

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
December 10, 2013

To: Board of Supervisors

From: Sheriff's Department

Subject: Authorize The County Purchasing Agent To Execute An Agreement With Redflex Traffic Systems, Inc. In The Amount Of \$5,043,600, To Provide Red Light Camera Program Services For The Period Of January 1, 2014, Through December 31, 2016, And Authorize Four One-Year Renewal Options

Supervisory
District(s): All

Contact: Lieutenant Rich Kropp, 876-6604
Craig Rader, Purchasing Agent, 876-6362

Overview

On September 19, 2000, the Board conducted a public hearing on a proposed Red Light Photo Enforcement Program in the unincorporated area of Sacramento County and authorized the Sheriff to implement this program. On December 16, 2008, the Board authorized the Sheriff to continue the Red Light Photo Enforcement Program with a new vendor, Redflex Traffic Systems, Inc. That contract is due to expire on December 31, 2013. Authorization is requested for the County Purchasing Agent to issue a new contract to continue the program with the existing vendor, Redflex Traffic Systems, Inc and for the Sheriff to renew the Memorandum of Understanding (MOU) with the City of Sacramento to manage their Red Light Program.

Recommendations

1. Authorize the Sheriff, or his designee, to execute a Memorandum of Understanding with the City of Sacramento for the period of January 1, 2014, through December 31, 2016, and four one-year renewal options, for a total of up to seven years, to continue managing the City Red Light Photo Safety Program within the boundaries of the City of Sacramento including any necessary changes, modifications, or amendments.
2. Approve the award of the Red Light Camera Enforcement Program contract number WA00031120 with Redflex Traffic Systems to provide Red Light Photo Enforcement Program services for the period of January 1, 2014, through December 31, 2016, and four one-year renewal options, for a total of seven years.
3. Adopt the attached resolution directing the Purchasing Agent, or his designee, to execute the contract award, contract renewals, and take other necessary actions to uphold the contract including any necessary changes, modifications, or amendments.

Measures/Evaluation

There has been as much as a 76% reduction in red-light-related crashes at the photo-enforced intersections in the County and City. In addition, there has been a 28% reduction in red-light-running-related crashes at signalized intersections.

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Fiscal Impact

The maximum total annual cost of the contract with the vendor is \$1,681,200 which is based on an estimate of equipment installed at the existing 26 intersections/approaches (26 intersections x \$3,400 per month x 12 months), plus up to an additional 14 (minus 3 free per the proposal) approaches (11 x \$4,700 per month x 12 months). The value of the contract is \$5,043,600 for the three-year contract with a maximum value of \$11,768,400 with the addition of the four one-year options.

During the period of November 1, 2012 through October 31, 2013, there were 77,820 violations recorded at the existing 26 approaches. From those, 20,254 citations were issued (26% issuance rate). On average, the County realizes approximate revenue of \$220 per citation and approximately 50% of citations are paid immediately. The County would realize approximate immediate annual revenue of \$2,227,940 (20,254 citations x 50% x \$220). After paying Redflex contract costs of \$1,060,800 (calculated using existing 26 approaches), the excess revenue of \$1,167,140 would offset the additional costs of the program (CHP Officers, personnel, etc.) which are estimated to be \$963,920 annually. The total revenue to the County for the Red Light Photo Safety Program is estimated to be \$203,220 annually. Furthermore, there would be an undetermined amount of residual revenue collected from the remaining 50% of uncollected citations to be collected over the course of the contract.

The net anticipated revenue to the County is detailed in the table below.

| | |
|--|----------------|
| Anticipated Revenue from Citations | \$ 2,227,940 |
| Minus Anticipated Cost of Redflex Contract | \$ (1,060,800) |
| Minus Estimated SSD Personnel Costs | \$ (583,920) |
| Minus CHP Costs | \$ (380,000) |
| Net Anticipated Annual Revenue to County | \$ 203,220 |

The County is not obligated to spend a minimum amount of money with the vendor recommended for award.

