

**CITY OF YUCAIPA
AGENDA REPORT**

TO: Honorable Mayor and City Council
FROM: Bill Hemsley, Director of Public Works/City Engineer *BA*
FOR: City Council Meeting of July 26, 2010
SUBJECT: Termination of Contract – Redflex Traffic Systems, Inc.

RECOMMENDATION:

That City Council:

1. Approve the Termination of the Contract with Redflex Traffic Systems, Inc., and
2. Authorize final payment of \$21,900 for the cancellation/reimbursable cost fee outlined in the Agreement for Professional Services to Provide an Automated Photo Red Light Enforcement System.

BACKGROUND:

On December 10, 2007, the City Council approved a three year Professional Services Agreement with Redflex Traffic Systems, Inc. (Redflex) for the implementation of an Automated Red Light Photo Enforcement Program (Program) at two signalized intersections within the City having a high frequency of traffic collisions or other high risk criteria as determined by staff; and directed staff to establish a separate account in the General Fund to deposit any associated revenues to be held in reserve for funding any anticipated net Program costs.

At the April 28, 2008 City Council Meeting, Council approved and authorized an amendment to the Agreement with Redflex. The amendment was initiated after staff became aware of agreements between Redflex and several other cities that included language considered to be more beneficial to the city participating in the Program. The amendments to the Agreement included; reducing the monthly cost per approach from \$6,000 to \$5,870; adding a clause to the Agreement that would allow the City to review the financial status of the Program on an annual basis and if the program is in a negative financial situation the City has the right to terminate the program prior to the three year term; and the amended Agreement also indicated that all adjustments, modifications or alternations to the existing traffic signal at the intersection to be monitored would be completed at Redflex's expense.

In February of 2009, after working with staff to determine the most appropriate intersection and configuration, Redflex installed their system at two approaches at the intersection of Oak Glen Road and Yucaipa Blvd. The system was put into operation in March of 2009 and after the one-month grace period required by law, Reflex began issuing citations in April of 2009.

revenue from the courts until July of 2009. However, Redflex, per the agreement, began issuing invoices in the amount of \$11,740 per month (\$5,870 per approach) beginning in April of 2009. According to the monthly reports indicating the number of citations issued in the month of April, the City should have collected \$14,850 in fines for the first month of service. However, since the time that the City had awarded the contract to Redflex and the time that the system was operational, the San Bernardino County Courts began relaxing their position on enforcing prompt payment and many citations were either forgiven or the fines were drastically reduced. In many cases the fines were cut in half. Also, some citations are not paid until forced by a warrant which may not occur up to a year or more later. Because of these issues and the fact that the number of violations occurring per month has reduced over the first 15 months of the Program, to date the City has only collected \$27,500 in recovered fines to date instead of the \$140,000 anticipated, based on the number of violations issued during the first 15 months. Although staff anticipates an additional \$15,000 in revenue from outstanding citations, this only brings the total recovered cost to \$42,500.

Due to the substantial reduction in potential revenue created by the court system and the resulting negative financial situation, staff met with Redflex at the end of the first year to see if there were any ways to remedy the situation. Unfortunately, there were no viable options available and after negotiating with Redflex, staff is recommending that the City terminate the Program. The amended Agreement specified that the City would be billed in arrears and would be allowed 30 days to pay the monthly invoices to allow for the collection of sufficient fines to pay the monthly fee at the beginning of the Program. In accordance with these terms, the City has not paid the monthly invoices, due to the City's revenue from the court not being the amount that was anticipated for reasons previously mentioned. In the spirit of cooperation, Redflex has agreed to waive the late fees associated with the monthly invoices that the City did not pay. In addition, Redflex also agreed to waive the 30-day notice requirement to terminate the Program consequently resulting in a savings of \$11,740 for the month of July. The system was turned off at midnight on June 30, 2010.

FISCAL IMPACT:

The total cost of the Program to date is \$236,620.44. This includes \$176,100.00 for 15 months of service fees (already authorized by Council to pay), \$35,044.44 for the cancellation fee which is the reimbursable costs associated with the system and equipment, \$13,735.80 for late payment fees, and \$11,740 for 30-day notice monthly fee. Staff met with Redflex in negotiation, and Redflex has agreed to discount the total bill by \$38,620.24 or approximately 21.9% for a total settlement in the amount of \$198,000. Staff anticipates that approximately \$42,500 will be recovered in fines since the start of the program. This amount is an estimate and the total amount of recovered revenue associated with the Program will not be known until the potential Program related revenue from the Court has been realized, which is anticipated to be within the next year depending on when the Courts enforce fine payments. Therefore, the net cost for the Program is anticipated to be approximately \$155,500. This does not include the cost for the Police Department to process the tickets which is estimated to be \$50,000. These costs have been included in Police services operational budget.


The costs associated with the Redflex contract have been budgeted in the Traffic Safety/Vehicle Fines Fund. It is recommended that the final payment of \$21,900 for the cancellation/reimbursable cost fee outlined in the Agreement for Professional Services to Provide an Automated Photo Red

Light Enforcement System also be allocated from the Traffic Safety/Vehicle Fines Fund. There is adequate funding in the account to accommodate the request.

CONCLUSION:

Staff recommends that Council approve the Termination of the Contract with Redflex Traffic Systems, Inc.; and authorize final payment of \$21,900 for the cancellation/reimbursable cost fee outlined in the Agreement for Professional Services to Provide an Automated Photo Red Light Enforcement System.

Attachment: Letter from Redflex Dated 7/19/10

Approved by:  _____



MAKING A SAFER WORLD.

July 20, 2010

Mr. Bill Hemsley
Director of Public Works
34272 Yucaipa Blvd
Yucaipa, CA, 92399

RE: COUNTER OFFER BY CITY OF YUCAIPA FOR COMPENSATION TO REDFLEX
TRAFFIC SYSTEMS ON TERMINATION OF AGREEMENT

Dear Mr. Hemsley,

Thank you for your letter email dated July 14th regarding the City of Yucaipa's counter offer of \$183,000. Unfortunately our company cannot accept this amount as full compensation.

Our records show that the total amount owing to Redflex as at June 30th 2009 comprises:

• Unpaid Invoices to June 30 th 2010	= \$176,100.00
• Reimbursable Costs (Cancellation Fee) to June 30 th 2010	= \$35,044.44
• 30 days from notification of termination per 6.1 of the Agreement	= \$11,740
• Late Fees	= \$13,735.80
Total	= \$236,620.24

After extensive review our company proposes to discount the invoicing by 21.9% or \$38,620.24; all other fees described above remain unchanged. Should the City accept our offer please advise our company in writing and process a payment in the amount of \$198,000.00.

Yours Sincerely,

A handwritten signature in cursive script that reads "Jack Weaver".

Jack Weaver
Account Executive
Redflex Traffic Systems Inc