COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 437
LOS ANGELES, CA 90012

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

TELEPHONE
(213) 974-2101

FACSIMILE
(213) 626-1812

April 3, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

RECOMMENDATION TO APPROVE CONTRACT WITH OPEX CORPORATION FOR MAINTENANCE SERVICES (ALL DISTRICTS - 3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Chairman to sign the attached sole source maintenance Contract (Contract) with OPEX Corporation (OPEX), to provide continued maintenance and repair services for the County-owned mail processing equipment for the Treasurer and Tax Collector (TTC) for a term of three (3) years, commencing on the date of Board approval, with a maximum contract sum not to exceed $250,562;

2. Delegate authority to the TTC to extend the Contract term for up to one (1) year and six (6) month-to-month extensions;

3. Delegate authority to the TTC to execute future amendments to add/delete equipment as necessary and to adjust the maximum contract sum by up to 25% each contract year to accommodate the addition/deletion of equipment and maintenance services, any unanticipated maintenance or repair of County-owned equipment, and/or any extension excised by the TTC.

4. Delegate authority to the TTC or designee to execute future change notices to modify the Contract that do not affect the scope of work, term, or payments under the Contract or to add or change certain terms and conditions in the Contract as required by the Board of Supervisors or Chief Administrative Officer provided

County Counsel concurrence is obtained prior to execution of such amendments; and

5. Delegate authority to the TTC to execute future assignment and delegation amendments, if applicable, when the original contracting entity has merged, been purchased, or has otherwise changed in order to ensure continuity of maintenance services.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The TTC acquisition of automated mail processing equipment has been a part of the Department's on-going plan to migrate from tasks performed manually to more efficient automated operations, especially in the handling and processing of approximately eight (8) million documents and pieces of mail received each year as part of the remittance processing operations for property tax payments. To accomplish this automation, TTC has purchased from OPEX the specific high speed mail processing equipment necessary to open, weigh, extract, separate, sort, and image documents as they pass through the equipment. The OPEX equipment has been integrated as the mechanical backbone of the Remittance Processing and Document Management System (System), which was acquired through a Board approved agreement with Wausau Financial Systems, Inc. (WAUSAU). Upon completion of the mechanical processes, the equipment electronically captures the transaction data and an image of the documents, which are then electronically passed to the WAUSAU software for further processing, e.g., automated generation of deposits and creation of internal workflow documents for taxpayer research.

Due to the proprietary and exclusive nature of OPEX, maintenance for the OPEX equipment, by necessity, has been procured independent of the agreement with WAUSAU via the purchase order process through the County's Purchasing Agent. The purchase order process has specific statutory limitations pertaining to service contracting, and the authority to contract for services beyond a specific dollar threshold rests with your Board.

JUSTIFICATION

The OPEX equipment is a vital component of TTC's current System and OPEX is the only source that can provide comprehensive maintenance and support services for their equipment. Without this maintenance and support, the System would face natural degradation and possible failure, negatively impacting the successful automated remittance processing.

If TTC were to seek a replacement for comparable equipment, an agreement award to a different contractor would be cost prohibitive and require a considerable amount of analysis and development time to identify and replicate the current System's

functionality, ensuring the necessary compatibility with the WAUSAU software. Additionally, a new contractor, unfamiliar with TTC's business operations and requirements, would experience an extensive learning curve with the setup and integration into the current System, while compromising TTC's current successful operation.

Implementation of Strategic Plan Goals

The maintenance and support of the County-owned equipment provided by the Contract is in accordance with TTC's approved Business Automation Plan. Successful performance and support of the System will also meet the County's Strategic Plan Goals of Organizational Effectiveness and Service Excellence.

FISCAL IMPACT/FINANCING

The maximum contract sum for the three (3) year term is $250,562, for the continuation of equipment maintenance and repair services. Funding for this Contract has been included in the 2006-2007 Adopted Budget, and will be included in TTC's budget requests for subsequent fiscal years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On December 19, 2006, your Board approved a four (4) year sole source agreement with WAUSAU for the maintenance and support of the Remittance Processing and Document Management System. The WAUSAU System utilizes OPEX equipment to process mail and other documents. WAUSAU is not authorized to maintain OPEX equipment and therefore a separate agreement for equipment maintenance is necessary.