BACKGROUND

On July 29, 2003, the Board authorized a contract with Affiliated Computer Services, Inc. (ACS) (Resolution 2003-0886) for installation and maintenance of a Red Light Photo Enforcement Program. On August 26, 2003, the Board authorized an MOU with the City of Sacramento (Resolution 2003-0989) to manage the Red Light Photo Safety Program within the Sacramento City boundaries.

On December 16, 2008 the Board authorized a contract with Redflex Traffic Systems, Inc. (Resolution 2008-1286) for installation and maintenance of a Red Light Photo Enforcement Program. On December 16, 2008, the Board authorized an MOU with the City of Sacramento (Resolution 2008-0940) to manage the Red Light Photo Safety Program within the Sacramento

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City boundaries. Both the contract with Redflex Traffic Systems and the MOU with the City of Sacramento expire on December 31, 2013.

On August 30, 2013, an RFP (RFP8041) was issued for selection of a new vendor for the Red Light Photo Enforcement Program. A committee consisting of members of the City of Sacramento Department of Public Works, California Highway Patrol, Sacramento County Department of Transportation and Sheriff's Department (facilitated by a Senior Contract Services Officer from the Department of General Services) completed a thorough evaluation of all proposals submitted and selected a vendor for the Red Light Photo Safety Program.

The Red Light Photo Enforcement Program has been in operation in the County since March 15, 2001. On September 9, 2003, the County took over management of the Red Light Photo Enforcement Program in the City of Sacramento. At the photo-enforced intersections in the County and City, there has been as much as a 76% reduction in red-light-related crashes. At all signalized intersections in the County and City of Sacramento, there has been a 28% reduction in red-light-related crashes.

If approved, the initial contract award will commence on January 1, 2014, and expire on December 31, 2016. The contract includes a renewal clause which allows for four one-year renewal options. The Purchasing Agent requests the authority to exercise such renewals if it is deemed appropriate at the time.

DISCUSSION

Authorization is requested for the County Purchasing Agent to issue a new contract to continue the program with the existing vendor, Redflex Traffic Systems, Inc and for the Sheriff to renew the Memorandum of Understanding (MOU) with the City of Sacramento to manage their Red Light Program.

In October of 2012, Redflex Holding Limited initiated an internal investigation into allegations of improper activity in connection with the red-light-camera contract between its subsidiary Redflex Traffic Systems, Inc. ("Redflex" or "the company") and the City of Chicago. Specifically, the allegations claimed that: 1) Redflex's payments made to a Redflex consultant in Chicago (Consultant) had been passed to the City employee who ran the red-light-camera program (City Program Manager); and 2) the company had paid for vacations for the City Program Manager. Redflex Holdings directed a private law firm to investigate and advise on the allegations.

The investigation revealed, in summary, that the relationship between Redflex, their Chicago consultant, and the City Program Manager would likely be considered bribery. The arrangement was likely intended to be one in which some of the payments to the Consultant (\$2.03 million from 2003 through 2012) would be paid to the City Program Manager. According to Redflex, this arrangement was apparently proposed by the City Program Manager. Since Redflex does not have subpoena power, it does not have access to financial records to show whether or not payments made to the Consultant were, in fact, passed on to the City Program Manager.

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However, under applicable law, the authorities may still consider the arrangement to be bribery, even if the payments were not, in fact, made.

The investigation also revealed that Redflex paid for vacation related expenses for the City Program Manager for 17 different trips between 2003 and 2010. These expenses included hotels, flights, rental cars, golf games, and meals. A computer was also purchased for the City Program Manager, which was reimbursed by Redflex. These improper expenses totaled approximately \$20,000.

