Summary Title: Contract Amendment for Inglewood Parking Citations

Title: Approval and Authorization for the City Manager to Enter into Amendment One for contract No. C07118158 with City of Inglewood to Add Collection Services for Delinquent Parking Citations

From: City Manager

Lead Department: Police

Recommendation
Staff recommends Council approve and authorize the City Manager or his designee enter into amendment three to contract C07118158 with the City of Inglewood to add enhanced collection services for delinquent parking citations in substantially the same format as the attached amendment and exhibit B-1. The City of Palo Alto agrees to pay the City of Inglewood ICMS/LES Collection program a fee of 35% of the amount of each delinquent parking citation collected, not to exceed $130,000 for the period of April 2011 through November 2011.

Background
The City of Palo Alto has contracted with the City of Inglewood for parking citation processing and some collection services since October 2001. This Government-2-Government joint service provides automation systems, notice mailing and other optional services which cities can purchase to supplement in-house resources and capabilities related to processing of parking citations. Inglewood Citation Management Services (ICMS) serves over 60 California municipal agencies and for the last ten years has proven to be a cost effective program for the City of Palo Alto.

In 2006-07, ICMS enhanced collection agency services provided by Law Enforcement Systems (LES), a private company, and added “Secondary Delinquent Parking Citation Collection Services,” which expanded the services available to clients for collection of past due citations on a contingency basis of 35% of the amount collected from delinquent accounts. Staff is recommending implementation of these additional collection services.

This item is consistent with the City’s objective to recover the cost of services where appropriate and to increase General Fund collection revenue after expenses, when possible.

Discussion
The City of Palo Alto purchases parking citation processing services from the City of Inglewood under a government shared service program known as Inglewood Citation Management Services (ICMS). This program allows cities to purchase various parking citation processing and collection services including use of computer systems, notice printing and mailing, payment processing, customer services and collection of delinquent accounts. One of the optional services is “Secondary Delinquent Parking Citations Collection Services”. This service assigns parking citations that are greater than 90 days delinquent to the ICMS collection agency, Law Enforcement Systems, that provides ICMS collection service. This service includes collection efforts beyond normal noticing and DMV registration holds at no upfront costs to the City. Collection fees are contingent on collection of past due citation fines and late penalties. The cost of the service is 35% of the amount collected. The services are fully integrated with the parking citation processing system and provides customized collection notices, mailing and postage, skip tracing services, and call center staffing for customer service and dispute review. Under the ICMS collection program Palo Alto will also receive reimbursement for the $3.00 DMV filing fees and payment of the Franchise Tax Board’s Tax Intercept filing fees normally charged by ICMS.

Currently the City of Palo Alto has a collection rate of approximately 80% but staff believes that this collection rate could be improved with the services of a specialized collection agency. Under the City’s current process, citations issued to vehicles registered in California are liened at DMV once they become delinquent. The City currently utilizes the services of a collection agency for the collection of citations issued to out of state vehicles. However, the ICMS collection services would supplement existing collections efforts because the ICMS services are specifically to address delinquent parking citations and they have collection tools such as connectivity to the DMV that the City’s conventional agency does not provide. The following table shows payments received versus delinquent unpaid penalties for the last five years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Payments</th>
<th>Delinquent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$1,808,402</td>
<td>$226,960</td>
</tr>
<tr>
<td>2007</td>
<td>$1,615,722</td>
<td>$225,779</td>
</tr>
<tr>
<td>2008</td>
<td>$1,748,895</td>
<td>$237,554</td>
</tr>
<tr>
<td>2009</td>
<td>$1,476,612</td>
<td>$299,127</td>
</tr>
<tr>
<td>2010</td>
<td>$1,491,160</td>
<td>$358,453</td>
</tr>
</tbody>
</table>

