

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

Date: October 4, 2013

To: The Honorable City Council
c/o City Clerk, Room 395, City Hall
Attention: Honorable Mike Bonin, Transportation Committee

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

Subject: **PARKING METER COLLECTION AND COIN COUNTING
SERVICES (C.F. 10-2449)**

SUMMARY

This report is in response to a motion (C.F. 10-2449) by Councilmember Paul Koretz dated August 29, 2012 requesting information and analysis related to the Los Angeles Department of Transportation's (LADOT) meter collections and coin counting operations.

RECOMMENDATION

That the City Council RECEIVE AND FILE this report, as it is for informational purposes only.

DISCUSSION

Preface

LADOT anticipates making a recommendation to award a contract for bundled parking meter collections and coin counting services in October or November of 2013 resulting from a competitive request for proposals (RFP) process.

Policy Rationale for Contracting

Overview

Contracting for these particular services is advantageous to the City of Los Angeles because it will reduce costs, transfer security and equipment maintenance risk, and enable LADOT to re-assign existing coin counting staff to support "back to basics" core field operations. It also reduces future budgetary pressure to increase staffing levels to address security concerns. There will be no layoffs if the City Council and Mayor decide to continue contracting meter collections and start contracting coin counting.

Meter Collections

LADOT currently contracts for meter collection with the company Serco, Inc. at an annual cost of \$1.9 million (contract year 10/01/11 – 09/30/12). The projected cost for contract year ending 09/30/13 also is \$1.9 million. LADOT contracts based on City Council and Mayor policy to contract parking meter coin collection dating back to 1984 (C.F. 84-1332). The city has utilized a total of three vendors under seven different contracts to provide these services.

Coin Counting

In 2011, the Controller initiated, at the request of the Mayor, a management review of LADOT by KH Consulting. The final report (“City of Los Angeles Department of Transportation (LADOT) Comprehensive Management Review”, April 30, 2012) recommended contracting out coin counting operations in addition to meter collections:

“Meter revenue collection should be fully contracted out, including coin room operations.” (p. I-6)

“Any operation such as the coin room, where large amounts of money in small denominations are handled, is inherently subject to the risk of loss. The City should take reasonable steps to mitigate this risk. One effective way to do so is to contract for the full revenue collection operation and require the contractor to indemnify the City if a loss occurs.” (p. IV.F-6)

“LADOT should contract for the full revenue collection process, including coin sorting and tally. A single contractor should be retained to collect, sort, and tally revenues, and pass them to the bank’s armored truck service.” (ibid.)

LADOT experienced a theft of an unknown amount in 2011 that was discovered through a security audit, was reported to and investigated by the Los Angeles Police Department (LAPD), and resulted in a criminal conviction. LADOT management subsequently conducted a security review with LAPD and an outside security expert and implemented 15 reforms to our security protocols.

The following security staff has not been replaced due to budgetary constraints: Chief Transportation Investigator (retired, 2009), Senior Transportation Investigator (retired, 2010), and Senior Transportation Investigator (deceased, 2012). Subsequently security staffing for coin counting has increased through the internal transfer of one additional Senior Transportation Investigator.

Although the use of coins in parking meters is decreasing as credit card usage increases, LADOT still collects \$27.3 million annually in coins from city parking meters. The revenue stream is important to the city’s budget and LADOT recommends that the

city either invest substantial resources to harden the coin counting room up to commercial banking standards or contract this function with commercial banking level security as a contractual requirement.

Contracting the coin counting function would transfer the risk associated with coin counting while providing contractual responsibility for theft that would protect the city's revenue.

The final report was transmitted to the Mayor, City Council, and City Attorney. The Audits and Governmental Efficiency Committee noted and filed the report on June 25, 2012 (C.F. 12-0641). LADOT issued a RFP for bundled parking meter collections and coin counting operations consistent with the recommendations in the Controller's management review.

Impact on Current Coin Counting Staff

If the City Council and Mayor decide to contract coin counting operations, LADOT anticipates no layoffs.

