



## AGENDA REPORT

**Meeting Date:** August 18, 2015

**Item Number:** D-13

**To:** Honorable Mayor & City Council

**From:** Chad Lynn, Assistant Director of Public Works Services  
Desarae Jones, Management Analyst, Public Work Services

**Subject:** APPROVAL OF AMENDMENT NO. 1 TO THE AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND PARKING CONCEPTS, INC. FOR THE OPERATION OF CERTAIN PARKING FACILITIES; AND

APPROVAL TO OBTAIN A CHANGE PURCHASE ORDER IN THE AMOUNT OF \$165,514 FOR A NOT TO EXCEED AMOUNT OF \$1,304,411 FOR THESE SERVICES.

**Attachments:** 1. Agreement

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### **RECOMMENDATION**

Staff recommends that the City Council move to approve Amendment No. 1 to the existing Agreement No. 238-13 between the City of Beverly Hills and Parking Concepts, Inc.; and approve a change purchase order in the amount of \$165,514 for a not-to-exceed amount of \$1,304,411 for these services for fiscal year 2015-16. Amendment No. 1 updates the Hourly Wages table in Exhibit B-1 to account for the current and future State Minimum wage increases and potential impacts related to the future increases in the City of Los Angeles Minimum wage. Staff is also recommending that the City approve a "premium" cap of no more than two dollars per hour for the duration of the agreement term to address the potential impacts of future Minimum wage increases throughout the state and surrounding jurisdictions.

### **INTRODUCTION**

In March 2013, The City released a Request for Proposals (RFP) for the selection and award of an agreement to an operator to provide the City with special parking operations, administrative, accounting, auditing, and claims adjustment services. The City received six proposals and selected three vendors to be interviewed by the City's selection panel. Each proposer was rated based on a set of criteria to determine the best service provider.

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Parking Concepts, Inc. (PCI) was unanimously rated as the number-one vendor by the selection panel. Staff recommended PCI to be the City's special parking services provider based upon the selection process and the City Council approved an award for these services on July 2, 2013.

Parking Concepts, Inc. has provided the City of Beverly Hills with professional parking management services since August 2013 and is currently in the third year of the agreement. They manage the operations for various facilities, including the 241 N. Canon Dr. Public Gardens/Montage and 450 N. Crescent (Wallis Annenberg) structures where specialized parking operations are required. PCI also manages Monthly Parking activity from billing to revenue collection City-wide.

PCI's employee compensation strategy has been to offer a competitive wage which included a \$1.00 "premium" over the State Minimum wage to attract and retain quality employees. PCI uses this premium to remain competitive in a market where other operators, like those operating in the City of Los Angeles, have comparable job offerings that are above the State Minimum wage rate. The current agreement consideration includes an annual wage adjustments based on the Consumer Price Index and/or Cost of Living Adjustment and did not take into account State or Local minimum wage changes.

With recent changes in the State of California and City of Los Angeles Minimum wage legislation, the contract will need to be amended to maintain the current employee compensation strategy for the duration of the current Agreement, which expires on October 31, 2016. The agreement may be extended for three additional one-year terms at the sole discretion of the City, however service levels and market conditions at the time of expiration may warrant rebidding of the agreement.

## **DISCUSSION**

Currently there are two factors that affect minimum wage increases in the region; the State of California and the City of Los Angeles. The State of California passed two increases: \$9.00 effective July 1, 2014 and \$10.00 effective January 1, 2016. The City of Los Angeles' Minimum wage, passed on June 10, 2015, will increase the minimum wage to \$10.50 in July 2016 followed by gradual annual increases to reach \$15.00 by June 2020.

The State's Minimum wage increase in 2014 had an immediate impact on the City's services, as PCI began to experience higher levels of employee turnover. In the price proposal submitted in response to the City's 2013 RFP for parking management services, PCI established the base rate on the lowest paid positions of "Attendants and Maintenance" at \$9.00 per hour, which included a \$1.00 "premium" over the 2013 State Minimum wage of \$8.00 per hour. Current rates of compensation for parking attendants and maintenance workers under the PCI Agreement meet the State Minimum wage of \$9.00 per hour; however, the agreement did not provide for the additional \$1.00 per hour so a premium no longer exists.

Based on the current minimum wage changes, continued impacts are anticipated following the January 1, 2016 State Minimum wage increase and the July 1, 2016 and 2017 City of Los Angeles' Minimum wage increases, wherein the current rate of compensation will not meet the \$10.00, \$10.50, and \$12.00 per hour minimum, respectively. At a minimum, the language of the agreement needs to meet the programmed State Minimum wage increase and it is recommended they also at least match the City of Los Angeles Minimum wage. Without the proposed Amendment No. 1 to the current agreement, these increases create a disparity in the compensation of employees and eliminate PCI's competitive

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compensation strategy and may affect employee retention, creating a reduction in service levels.