Redflex initiated this investigation and has provided full cooperation. One Redflex employee was terminated as a result of this investigation, and several others resigned. Additionally, Redflex has hired several key individuals and made strategic appointments to the Board whose focus will be on audits, compliance, and risk management. Redflex has also taken several steps and implemented safeguards to ensure this type of unethical behavior does not occur in its company again, to include the following:

1. **Training:** A Redflex Anti-Bribery and Anti-Corruption online training system has been created to train all employees, Board of Directors, and all contracted commercial intermediaries on Redflex Anti-Bribery and Anti-Corruption policies and procedures. All employees are required to complete Redflex Anti-Bribery and Anti-Corruption training acknowledgement on an annual basis. Additionally, there is expanded training for employees with high risk job classifications.
2. **Assessment and Reporting Processes:** Established specific policies and procedures to monitor compliance with state and municipal gift and hospitality policies, including appropriate reporting obligation to customers.
3. **Hotline and Compliance Email:** A whistleblower program, including a live 24-hour hotline and dedicated email address enables employees and Redflex customers, to report suspicious or illegal or unethical behavior on an anonymous basis and an assurance those reports will be reviewed, investigated and resolved. Reports flow directly to the Audit Committee Chairman, Director of Compliance and Redflex International Global Chief Financial Officer simultaneously.
4. **Compliance Association Membership and Software Solutions:** Membership in TRACE International, an association that provides compliance solutions and software to enable the company to track observance of Redflex policies and provide reports to customers.
5. **Contract Provisions and Processes:** The company has included language in its contracts with outside consultants stressing compliance with its policies and has changed its contract processes to ensure compliance.
 - a. Sales Consulting Agreements are being evaluated and now include, or will include, strong Anti-Bribery and Anti-Corruption compliance provisions.

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- b. Master Subcontractor Agreement and Professional Services agreements have been updated to include strong Anti-Bribery and Anti-Corruption compliance provisions.
 - c. All Sales Consulting Agreements and administration are now under the supervision of the General Counsel's office.
 - d. The company has clearly delineated the different roles of its sales consultants and lobbyists.
6. **Enhanced Expense Report Processes:** The company's expense reimbursement system has been fortified and is regularly monitored.
- a. Expense reimbursement processes, controls, and training have been enhanced. The Director of Compliance reviews expense reports each pay period for all employees who interact with third parties.
 - b. Expense reimbursement form will be updated to require additional detail and a signature legend that requires the employee and approver to attest that the expenses are compliant with policy.

In March of 2013, the Global CEO of Redflex, Robert DeVincenzi, personally met with Sheriff Scott Jones to address these allegations and explain the steps that have been taken to prevent future improprieties. On Monday, December 2, 2013, Redflex Vice President of Operations, Jennifer Dwiggin, the Director of Communication, Jody Ryan, and Account Director Bob Warner met with Sheriff Scott Jones, Undersheriff James Lewis, and Chief Deputy Erik Maness to again detail the steps taken within the Redflex organization as a result of the Chicago incident.

Sheriff Jones and his executive staff are confident this was an isolated incident within this global company, involving a few employees and the City of Chicago. There is no indication whatsoever that any bribery, corruption, or unethical behavior has occurred with Redflex Traffic Systems in Sacramento County. Furthermore, we are satisfied with the steps Redflex Traffic Systems has taken to avert this type of unethical behavior in the future.

Procurement Process

Request for Proposal (RFP) No. 8041 was issued on August 30, 2013 by the Contract and Purchasing Services Division soliciting proposals for the Red Light Photo Enforcement System. The County directly solicited four firms registered for this service in its eProcurement system, none of which are a State of California Certified Micro Business. In addition, the RFP was posted on the Contract and Purchasing Services Division website. There are no known local businesses or State of California Certified Micro Businesses that can provide these services. Four proposals were received by the Contract and Purchasing Services Division on October 1, 2013, none of which are a State of California Certified Micro Business. A Senior Contract Services Officer evaluated the pricing and risk assessment responses from each of the four responsive vendors. An evaluation team consisting of representatives from the County of Sacramento Department of Transportation, the City of Sacramento Department of Transportation, California Highway Patrol, and Sacramento County Sheriff's Department evaluated each vendor's response

