CITY OF **VANCOUVER**

ADMINISTRATIVE REPORT

Report Date: May 25, 2005
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Meeting Date: July 12, 2005

TO: Vancouver City Council

FROM: General Manager of Engineering Services

SUBJECT: Parking Meter- Pay by Phone - Award of Contract

RECOMMENDATION

A. *THAT, subject to the conditions set out in Recommendations B, and C, Council authorize a contract with Verrus Mobile Technologies Inc. for the provision of a Pay by Phone system for parking meters, subject to a contract satisfactory to the Director of Legal Services, the General Manager of Engineering Services, and the Manager of Materials Management.*

B. *THAT the Director of Legal Services be authorized to execute and deliver, on behalf of the City, all legal documents required to implement Recommendation A*

C. *THAT no legal rights or obligations will be created by Council's adoption of Recommendation A, and B above unless and until such legal documents are executed and delivered by the Director of Legal Services.*

D. *THAT Council approve upgrades to the parking enforcement office/computer server space and associated computer equipment at an estimated cost of $70,000 with funds provided from increased parking meter revenues.*

E. *THAT Council approve the creation of one regular full time parking enforcement customer service position (Clerk Typist III subject to classification by Human Resources), funded by user fees. Staff would report back after the 1st year of operation on the continuing staff needs and the success of the program.*

F. *THAT Council approve a 2 year temporary project implementation staff position (subject to classification review by Human Resources) at an estimated annual cost of $54,700, with funds provided from increased parking meter revenues.*

G. *THAT the Director of Legal Services brings forward the necessary bylaw changes to enable payment by phone as outlined in this report.*

CITY MANAGER'S COMMENTS

The City Manager recommends approval of A, B, C, D, E, F, and G

COUNCIL POLICY

Contracts with a value over $300,000 are referred to Council for approval.

The policy of Council is to award contract for the purchase of equipment, supplies and services that will give the highest value based on quality, service and price.

PURPOSE

This report reviews a City Request for Proposal for a pay by phone option for parking at parking meters and recommends a vendor to partner with the City to implement this program

BACKGROUND

The City has relied on various forms of parking meter to control and price street parking use ever since the 1940's. Parking meters provide convenient and reliable service; however, they have been restricted to coin-only use. The City has been looking for options to provide more convenient payment at a reasonable cost. Most of our meters can accept a smart card, and card use proposals at the meters are being explored. Recent technology changes allow a pay by phone system, although these would not totally replace coin use.

Pay by phone has many advantages: it provides a very convenient payment option for the public, receipts are available for business users, message notices can be requested for reminders about time expiring, and rush hour clearances. It would reduce the wear on our equipment and potentially reduce our maintenance and coin collection needs. It should increase our revenue from the meters as fewer would not pay, especially if they did not have adequate change, or they needed to add more time and were not close to the meter.

Pay by phone is enabled by the City's real time handheld enforcement equipment, which allows enforcement staff to have instant access to information in the field, including payment status of a vehicle. Pay by phone is being adopted in a number of jurisdictions.

On November, 2004 the City issued a Request for Proposal (PS04050) for the supply of a parking meter pay by phone system. In addition to notifying incumbent suppliers to the City the competition was advertised in a local newspaper as well as on the City and the B.C. Purchasing Commissions websites.

The RFP identified the City's intent to establish a system which would accept payment by phone on on-street parking locations, particularly at parking meters. This system would be integrated with the City's wireless real time ticketing program, with the cost of implementing and operating the program recovered by the vendor through user fees over the four year term of the proposed contract.

Three proposals were received and opened on January 19, 2005 and referred to the General Manager, Engineering Services and the Manager of Materials Management for evaluation and report. The proposals were from:

-Verrus Mobile Technologies Inc.

-Mint Inc

-Sable Tech Solutions

DISCUSSION

A review team was tasked with a detailed evaluation of the two proposals which met the City's minimum requirements. The review evaluated the following 12 areas:

Company Profile

Key Personnel

Experience

Service Agreements

Functional Requirements – Customer Service

Implementation

Integration

Technical Requirements

Marketing

Risk Allocation

Financial Model

Value Added Services/Other

This evaluation team was unanimous in selecting Verrus as the best value proposal. Verrus is a locally based company with the longest experience and the largest Pay by Phone market share in North America. It has the largest local customer base, and its current systems are generally configured to meet the City's requirements, including a single call functionality, whereas Mint would have to develop several of the needed requirements including an automated Interactive Voice Response (IVR) sign up system. Field tests of each existing product showed Verrus to be the most seamless for the public.

Verrus did not have the lowest average projected cost to the customer at an estimated per use cost of 17.6 cents; however, Verrus offered four payment methods, including two prepaid options, which can lower the cost to the users to 13 cents per transaction for pay by use and to an average of 6.5 cents for monthly use. The revenue collection model would also be more easily configured to benefit the City by having customer payment made directly to the City's account, which is seen to be particularly important given the prepayment option offer.

Verrus had the strongest proposal to support the option of the City providing customer call support. There are several models which could be considered to provide customer support for the proposed pay by phone system. This work is financially the responsibility of the proponent and often support services are directly handled by the companies or contracted. In the RFP the proponents were asked to consider that the City provides this service.

Staff support the option of using the existing City parking enforcement enquiry staff office to provide customer support work for the successful proponent. This option has a number of advantages for the City including operating synergies with our current operation, particularly the ability to multitask related to parking meter and ticketing enquiry issues, and the position may provide opportunities to accommodate light duty employees. This was discussed with the Union and they support this idea. Thus it is recommended that the City take on this function and add the appropriate staff levels with the City's incremental costs borne by the proponent through a reduction in the amount paid the vendor from the customer transaction fee.

