To Contract or Not to Contract – DC’s Experience & Lessons Learned

Soumya Dey, P.E.
Deputy Associate Director

September 23, 2011
Overview of DC parking program
Factors that drive contracting decisions
DC’s experience with parking meter contracts
Background & Overview
On street parking only
17,000 spaces
DDOT responsible for meter management, maintenance and collection
Multiple enforcement agencies
Mix of single and multi-space meters
Pay by cell available citywide
## District’s Parking Meter Assets

<table>
<thead>
<tr>
<th>Meter Type</th>
<th>Network</th>
<th>Payment Options</th>
<th>Age</th>
<th># of Meters</th>
<th>Spaces</th>
<th>% of Spaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi space Pay &amp; Display (Parkeon Stelio)</td>
<td>Yes</td>
<td>Coin/Credit</td>
<td>&lt;10</td>
<td>514</td>
<td>3923</td>
<td>23%</td>
</tr>
<tr>
<td>Single space – Duncan Eagle 2000</td>
<td>No</td>
<td>Coin</td>
<td>&gt;10</td>
<td>7240</td>
<td>7240</td>
<td>42%</td>
</tr>
<tr>
<td>Single space – Mackay Guardian XL</td>
<td>No</td>
<td>Coin</td>
<td>&lt;10</td>
<td>4994</td>
<td>4994</td>
<td>29%</td>
</tr>
<tr>
<td>Single Space – IPS Credit Card accepting Networked Meters</td>
<td>No</td>
<td>Coin/Credit</td>
<td>&lt;1</td>
<td>1100</td>
<td>1100</td>
<td>6%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>13,748</strong></td>
<td><strong>17,157</strong></td>
<td></td>
</tr>
</tbody>
</table>

Aged assets

“Non-communicating” meters

Limited payment options for customers

Broken meter call volume
Citywide Pay-by-Cell

CUSTOMERS
90,000 customers to date
Vehicles registered in all states used system
60% of customers are repeat users

TRANSACTIONS
365,000 transactions to date
Highest day – 7,000 transactions
Highest week 31,000
55% transactions initiated using mobile apps

District Department of Transportation
Buy vs. Build
Factors Driving Contracting Decisions

- Agency/Jurisdictional Policy
- Cost
- Buy vs. Build
- Core Competency
- Risk
- Finances
- External Environment
Risk Management Strategies

NEGATIVE RISKS/THREATS

- Avoid
- Transfer
- Mitigate
- Accept

POSITIVE RISKS/OPPORTUNITIES

- Exploit
- Share
- Enhance
- Accept
Lesson learned from contracts have been incorporated into subsequent contracts; however the focus of each contract has been different.
Buy vs. Build Spectrum

DC is here

Buy
(Contract)

Build
(In-House)
DC’s Program Management Contracting Experience
Parking Meter Program Pre-1998

- 15,000 metered spaces
- Staff of 20 people
  - Meter maintenance
  - Coin counting
  - Program management
- Collection & transfer outsourced
- Aged system of mechanical SSM
- Declining revenue
Factors Driving PPP Agreement in 1998

- **External Environment**
  - In 1998 only half of the 15,000 spaces had operating meters
  - No funding source for system refresh
  - Vandalism
  - Dramatic drop in revenue ($1M+/month to <$0.2M/month)

- **Internal factors**
  - Staffing pressure generated by funding pressure – reduced staffing from 20 to 5
  - Aged mechanical meters (Duncan, Rockwell, POM)
Structure of 1998 PPP Contract

- Focus of contract - provide new assets – system refresh
- Revenue share based on annual revenues
  - Sliding scale
- 7 year capital recovery period (1998 to 2005)
  - Exception to standard practice

Operability or system performance requirements
Program management
Data ownership/access
Environment in 2006

- 17,000 spaces
- Technology in parking meters – MSM meters
- Better financial condition
- Emphasis on customer service
- Centralized system for call in-take
- Need for tracking contractor performance
- Better oversight of contractor
2006 Parking Meter Contract