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to the written requirements presented in the RFP. Final scoring and proposal ranking by the evaluation committee resulted in the following:

| Evaluation Criteria | Redflex | ATS | Xerox | Gatso |
|---|---------|------|-------|-------|
| Qualifications and References (20 points) | 18.6 | 19.4 | 17.9 | 14.1 |
| System Capabilities (25 points) | 16.9 | 18.4 | 15.9 | 16.3 |
| Customer Service and Support (20 points) | 12.5 | 12.5 | 14.5 | 8.5 |
| Pricing (25 points) | 25.0 | 18.8 | 15.7 | 9.6 |
| Risk Assessment (10 points) | 10.0 | 10.0 | 10.0 | 10.0 |
| Total Points (100 points) | 83.0 | 79.2 | 74.1 | 58.4 |
| Proposal Rank: | 1 | 2 | 3 | 4 |

By utilizing the County’s Risk Assessment Worksheet and reviewing the requirements with the Sheriff’s Department, the Senior Contract Services Officer determined that the level of risk associated with the contract was medium. Therefore, the risk assessment portion of the evaluation was weighted as 10% of the total score. Senior Contract Services Officer evaluated each bidder’s response to 17 risk assessment questions listed in the RFP, assigning points (scale of 0 – 3) for each response and weights for specific questions. All bidders received the full score of 10 points for the Risk Assessment.

A total annual cost was calculated based on the proposed monthly pricing from each vendor for each of the types of intersection approaches for a total of 40 intersections. Following are the total annual costs for each of the four vendors based on their proposed monthly pricing:

| Vendor | Annual Cost |
|---------|-------------|
| Redflex | \$1,681,200 |
| ATS | \$2,232,000 |
| Xerox | \$2,679,480 |
| Gatso | \$4,399,200 |

The recommended contract includes the monthly firm, fixed installed red light camera equipment prices proposed by Redflex. Annual contract cost (\$1,681,200) is based on equipment installed at the existing 26 intersections and 14 additional intersections.

Because the recommended contract exceeds \$1,000,000 and is for services, the Procurement Opportunities Program preference provision is not applicable.

A summary of the evaluation methodology, proposed pricing, and final vendor rankings is included as Attachment A.

Authorization is also requested for the Sheriff, or his designee, to execute an updated Memorandum of Understanding with the City of Sacramento for the period of January 1, 2014, through December 31, 2016, to continue management of the City Red Light Photo Safety Program within the boundaries of the City of Sacramento.

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SECTION 71-J

The requirements of 71-J is not applicable.

MEASURES/EVALUATION

There has been as much as a 76% reduction in red-light-related crashes at the photo enforced intersections in the County and City. In addition, there has been a 28% reduction in red-light-running-related crashes at signalized intersections.

FINANCIAL ANALYSIS

The maximum total annual cost of the contract with the vendor is \$1,681,200 which is based on an estimate of equipment installed at the existing 26 intersections/approaches (26 intersections x \$3,400 per month x 12 months), plus up to an additional 14 (minus 3 free per the proposal) approaches (11 x \$4,700 per month x 12 months). The value of the contract is \$5,043,600 for the three-year contract with a maximum value of \$11,768,400 with the addition of the 4 one-year options.

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The County is not obligated to spend a minimum amount of money with the vendor recommended for award.

Respectfully submitted,

APPROVED:
BRADLEY J. HUDSON
County Executive

SCOTT R. JONES, Sheriff
Sacramento County Sheriff's Department

By: _____
NAVDEEP S. GILL
Assistant County Executive

Concur as to purchasing procedures:

MICHAEL MORSE, Director
Department of General Services

Attachments:

Resolution

Attachment 1: Contract – Redflex

Attachment 2: Evaluation Methodology

Attachment 3: Memorandum of Understanding

cc: County Purchasing Agent