is lower than anticipated, the savings generated by this amendment may decrease, and conversely if the level of ticket issuance increases, the savings may increase. As the year progresses and the actual level of ticket issuance activity is determined, a recommendation to adjust the Parking Citations Processing appropriation may be brought forward for City Council consideration.

**BUDGET REFERENCE**

Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	Proposed Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	2028	Parking Citations Processing	008122	\$680,000	\$680,000	IX - 19	6/19/12, Ord No. 29102

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**CEQA**

Not a Project, File No.PP10-0666(a), Agreements and Contracts for Professional Services

/s/

JULIA H. COOPER  
Acting Director of Finance

/s/

HANS F. LARSEN  
Director of Transportation

For questions please contact Mark Giovannetti, Purchasing Division Manager, at 408-535-7052  
or Joe Garcia, Transportation Division Manager, at 408-535-3833.