Current coin counting staff consists of 6 Maintenance Laborers (3112) and 4 Senior Transportation Investigators (4273), with one Senior Transportation Investigator serving as the acting Chief Transportation Investigator (4275). One of the investigators is on loan from the Taxicab & Franchise Division to bolster security. In addition, the Parking Operations Support & Adjudication Division provides 1.5 full-time equivalent (FTE) of administrative support to the coin counting operation.

LADOT would re-assign the Maintenance Laborers to support various operations (e.g. temporary sign posting) and provide additional training as necessary. LADOT has 4 vacant Maintenance Laborer positions and 5 vacant Traffic Paint Sign Posting I (3421-1) positions authorities that can accommodate the existing staff. Some of the existing staff have received partial training as TPSP and work this function as needed on an overtime basis to support LADOT Field Operations. Re-classifications also may be needed, which would result in certain employees earning more money in a more senior classification.

The Senior Transportation Investigators would continue to focus on meter collection and coin counting security in an oversight and contract administration capacity, including audits and site visits. Administrative staff would expand their support of other LADOT operations.

Fiscal Rationale for Contracting

Meter Collections

Start-Up Costs

In-sourcing meter collections would require a one-time start up cost of \$639,022 for meter collections (vehicles, equipment, facilities, etc.). Costs were calculated based, in part, on data and input received from the General Services Department (GSD).

Schedule Impacts

In-sourcing meter collections would take a minimum of 1-2 years based on staff experience with anticipated city processes, including but limited to: establishment of new classifications and salary schedules, establishment of eligibility lists, hiring new staff, securing a new facility including adequate security systems, and purchasing or leasing vehicles and other equipment.

Cost Comparison

On-going annual expenditures for meter collections would be \$3.4 million with a 5-year estimate of \$16.8 million (excludes one-time start-up costs noted above). This includes direct and indirect costs at the top salary step for each position authority, but does not include any potential cost of living adjustments (COLA) that may be contained in future employee labor contracts. Costs are based on a staffing level of 37 positions and 35 FTE.

Based on the recent and current projected costs under the current contract, LADOT 5-year costs would be \$9.5 million (5 years x \$1.9 million/year). This is a reasonable estimate since unit costs typically increase each year and the volume of coins has been decreasing.

Excluding one-time costs, in-sourcing meter collections would increase 5-year costs by \$7.3 million (+76%). Including one-time costs, the 5-year cost increase rises to \$7.9 million (+83%).

Coin Counting

Cost Comparison

On-going annual expenditures for coin counting would be \$1.0 million with a 5-year estimate of \$5.2 million (excludes one-time start-up costs noted above). This includes direct and indirect costs at the top salary step for each position authority, but does not

include any potential cost of living adjustments (COLA) that may be contained in future employee labor contracts.

Because LADOT only requested bundled prices in response to our RFP, we can only compare the bundled costs. In-sourcing bundled services would have a 5-year cost of \$22.0 million (\$16.8 million + \$5.2 million) plus one-time costs of \$639,022, for a total cost of \$22.6 million.

Contracted services would cost \$15.1 million over the same period, plus \$4.36 million for LADOT administrative and contract oversight costs, for total cost of \$19.5 million.

Thus, bundled contracting saves the city \$3.1 million (-13.9%). In addition, the city would receive system and equipment enhancements with an estimated value of \$300,000. Financial details are provided in Schedule 1.

FISCAL IMPACT

If coin counting operations are not contracted, the city will not realize \$3.1 million in operating cost savings over five years.

If meter collection operations are provided by city staff instead of the current practice of contracting, the total cost would be \$3.0 million annually (calculated using step 5 and CAP 32 related and indirect costs) versus \$1.9 million, with a 5-year cost increase of \$5.4 million (+57%).

Together with one-time start-up costs, continuing coin counting with city staff and in-sourcing meter collections would cost the city \$10 million over 5 years,

BACKGROUND

Council Motion

C.F. 10-2449 directed LADOT to prepare a comparison of contracting out the collection and counting of parking meter coin revenue versus using city employees. The motion also directed LADOT to determine the initial start-up and personnel costs for in-sourcing this function, including various scenarios for differing employee pension costs. Lastly, the motion directed LADOT to provide the original justification for outsourcing this function.