- 5-year fixed price
- Meter maintenance, collection and program management
- Performance based
  - Liquidated damages based on operability & repair time
  - Incentives based on revenue collected by ward
Parking Meter Program Costs

<table>
<thead>
<tr>
<th>CLIN</th>
<th>Task</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Base Contract</td>
</tr>
<tr>
<td>0001</td>
<td>Program Management</td>
</tr>
<tr>
<td>0002</td>
<td>Revenue Collection</td>
</tr>
<tr>
<td>0003</td>
<td>Meter Maintenance</td>
</tr>
<tr>
<td>0004</td>
<td>SSM Upgrade/Conversion</td>
</tr>
<tr>
<td>0005</td>
<td>Vault Lock Re-keying</td>
</tr>
<tr>
<td>0006</td>
<td>Procure, install SSM</td>
</tr>
<tr>
<td>0007</td>
<td>Procure, install MSM</td>
</tr>
<tr>
<td>0008</td>
<td>Plan/Implement Smart Card</td>
</tr>
<tr>
<td>0009</td>
<td>Mobilization</td>
</tr>
<tr>
<td></td>
<td>TOTAL BASE</td>
</tr>
</tbody>
</table>
Benefit-Cost Study - Alternatives

- Alternative 1
  - Bring all operational elements in-house, including acquiring all resources necessary to operate, and purchase a facility from which to operate the various parking meter functions

- Alternative 2
  - Same as 1 except vendor transports revenue from District facility to bank

- Alternative 3
  - Same as 1 except District leases facility
## Summary of Findings

<table>
<thead>
<tr>
<th>Metric</th>
<th>Conclusion</th>
<th>Out-source</th>
<th>In-House</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost Variance</td>
<td>Contract is $2M - $3.75M cheaper than in-house over 5-years.</td>
<td>×</td>
<td></td>
</tr>
<tr>
<td>Recurring Cost Variance</td>
<td>In–house is ($0.2M) cheaper/year</td>
<td></td>
<td>×</td>
</tr>
<tr>
<td>Cost Control, Quality Control &amp; Risk Management</td>
<td>Contractor bears the risk</td>
<td>×</td>
<td></td>
</tr>
<tr>
<td>Operational Efficiency &amp; Effectiveness</td>
<td>Liquidated damages charged if performance measures are not met</td>
<td>×</td>
<td></td>
</tr>
<tr>
<td>Benefits of Economies of Scale</td>
<td>Scale based benefits on capital acquisitions</td>
<td>×</td>
<td></td>
</tr>
<tr>
<td>Personnel Requirements &amp; Operational Concerns</td>
<td>Staffing needs for DDOT would be higher</td>
<td>×</td>
<td></td>
</tr>
</tbody>
</table>
Cost Drivers for Maintenance & Collections

- **Collections**
  - Number of meters
  - Frequency of collections/level of effort for counting and transport
    - Meter rates
    - % of cash transactions
      - Parking card concept
      - Credit card usage
      - Popularity of in-car meters and pay by cell
    - Coin mix – should we go to quarters only?

- **Maintenance**
  - Number of meters
  - Age of meters (50% are aged)
  - Volume of work order (67% of the time no problem found)
  - % of “Communicating” vs. “Non-communicating” meters (75% are “dumb”)
  - Performance standards
    - System wide or segmented
    - Relationship between operability and revenue
Challenges with contract structure

- Operability not reflective of ground truth
- Incentive fee schedule not structured for win-win
- Contract not sensitive to fundamental changes in program
  - 1/3\(^{rd}\) spaces networked
  - 35\% of transactions are virtual
- Meter inventory not accurate
- Reactive maintenance program – not data driven
- Other considerations – data, six sigma, cash flow, program management
Other Contracts

- Pay by cell - Parkmobile
- MSM procurement – being protested after award
- SSM procurement - IPS
- In-Car Meter procurement – cancelled after risk assessment during final negotiations
- Parking pilot procurement
- Strategic plan