Within the next year of the contract term, the recommended minimum wage increases combined with PCI's premium of \$1.00 will place the compensation rate of the "Attendants & Maintenance" employees just below that of the "Supervisors & Billing Administrator" employees. The rate differential between the employees will be 50 cents to \$1.00. In an effort to maintain the compensation strategy established to ensure the quality of service, staff is recommending that the compensation of each of these four categories of employees be adjusted to reflect PCI's competitive premium over both the State and City of Los Angeles' Minimum wage increases. The competitive "premium" is to be capped at no more than two dollars and may only be adjusted at the sole discretion of the City.

The "Wages – Hourly Expenses" table in Exhibit B-1 of the Agreement will be amended to incorporate the increase in the compensation effective immediately to adjust for the July 2014 increase in the State of California Minimum wage. Staff is also proposing that future increases follow the State of California effective January 2016 and the City of Los Angeles Minimum wage rates effective annually beginning July 2016. The current and proposed rates of compensation for Attendants, Maintenance, Billing Administrator and Supervisor positions are reflected in the table below:

Parking Concepts, Inc. Position Description	Current Rates	Proposed Rates			
		2014 State Min. Wage July 2014	State Min. Wage August 2015 (\$9.00)	LA Min. Wage January 2016 (\$10.00)	LA Min. Wage July 2016 (\$10.50)
Attendants & Maintenance *	\$9.00	\$10.00	\$11.00	\$11.50	\$13.00
Billing Administrator	\$12.00	\$13.00	\$14.00	\$14.50	\$16.00
Supervisor	\$12.50	\$13.50	\$14.50	\$15.00	\$16.50
Fiscal Impact of Proposed Rates by Fiscal Year					
Fiscal Year	Total				
2015-16	\$ 65,393	\$ 24,014	\$ 41,378		
2016-17	\$ 100,121			\$ 100,121	

\*Rate is based on Minimum Wage + \$1.00 "premium"

The cost is estimated to be \$65,393 for the immediate increase, requested to address the California State Minimum wage increase that went into effect on July 1, 2014 and the increase that is set for January 1, 2016. Increases based on the City of Los Angeles Minimum wage during fiscal year 2016-17 are estimated at an additional \$100,121. Actual costs are determined by staffing levels and can change based on scheduling and demand at facilities, as needed.

The current agreement has provisions that encourage PCI to consistently provide excellent customer service. Staff periodically measure and assess PCI's performance in the areas of operations and customer service through regular meetings with the vendor and in conducting reviews of all operations and reports. Staff will also be developing a comprehensive survey tool to evaluate customer service levels and satisfaction at parking facilities city-wide for implementation by fall 2015.

Per the terms of the agreement, PCI is subject to monthly compensation deductions and liquidated damages for poor service quality based on a number of conditions related to service quality and staffing. For example, the City retains the right to deduct \$200.00 for each instance from the vendor's monthly compensation should a field employee engage in activity that detracts from a professional and alert stance while on duty. The City also

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retains the right to terminate the agreement at any time without cause pursuant a five-day notice.

Staff expects PCI to provide the City with superior levels of customer service, revenue integrity and maintenance services and adhere to the terms outlined in the agreement. Staff has an existing annual performance evaluation mechanism, where in the vendor is required to meet expectations to continue under the terms of the Agreement pursuant Section 8 of Exhibit A, "Scope of Services." Evaluations are based on a number of criteria including:

- Quality of Work Product
- Quality of Services Performed
- Quality and Accuracy of Financial Data
- Timeliness of Performance
- Expertise and Performance of Assigned Personnel

Staff will determine if PCI meets or exceeds standards in each of these areas and incorporate measures to address on-going customer feedback into operations. Should the vendor not successfully meet the City's established standards of service levels, pursuant to the Annual Performance Evaluation and customer feedback, the City will determine immediate and long-term remedies including termination of the agreement.

**FISCAL IMPACT**

This amendment adds \$165,514 to the total Consideration for the Agreement with Parking Concepts, Inc., Agreement No. 238-13. The proposed amendment will increase the consideration to a not to exceed amount of \$1,304,411 for fiscal year 2015-16 and \$1,339,139 for fiscal year 2016-17.