Scope of Meter Collections Operations

The department operates and collects revenues from approximately 34,000 single-spaced parking meters and 415 pay stations in the city's 74 parking meter zones with 177 sub-zones and 97 metered parking lots.

Current Contracted Staffing Level

The existing contract with Serco involves the use of 37 staff:

- 32 field crew
- 4 field crew supervisors
- 1 administrative support person

Current Productivity

The average number of single space meters collected by a team of three meter collectors is approximately 1,400, or 460 per collector, excluding pay stations. Daily collections average about 565,000 coins with a value of about \$110,000. The meter collections are performed between 5:30 a.m. to 2:30 p.m., five days a week.

Contract History

The current Serco Inc. contract (C-109171) commenced on October 1, 2005 for a period of one year with four annual extensions, effective October 1, 2006 through September 30, 2010. Three subsequent amendments authorized the contractor to continue the parking meter and pay station collection service from October 1, 2010 to March 31, 2014, with additional month-to-month options through September 30, 2014.

Contract Scope

LADOT’s contract with Serco includes the following provided services:

- Collect coins from approximately 34,000 meters in various locations in the City of Los Angeles.
- Collect currency and coins from approximately 400 pay stations.
- Transport all coins and currency collected from parking meters and pay stations to LADOT’s coin counting facility.
- Assist with meter audits, inventory and related duties.

Contact Cost

LADOT pays Serco, Inc. approximately \$1.9 million annually for parking meter collection operations:

Contract Year	Unit Price per Meter Box Collected	Unit Price per Pay Station Collected	Total Paid
10/1/11 – 9/30/12	\$0.54002	\$9.06	\$1,902,034
10/1/12 – 9/30/13	\$0.56113	\$9.41	\$1,856,633 (projected)
10/1/13 – 9/30/14	\$0.57235	\$9.60	\$1,893,764 (projected)

Impact of New Meters & Technologies

Since 2008, the department has installed 437 new multi-space meters, or pay stations, which accept payments of coins, bills, credit/debit cards and “pay by phone”. These pay stations have different collection requirements as compared to traditional single space parking meters, and are most efficiently collected using a two-person crew with a cargo van retrofitted to accommodate pay station cash boxes. Since the collection requirements are different, the price to collect from pay stations is therefore significantly higher than to collect from single space meters.

As technologies evolved over the past five years, the new single space meters are now capable of accepting coin and credit/debit card payments. With the intention to bring simplicity and convenience for the public, the department plans to gradually replace most on-street pay stations with single space meters. With such changes, contract

costs to collect from pay stations may dramatically decrease and may result in a lower contractual cost.

On December 15, 2012, the department completed the replacement of all single space parking meters, with new IPS meters, which now offer multiple payment options, including coins and credit/debit cards. Data has shown that the public favors non-cash payment, as total credit card payments (52%) has recently surpassed the total of cash payment (48%). With the decline in cash payments, the frequency of meter collections may decrease and may further lower contract expenditures to collect meters.

With the department's new Meter Management System (MERGE) and the new IPS meter reporting, the department now has the ability to access all meter records for collection. As such, should an event occur in which the counted amount exceeds the weight tolerance set by the department, MERGE will flag the transaction, and the department's Chief Investigator will be notified near real-time, to address the discrepancies.

Request for Proposals Status

LADOT released a RFP for parking meter coin collection and counting services on September 17, 2012. Staff has completed the review of proposals received from three vendors and a recommendation will be made to the general manager and then Mayor and City Council within the next 1-2 months.

ATTACHMENTS

- Appendix A – Parking Meter Collections Detail
- Appendix B – Technology & Systems Enhancements in Pending Proposals
- Schedule 1 - Cost Calculations for City Staff Providing Meter Collections & Coin Counting Services

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APPENDIX A – PARKING METER COLLECTIONS DETAIL**Staffing Level**

To effectively and efficiently collect revenues from approximately 38,000 parking meters in 74 parking meter zones with 177 sub-zones and 97 metered parking lots, the LADOT estimates that it would need a minimum of 37 staff (35 FTE) consisting of:

- 29 Parking Meter Collectors – collect meters in the field;
- 2 Senior Parking Meter Collectors – supervise the meter collectors and provide field supports;
- 2 Senior Transportation Investigators – perform field investigations, including meter revenue thefts by the general public and/or meter collectors;
- 1 Chief Transportation Investigator (0.5 FTE) – supervise the Sr. Transportation Investigators, analyze investigations and compile unit statistics;
- 1 Management Analyst II (0.5 FTE) – provide operational supports for the meter collection and coin counting functions
- 1 Senior Management Analyst I (0.5 FTE) – responsible for the oversight and administration of the meter collection and coin counting operations; and
- 1 Clerk Typist (0.5 FTE) – provide administrative support.