Palo Alto currently has a five year delinquent citation backlog of approximately 20,669 citations, with a total value of $1,347,873, which would be sent to ICMS for collections. Based on ICMS experience, Palo Alto could anticipate a collection of $262,835 net after expenses over the next 18 months. While these figures were provided by ICMS based on an 18 month timeline, the current contract with ICMS ends in October 2011, at which time staff will either select a new citation processing contractor or enter into a new contract with ICMS. If ICMS is selected, staff could anticipate the collection figures noted above over the next 18 months.
On an ongoing basis the collection program is anticipated to assign approximately 5,300 delinquent citations valued at $330,000 per year, which are typically unpaid 12 months after issuance. The collection service anticipates collecting 30% to 35% of these citations, which could produce $65,000 per year in additional citation revenue net of expenses. The collection program will reduce expenses approximately $8,000 per year in DMV hold fees and $7,500 in FTB Tax Intercept filing fees which will be paid by ICMS.

The collection program also offers an option for participating cities to add a “Cost of Collection Penalty Fee” to reimburse the City for the cost of this service, which ICMS recommends implementing through ordinance and resolution. After gaining experience with the collection program, staff will consider adopting a cost of collection penalty fee equal to the ICMS 35% collection commission rate. Given the current contract with ICMS runs through October 2011, It was the intention of staff evaluate the comprehensive collections service as quickly as possible to use as a trial basis for the remainder of the contract, and to determine if it is a service that should be included as part of the new RFP.

RESOURCE IMPACT

Adding this collection service will not have any significant impact on current staff. The revenue recovered from the delinquent parking citations will have a positive impact on the city budget of approximately $65,000 per year after expenses. Additionally, delinquent citations in the amount of $1,347,873 have remained uncollected for over five years and this program is anticipated to recover over $262,000 of the backlog in delinquent citation penalties during the next 18 months. This amount equates to approximately 35% of the total outstanding uncollected debt.

POLICY IMPLICATIONS

The recommendations in this report do not represent a change in City policies.

ENVIRONMENTAL REVIEW

The recommendations in this report do not constitute a project requiring review under the California Environmental Quality Act (CEQA).

ATTACHMENTS

A. Amendment No. One to contract No. C07118158 between the City of Palo Alto and City of Inglewood.

B. Exhibit A-1 Collections Program Scope of Work.
C. Exhibit B-1 Compensation for Collection Services.

Attachments:

• 8261551 AGT City of Inglewood Parking Amendment_v3 (DOC)
• Exhibit A-1 (PDF)
• Exhibit B-1 (PDF)

Prepared By: Michael Denson, Police Lieutenant

Department Head: Dennis Burns, Police Chief

City Manager Approval: James Keene, City Manager
AMENDMENT NO. ONE TO CONTRACT NO. C07118158
BETWEEN THE CITY OF PALO ALTO AND
CITY OF INGLEWOOD

This Amendment No. One to Contract No. C07118158 ("Contract") is entered into May ___, 2011, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and City of Inglewood, located at One Manchester Boulevard, Inglewood, CA 90301 ("Contractor").

RECEITALS:

WHEREAS, the Contract was entered into between the parties for the provision of parking citation processing; and

WHEREAS, the parties wish to amend the Contract to add collection services for delinquent parking citations;

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

SECTION 1. Section One ("Services") is hereby amended to read as follows:

"SERVICES. CONTRACTOR shall provide or furnish the services ("Services") described in the Scopes of Services, attached as Exhibits A and A-1."

SECTION 2. Section Five ("Compensation") is hereby amended to read as follows:

"COMPENSATION. CITY shall pay and CONTRACTOR agrees to accept as not to exceed compensation for the full performance of the services and reimbursable expenses, if any:
A sum calculated in accordance with the fee schedule set forth in Exhibits B and B-1, not to exceed a total maximum compensation amount of (a) ninety five thousand dollars ($95,000) per year for the citation processing services described in Exhibit B, and (b) one hundred thirty thousand dollars ($130,000) for the citation collections services described in Exhibit B-1 for the period of April 2011 through November 2011.

CONTRACTOR agrees that it can perform the services for an amount not to exceed the total maximum compensation set forth above.