Total Impact of Proposed Amendment by Fiscal Year	Current Consideration (Agr. No. 238-13)	Fiscal Impact	Proposed Consideration (Amendment No. 1)
2015-16	\$ 1,239,018	\$ 65,393	\$ 1,304,411
2016-17	\$ 1,239,018	\$ 100,121	\$ 1,339,139

To cover the total cost of Amendment No. 1 during fiscal year 2015-16, \$65,393 is included in the Public Works Services budget in Parking Services - Fund 810.

  
George Chavez  
Approved By

# **Attachment 1**

AMENDMENT NO. 1 TO AN AGREEMENT BETWEEN THE  
CITY OF BEVERLY HILLS AND PARKING CONCEPTS, INC.  
FOR THE OPERATION OF CERTAIN PARKING FACILITIES

NAME OF OPERATOR: Parking Concepts, Inc.

RESPONSIBLE PRINCIPAL  
OF OPERATOR: Robert Hindle, Vice President

OPERATOR'S ADDRESS: Parking Concepts, Inc.  
1801 South Georgia Street  
Los Angeles, CA 90015

CITY'S ADDRESS: City of Beverly Hills  
455 N. Rexford Drive  
Beverly Hills, CA 90210  
Attention: George Chavez, Director of Public  
Works

COMMENCEMENT DATE: August 1, 2013

TERMINATION DATE: October 31, 2016, unless extended pursuant to  
Section 2 of the Agreement

CONSIDERATION: Original Agreement:  
FY 2013-2014: not to exceed \$1,239,018 as more  
particularly described in Exhibit B-1  
2014-2016: not to exceed \$1,239,018 per fiscal year  
plus any COLA and/or CPI adjustments as set forth  
in Exhibit B-1; Not to exceed \$119,450 as more  
specifically described in Section C (Other Expenses  
Directed by City — One Time) of Exhibit B-1

Amendment No. 1:  
FY 2015/2016 not to exceed \$1,304,411 as more  
particularly described in Exhibit B-1  
FY 2016/2017 not to exceed \$1,339,139 as more  
particularly described in Exhibit B-1  
Amendment No. 1 Total: not to exceed \$2,643,550

AMENDMENT NO. 1 TO AN AGREEMENT BETWEEN THE  
CITY OF BEVERLY HILLS AND PARKING CONCEPTS, INC.  
FOR THE OPERATION OF CERTAIN PARKING FACILITIES

This Amendment No. 1 is to that certain Agreement between the City of Beverly Hills (hereinafter called "CITY"), and Parking Concepts, Inc. (hereinafter called "OPERATOR") dated August 1, 2013 and identified as Contract No. 238-13 ("Agreement"), a copy of which is filed in the City Clerk's office.

RECITALS

A. CITY and OPERATOR entered into a written agreement for the operation of certain parking facilities.

B. The State of California raised the minimum hourly wage effective July 1, 2014 and another increase is scheduled for January 2016.

C. CITY and OPERATOR desire to increase the Consideration of the Agreement to account for the increased minimum wage.

NOW, THEREFORE, the parties agree as follows:

Section 1. The Consideration shall be amended as set forth on the cover page of this Agreement.

Section 2. Exhibit B-1 shall be amended amended as attached hereto and incorporated herein.

Section 3. Except as specifically amended by this Amendment No. 1, the remaining provisions of the Agreement shall remain in full force and effect.

EXECUTED the \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_, at Beverly Hills,

California.

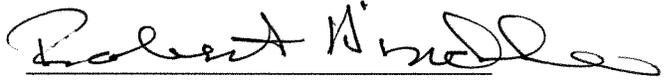
CITY OF BEVERLY HILLS,  
A Municipal Corporation

\_\_\_\_\_  
JULIAN A. GOLD, M.D.  
Mayor of the City of Beverly Hills,  
California

ATTEST:

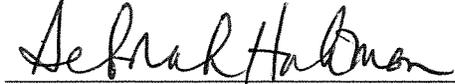
\_\_\_\_\_  
(SEAL)  
BYRON POPE  
City Clerk

OPERATOR:  
PARKING CONCEPTS, INC.