The classification of Parking Meter Collector was abolished in 1992 after the city began contracting the collection services in 1984. It is, therefore, reasonable that the classification could be re-established along with the Senior Parking Meter Collector.

The number of proposed staff is based on the current operation of nine single space meters collection routes, with three meter collectors assigned to each route; and one multiple meters (pay station) collection route with two meter collectors. The collection routes and the frequency of collections in each parking meter zone are designed to insure the optimum performance of the parking meter usage profiles of the parking meter zones and sub-zones.

Since the city does not have a classification of Project Manager nor Parking Meter Collection Supervisor, the department would request a Sr. Management Analyst I and a Management Analyst II positions to supervise collection staff and manage the collection activities of a new parking meter collection section. The creation of the additional collection section would provide appropriate levels of internal controls that are required to effectively manage the large scale operation of collecting substantial amounts of cash on a daily basis.

Facilities

A separate facility to house the proposed new collection staff would be required to minimize any security concerns. The addition of this facility would provide the internal controls required to oversee the entire meter collection operation, and to prevent pilferage.

LADOT contacted GSD's asset management division to obtain estimated costs for the leasing and any construction associated with occupying a new space. GSD advised that approximately 8,750 square feet of space would be needed to house the additional personnel, and 13,750 square feet for warehouse/storage and employee parking. The five-year estimated cost to lease this space would be \$1.7 million, including rent escalation. Monthly lease of parking spaces for the collection vehicles would be \$3,375 or \$202,500 over 5 years. In addition to the rental cost, GSD indicated that communication and the build-out of two locker rooms and eight modular workstations (for the in-office employees) would be approximately \$125,400, without any furniture or build-outs for the thirty-one employees who mainly work in the field.

Additional costs would include OSHA/ADA compliance requirements, communications, electrical, installation of data/computer equipment, routine maintenance, office furniture and equipment. Please also note that these costs do not include any utility costs that may be charged by the Department of Water and Power.

Vehicles

An integral component of the current meter collection operation is the use of heavy duty vans (1.5 ton) outfitted with specific security features to protect the staff and allow for the safe transport and ease of unloading the metal collection canisters.

GSD fleet services was contacted to determine the estimated costs for ten collector vans. The total initial cost of these vans, which can handle a minimum payload of 3,000 lb. (gross vehicle weights) and customized with a lift gate, would be approximately \$488,000. This estimate does not include any routine maintenance or any future security modifications that may be required for the vehicles.

Additional Operational Costs

Additional operational costs will be needed to support a new parking meter collection section, as well as the existing coin counting section. Communication equipment costs (cellular telephone with GPS and push-to-talk communication devices), coin canisters, security seals, coin bags, coin pads, wireless barcode scanners, counting equipment/scale maintenance, armored courier, vehicle fuel and maintenance, uniform and shoe allowance with maintenance, and seasonal and safety gear are estimated to cost about \$260,000 annually, with an estimated one-time start-up cost of \$285,000

(Schedule 1). Based on the RFP proposals received from the 3 vendors, other than the approximate cost of \$167,000 for the 400 canisters and 40 collection carts (new and upgraded), all of these costs are borne by the parking meter collection contractor, and are inclusive in the new RFP.

Please also note that these aforementioned costs do not include security cameras, recording equipment, revenue logs, background checks, onsite security services, software, hardware, system upgrades, monthly wireless services and other miscellaneous equipment, which will affect the overall cost of assuming the parking collection functions internally.