The City has set aside the sum of nine thousand five hundred dollars ($9,500) for Additional services. Contractor shall provide Additional
Services only by advanced, written authorization from the City Manager or designee. Contractor, at the City’s request, shall submit a detailed written proposal including a description of the scope of services, level of effort, and Contractor’s proposed maximum compensation, including reimbursable expenses, for such services. Compensation shall be based on the hourly rates set forth above or in exhibit C (whichever is applicable), or if such rates are not applicable, a negotiated lump sum. City shall not authorize and Contractor shall not perform any Additional Services for which payment would exceed the amount set forth above for Additional Services. Payment for Additional Services is subject to all requirements and restrictions in this Agreement.”

SECTION 3. The following exhibit(s) to the Contract are hereby added to read as set forth in the attachment(s) to this Amendment, which are incorporated in full by this reference:

a. Exhibit “A-1” entitled “Collections Program Scope of Work.”

b. Exhibit “B-1” entitled “Collections Program Compensation.”

SECTION 4. Except as herein modified, all other provisions of the Contract, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Amendment on the date first above written.
ATTACHMENTS:

EXHIBIT "A-1": Collections Program Scope of Work
EXHIBIT "B-1": Collections Program Compensation
EXHIBIT A-1
Collections Program Scope of Work

This document describes the ICMS Comprehensive Collection Services scope of work, fees and payment procedures. These services are provided by the City's contract service provider Law Enforcement Systems (LES).

1. **Cost of Collection Recovery Fee**: Client Agencies may, at their option, adopt an ordinance or approve a fee to cover the cost of collection.

2. **Collection Fees**: The collection fee paid to ICMS/LES will and will cover all expenses related to the collection process and will only apply to citations collected.

3. **Assignment**: Citations will be assigned 21 days after the maximum penalty date, unless otherwise agreed upon by the Client Agency and ICMS. LES will accept delinquent citation assignments via the City of Inglewood ICMS/Duncan AutoProcess system and use its best efforts to collect citations.

4. **Collection Letters**: LES will present proposed collection letters to the City to review, edit and approve. The collection letters will include:
   a. Notice of Assignment to Collection Agency
   b. Demand for Payment
   c. Impending DMV Lien
   d. Impending Tax Offset
   e. Impending Assignment to Collection Attorney (optional)

5. **Skip Tracing**: LES will provide skip tracing services to locate violators at a current address for all accounts assigned with a “bad address” indicator and from accounts that are “return to sender” via LES mailings.

6. **DMV Information**: LES will use its resources to verify DMV information and obtain registration information for any accounts assigned without a registered owner.

7. **Customer Service**: LES will provide a toll-free customer service number which will be listed on all correspondence for violators to contact LES should they have any questions or want to dispute the validity of the debt.

8. **Dispute Resolution**: LES will provide dispute resolution services to review violator claims of non-liability and forward accounts to client agencies where LES has determined a valid reason for dismissal is present. The ICMS/Duncan system will be updated to reflect the Client Agency decision either by the Client Agency or by LES.
9. **Lockbox Remittance Processing**: LES will provide lockbox remittance processing and include a return remittance envelope with all delinquent collection notices.

10. **DMV Lien Process**: The ICMS AutoProcess - LES collections interface provides for delayed filing of DMV Liens until 100-120 days before the renewal date. This allows maximum time to collect citations without waiting up to one year for the renewal date. LES will mail the “Notice of Impending DMV Lien” prior to the lien being filed. LES pays all monthly DMV Lien fees.