  
\_\_\_\_\_  
ROBERT HINDLE  
Vice President

  
\_\_\_\_\_  
GILL BARNETT  
Secretary

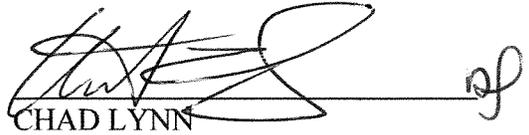
APPROVED AS TO FORM:

  
\_\_\_\_\_  
LAURENCE S. WIENER  
City Attorney

APPROVED AS TO CONTENT:

\_\_\_\_\_  
MAHDI ALUZRI  
Interim City Manager

  
\_\_\_\_\_  
GEORGE CHAVEZ  
Director of Public Works Services



CHAD LYNN  
Assistant Director of Public Works Services



DON RHOADS  
Director of Administrative Services/CFO



KARL KIRKMAN  
Risk Manager

EXHIBIT B-1

Consideration

For the management and operation of the Facilities as outlined in Exhibit A, CITY shall pay OPERATOR a fixed annual management fee that includes OPERATOR's overhead and profit and the cost of all required insurances with the exception of Worker's Compensation.

OPERATOR shall be reimbursed for the actual direct operating expenses incurred during the month for which they are incurred. Invoices submitted for direct operating expenses shall not exceed the aggregate total of the approved operating expense budget, without written consent from CITY. Deductions to monthly compensation may be applied pursuant to Section E(7) of Exhibit of the Agreement, if deemed appropriate by CITY.

OPERATOR shall be reimbursed by CITY for direct operating expenses including, Base Operations Allowances (including the management fee) and Other Expenses Directed by City as set forth in this Exhibit.

OPERATOR shall be paid an hourly rate for any "as needed" parking personnel in accordance with the hourly rates set forth in this Exhibit. Expenses shall not exceed any budgeted line-item set forth in this Exhibit without prior written authorization from CITY.

CITY shall not reimburse OPERATOR for one-time compensation for the start-up costs.

Deductions to the Monthly Compensation as described in section E(7) of Exhibit A and non-CITY approved expenses may be applied if deemed appropriate by CITY,

A. Personnel and Labor Expense Rates

CITY shall reimburse OPERATOR for personnel costs and labor expenses at the following rates:

<b>Wages Hourly Expenses</b>	
General Manager	\$36.06
Parking Manager	\$27.62
Guest Services Ambassador	\$16.87*
Billing Administrator	\$13.00
Supervisor	\$13.50
Attendants	\$10.00
Maintenance	\$10.00

\*Suspended Position

Cost of Living Adjustments (COLA) to the associated wages for Supervisor, Attendants, Maintenance and Billing Administrator may be provided on an annual basis, based on the Consumer Price Index (CPI) associated with CITY's Schedule of Fees and Charges, not to exceed 3%. Alternatively, commencing January 1, 2016, CITY may adjust the associated wages for Supervisor, Attendants, Maintenance and Billing Administrator on an annual basis based on

a premium of no more than two dollars per hour. Any increases shall be approved in writing at CITY's sole discretion.

<b>Burden and Payroll Expenses</b>		
	Year 1-3	Year 4-5
Payroll Tax	13.90%	*
Workers' Comp	10.70%	*
Health/Welfare	13.70%	15.12%

The associated burden and payroll expenses may be provided on an annual basis, based on the Consumer Price Index (CPI) associated with the Federal and Local regulations. Any such increase shall be approved in writing at the sole discretion of CITY.

**B. CITY Operations Allowances (Other Than Labor)**

CITY shall reimburse OPERATOR for direct expenses for day to day operations as set forth in Attachment 1 to this Exhibit entitled City Base Operations Expenses Allowances.

<b>Base Operations Expenses Allowances</b>	
Insurance PL PD, included in management fee	\$ -
License & Permits	\$1,814
Repairs and Maintenance	\$6,600
Telephone (Including Cellular Services)	\$5,399
Materials and Supplies	\$2,637
Forms and Printing	\$15,996
Auditing	\$2,592
Network Access	\$1,440
Management Fee	\$66,813
<b>TOTAL</b>	<b>\$103,291</b>

**C. Expenses Outside of Day to Day Base Operations**

Any expenses incurred herein outside of base day to day operations shall require written approval by CITY prior to deployment:

<b>Other Expenses Directed by the City - One-Time</b>	
Parking Permit Management System	\$65,125
Valet Parking Management system	\$24,850
Parking Reservations System	\$29,475
<b>TOTAL</b>	<b>\$119,450</b>

<b>Other Expenses Directed by the City - On- Going</b>	
Way finding and Directional Signage	\$25,350
Steam Cleaning / Power Washing	\$31,675
Special Event Labor	\$44,750
Parking Permit Management System	\$21,550
Valet Parking Management system	\$11,625
Parking Reservations System	\$18,450
Sweeping	\$24,275
Miscellaneous	\$40,000
<b>TOTAL</b>	<b>\$217,675</b>