APPENDIX B – TECHNOLOGY & SYSTEM ENHANCEMENTS IN PENDING PROPOSALS

The following are new technology, systems, and equipment that would be part of contracted coin collection services:

- Collection Vehicles
- Vehicle Customizations
- Communication Devices & Accessories
- Computer Software & Hardware -- Meter Collection
- Annual IT Support
- Coin Sorter (4)
- Currency Counter (1)
- Computer/Interface – Coin Counting
- Coin Conveyor System
- Floor Scales
- Building Security & Camera System
- Software Development
- Security Seals
- Uniforms

SCHEDULE 1 - COST CALCULATIONS FOR CITY STAFF PROVIDING METER COLLECTIONS & COIN COUNTING SERVICES

Parking Meter Collection

Position Authority	Annual Salary	LACERS	GCP - Medicare	FLEX	Annual Cost	No. of Positions	Full-Time Equivalent	Annual Cost	5-Year Cost
Assumptions	5th Step	25.3%	1.5%	11,441					
Parking Meter Collector	51,219	12,974	768	11,441	76,402	29	29.0	2,215,646	11,078,232
Sr. Parking Meter Collector	55,353	14,021	830	11,441	81,645	2	2.0	163,290	816,451
Chief Transportation Investigator	94,190	23,858	1,413	11,441	130,902	1	0.5	65,451	327,254
Sr. Transportation Investigator	84,188	21,325	1,263	11,441	118,217	2	2.0	236,434	1,182,168
Management Analyst II	87,132	22,071	1,307	11,441	121,951	1	0.5	60,975	304,877
Sr. Management Analyst I	102,918	26,069	1,544	11,441	141,971	1	0.5	70,986	354,928
Clerk Typist	48,295	12,233	724	11,441	72,694	1	0.5	36,347	181,735
Subtotal Direct Cost						37	35.0	2,849,129	14,245,646

Operation Cost

Fuel & Maintenance								112,582	562,909
Uniform Maintenance								14,105	70,525
Parking Space for Collections Vans								40,500	202,500
Office Space (Rent)								336,000	1,680,000
Subtotal Operation Cost								503,187	2,515,934

Total Cost

3,352,316 16,761,580

1-Time Start-Up Costs

Unit Cost

Space Requirement (Lumpsum)									125,400
Break Room/Storage/Locker Rooms (Separate for Men & Women)								125,400	
Equipment (modified for collections)									488,538
Vans								488,538	
Miscellaneous									25,084
Phones & Accessories								7,750	
Uniform & Rain Gear								13,149	
Shoes								4,185	
Total Start-Up Costs									639,022

Total 5-Year Costs

17,400,602

Coin Counting

Position Authority	Annual Salary	LACERS	GCP - Medicare	FLEX	Annual Cost	No. of Positions	Full-Time Equivalent	Annual Cost	5-Year Cost
Assumptions	5th Step	25.3%	1.5%	11,441					
Maintenance Laborer	48,128	12,191	722	11,441	72,482	6	6.0	434,893	2,174,467
Chief Transportation Investigator	94,190	23,858	1,413	11,441	130,902	1	0.5	65,451	327,254
Sr. Transportation Investigator	84,188	21,325	1,263	11,441	118,217	2	2.0	236,434	1,182,168
Management Analyst II	87,132	22,071	1,307	11,441	121,951	1	0.5	60,975	304,877
Sr. Management Analyst I	102,918	26,069	1,544	11,441	141,971	1	0.5	70,986	354,928
Clerk Typist	48,295	12,233	724	11,441	72,694	1	0.5	36,347	181,735
Subtotal Direct Cost						12	10.0	905,086	4,525,431

Operation Cost

Coin Bags								19,200	96,000
Coin Canisters & Accessories								42,840	214,200
Security Seals								13,320	66,600
Wireless Barcode Scanner								1,250	6,250
Counting Equipment/Scale Maintenance								29,450	147,250
Disinfectant Wipes - Safety								560	2,800
Armored Courier								26,856	134,280
Subtotal Operation Cost								133,476	667,380

Total Cost

1,038,562 5,192,811

TOTAL BUNDLED COST WITH CITY STAFF

Excluding 1-Time Costs								4,390,878	21,954,391
With 1-Time Costs								5,029,900	22,593,413