11. **Franchise Tax Board**: The Comprehensive Collection Service includes participation in the annual Franchise Tax Board’s Tax Offset Program including:
   a. Selecting qualifying accounts per Client Agency guidelines
   b. Obtaining Social Security numbers
   c. Obtaining updated addresses
   d. Consoliating multiple plates owned by a single violator
   e. Mailing Impending Offset Notice
   f. Receiving calls from violators resulting from Impending Offset Notice
   g. Lockbox remittance processing
   h. Filing with FTB the balance of accounts remaining unpaid from Impending FTB Notice process
   i. Handling calls from violators whose tax refund has been intercepted
   j. Updating FTB with modify records; payments received at other sources, additional amount due
   k. Issuing refunds at direction of Client Agency for cases found to have been filed in error

12. **Fee Rate for Comprehensive Collection Services**: The City of Palo Alto agrees to pay the City of Inglewood ICMS/LES Collection program 35% of collection of delinquent parking citations.

13. **LES Fees, Expense Reimbursement and Revenue Distribution**: 
   a. LES will retain the agreed upon fee on payments received from assigned citations. The collection fee will be applicable in cases where the client agencies decides to accept less than the total amount assigned or where the FTB has intercepted a lesser amount, but in no case shall LES’ fee exceed the agreed upon rate.
   b. LES services are contingency fee based with no additional charges for FTB Social Security numbers, DMV Liens, plate matching and mailings.
   c. LES will issue the Client Agency a credit for DMV lien fees deducted by the State from collection proceeds.
   d. On a mutually agreed upon schedule, LES will transfer to the Client Agency’s designated account, via ACH transfer, the Net Receipts for the prior reporting period. “Net Receipts” means the collection fee due ICMS/LES will be deducted from proceeds of collections and the remaining funds will be transferred to the Client Agency. Adequate funds may not exist in the LES trust when payment of assigned accounts occurs through mail, over the counter, credit card telephone or Internet payments are received directly by the Client Agency.

Date -- #
e. Franchise Tax Board (FTB) Tax Intercept Lien Collections distribution to client agencies will be distributed by the City of Inglewood ICMS Program Office, from funds received monthly from FTB. The amount distributed will be net of collection fees due ICMS/LES for FTB collection plus any balance due or collection fees due to ICMS/LES as discussed in Section D above.

f. In the event that collection fees due ICMS/LES for any month exceed the amount of funds available in the LES lockbox account and the monthly FTB distribution, the City of Inglewood will invoice the Client Agency for the balance due. Payment terms for the balance due shall be Net 30 days of receipt of invoice.

g. Contractor will provide City with a monthly statement and supporting report that itemizes the collection by citation number and source of payment. The monthly statement will reconcile all payments for assigned accounts received at the following sources:

- Direct payment to City from mail, over the counter, IVR and internet credit card payments;
- Direct payment to City from DMV for registration hold payments received;
- Payment to LES Collection Lockbox service
- Payment to Inglewood by FTB for tax intercept and lottery winning liens filed on behalf of the City.

Transition Plan for Citations Currently on DMV Hold

a. Palo Alto will NOT adopt a 35% cost of collection penalty fee at this time.

b. All citations remaining unpaid at 91 days after issuances will be assigned to LES for collection services. This includes citations currently filed with DMV for registration holds.

c. DMV registration hold requests will continue to be transmitted to DMV in accordance with the business rules adopted by the City.

d. LES will initiate collection efforts upon assignment. This will proceed at the same time as DMV Holds are outstanding.

a. ICMS/LES will consolidate multiple plates to a common owner, where applicable.

b. We will provide skip tracing to locate current address.

c. ICMS/LES will mail customer approved collection letters at no expense to Palo Alto.

d. LES will provide 1-800 ph# and customer service staff.

e. LES will provide payment processing lockbox services for assigned accounts.

e. LES will be entitled to any collection fees made at DMV after the collection program has been implemented 120 days. No collection fees will be charged if collection occurs at DMV prior to that date.

f. ICMS/LES will reimburse the City for DMV hold request fees charged to the City from the date the collection program is implemented going forward.
EXHIBIT B-1
Compensation for Collections Services

The City of Palo Alto agrees to pay the City of Inglewood ICMS/LES Collection program a fee of 35% of the amount of each delinquent parking citation collected pursuant to the guidelines set forth in Exhibit A-1.