The County Purchasing Agent, who administers the purchase order process, has specific statutory limitations pertaining to service contracting, and the authority to contract for services beyond a specific dollar threshold rests with your Board. The identified maintenance services exceed the established ceiling amount authorized by statute, and requires Board approval.

This is not a Proposition A Contract due to the technical nature of services provided and therefore is not subject to the Living Wage Program (County Code Chapter 2.201).

CONTRACTING PROCESS

This is a sole source Contract due to the fact that the equipment and maintenance is proprietary, and OPEX does not authorize any third-party to maintain OPEX equipment. Also, TTC's agreement for the WAUSAU System is dependent on the continued

utilization of OPEX equipment to process the approximately eight (8) million pieces of mail and other documents processed annually.

In some instances, OPEX did not completely accept the County's standard contract language and TTC was required to negotiate alternative language because TTC can only obtain the services through OPEX. The terms and conditions rejected by OPEX, and the alternative language negotiated by TTC, are identified below.

1. Maximum Contract Sum – The County's standard contract language requires the vendor to notify the County when it has incurred 75% of the total Contract Sum. Under negotiated alternative language in the Contract, TTC and OPEX agreed to allow the third year's annual advance invoice to serve as notice that OPEX has incurred approximately 75% of the Contract Sum.

2. Notification of Expiration – The County's standard contract language requires the vendor to notify the County when the contract is within six (6) months of expiring. Under negotiated alternative language in the Contract, TTC and OPEX agreed to allow the third year's annual advance invoice to serve as notice that the Contract is expiring.

3. Budget Reductions – The Contract contains additional language that the Contractor be paid for services performed prior to notification of Contractor of any budget reductions.

4. Indemnification – The County's standard contract provision contains language that states the Contractor provides complete indemnification to the County. The Contract contains language that limits the indemnification to the limits of the insurance coverage or the annual fees payable for maintenance services, whichever is greater.

During negotiations with OPEX, TTC staff consulted with County Counsel and the Chief Administrative Office's Risk Management Operations staff, as appropriate on exceptions taken by OPEX. TTC believes that the negotiated alternative language described above is commercially reasonable and does not impose any unacceptable risks or burdens on the County.

Minority, Women, Disadvantaged or Disabled Veteran Business Enterprise statistical information for OPEX is included in Attachment I.

IMPACT ON CURRENT SERVICES

There is no impact on current services. Approval of the Contract will ensure uninterrupted equipment maintenance and support services for the County-owned equipment.

CONCLUSION

Instruct the Executive Officer-Clerk of the Board to return two (2) signed originals of the Contract and one (1) adopted stamped Board letter to TTC.

Respectfully submitted,

MARK J. SALADINO
Treasurer and Tax Collector

MJS:jab
Z:\Contracts Group Share\OPEX\Board Letter 4-3-07.DOC

Attachments

c: Chief Administrative Officer
County Counsel

ATTACHMENT I

FIRM/ORGANIZATION INFORMATION AS PROVIDED BY PROPOSER
OPEX CORPORATION

The following information was gathered for statistical purposes only. On final analysis and consideration of award, vendor was selected without regard to gender, race, creed or color.

FIRM INFORMATION	OPEX CORPORATION	
CULTURAL/ETHNIC COMPOSITION	% of Ownership	No.
OWNERS/ PARTNERS:		
Black/African American	0	
Hispanic/Latino	0	
Asian or Pacific Islander	0	
American Indian	25%	1
Filipino	0	
All others	75%	3
Women (included above)		1
MANAGERS:		
Black/African American	2	
Hispanic/Latino	4	
Asian or Pacific Islander		
American Indian		
Filipino		
All others	45	
Women (included above)	1	
STAFF:		
Black/African American	51	
Hispanic/Latino	57	
Asian or Pacific Islander	33	
American Indian	522	
Filipino	1	
All others	4	
Women (included above)	51	
TOTAL NUMBER OF EMPLOYEES	723	
BUSINESS STRUCTURE	Corporation	
Certified as Minority, Woman, Disadvantaged or Disabled Veteran Business Enterprise?	N/A	