CITY SYSTEM / OFFICE UPGRADES

The City currently has computer systems located in the Parking Enforcement Operations office. While they are reasonably secure, with the expansion of computer systems to include payment/customer contact, they should be further upgraded. This would include upgrades estimated to cost $20,000 for the existing server room, and $15,000 for computer software/hardware upgrades, and $35,000 for other parking enforcement office improvements. This would be separately funded by the City with funds available from increased parking meter revenue.

FINANCIAL IMPLICATIONS

The implementation and operation of a pay by phone option is meant to be cost neutral, with the users paying any direct costs through a service fee which would range from 6.5 cents to 25 cents per transaction with the Verrus proposal. The costs paid by the vendor from the transaction fee include: credit card transaction costs, software modification costs, meter renumbering, advertising costs, secure communication links, customer service support, technical service support, software and hardware costs, license cost, maintenance and support costs, software upgrades, training costs, documentation, any third party software costs and licensing and any other associated costs. A possible financial pro forma is attached as appendix A.

Both of the short listed proposals suggested that user fees be higher than cost recovery and that any added revenues be split on a 50% basis. While revenue from this source may seem attractive, staff do not support any increased fee above that needed to recover costs. If the City did need to increase revenues, it would be better to marginally increase meter rates as the City would not have to share any of this revenue.

The pay by phone system should increase revenues to the City, as individuals who may not have paid before, and whom may find the availability of receipts for tax purposes of value, will find the phone system attractive. In addition, the Pay by Phone system should reduce the City's operating costs as the amount of coinage in meters decreases and wear on the meters is reduced, particularly related to any growth in meters and future possible meter rate increases.

The report identifies the need to fund $70,000 in City one time costs partially related to the pay by phone, and the need to provide a 2 year temporary project implementation staff position at an annual cost of $54,700($28,000 in 2005). This should be funded from increased meter revenues roughly estimated to be $100,000 this year and $200,000 on a continuing basis. The increased customer staff resources noted below would be funded by the proponent from revenues collected in user fees. The level of increased customer staff required would be a function of the success of the program.

PERSONNEL IMPLICATIONS

To provide customer support for the pay by phone system will require an increase in customer service staff (Clerk typist III, subject to classification review by Human Resources). The number of positions would vary with the success of the program and may result in several full time positions over time. Initially it is recommended that one regular full time position be authorized along with further temporary positions as needed. The proponent would provide funding to cover these staff costs. The continuing need for these positions or expansion of Regular Full Time positions would be reviewed and reported to Council after the 1st year of operation.

To support the implementation of the pay by phone system for parking meters and to work on potential customer enhancements, it is recommended that a 2 year temporary project implementation staff position (Engineering Assistant III subject to classification review by HR) be created at an annual estimated cost of $54,700 funded from increased parking meter revenues.

ENVIRONMENTAL IMPLICATIONS

This proposed payment system would be environmentally sustainable, as wireless technology, like our meters, has no need for paper transaction receipts.

IMPLEMENTATION PLAN

A detailed schedule is part of the RFP and it is projected that the system will be available for public use in approximately 4 months after the execution of a contract.

COMMUNICATIONS PLAN

A promotion campaign is part of the RFP and would include a range of options, funded by the proponent, with a value of $158,000 in the 1st phases of the implementation. This is detailed in the RFP document.

CONCLUSION

A pay be phone system is a desirable option for the public to pay for street parking meters and the recommendation to authorize a contract with Verrus Mobile Technologies Inc. is deemed to provide best value for the City to provide this service over the term of the contract.

A copy of this report has been sent to CUPE 15.

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APPENDIX A

The following table outlines a possible financial scenario based on assumptions which are reasonable; however, could vary significantly, and are particularly dependant on the level of use and type of payment programs. These financial projections **do not** include implementation costs borne by the company.

Verrus Funding	**2005**	**2006**	**2007**	**2008**	**4 year Total**
Customer Service costs	20,000	60,000	80,000	100,000	260,000
Verrus Operating Costs	10,000	30,000	40,000	50,000	130,000
Promotion Costs[1]	158,000	98,000	98,000	54,000	408,000
Total Verrus Costs	**188,000**	**188,000**	**218,000**	**204,000**	**798,000**
Verrus Anticipated Revenues[2]	(88,000)	(176,000)	(264,000)	(352,000)	**(880,000)**
Net Verrus Revenue before Implementation costs	100,000	12,000	(46,000)	(148,000)	(82,000)
City Funding					
Temporary Project Management	28,000	54,000	28,000		110,000
One Time Funding (Systems & Renovations)	70,000	-	-		70,000
Total City Implementation Costs	**98,000**	**54,000**	**28,000**		**180,000**
Total Additional City Revenues	**(100,000)**	**(200,000)**	**(200,000)**	**(200,000)**	**(700,000)**
Net City Financial Performance	**(2,000)**	**(146,000)**	**(172,000)**	**(200,000)**	**(520,000)**
Total Costs (Verrus & City)	**286,000**	**242,000**	**246,000**	**204,000**	**978,000**
Total Revenues (Verrus & City)	**(188,000)**	**(376,000)**	**(464,000)**	**(552,000)**	**(1,580,000)**
Net Impact (Verrus & City)	**98,000**	**(134,000)**	**(218,000)**	**(348,000)**	**(602,000)**

1 May be off-set by 3rd parties

2 Assume $0.176 per customer as follows

Year 1	500,000	5% use
Year 2	1,000,000	10%
Year 3	1,500,000	15%
Year 4	2,000,000	20%