

**Metro**Los Angeles County
Metropolitan Transportation AuthorityOne Gateway Plaza
Los Angeles, CA 90012-2952213.922.2000 Tel
metro.net**FINANCE, BUDGET & AUDIT COMMITTEE
FEBRUARY 18, 2015****SUBJECT: PROGRAM SUPPORT – EMPLOYER ANNUAL PASS PROGRAMS****ACTION: AWARD CONTRACT TO INLAND TRANSPORTATION SERVICES****RECOMMENDATION**

Authorize the Chief Executive Officer to award a ten-year firm fixed unit rate Contract No. PS189840071403371 to Inland Transportation Services, the highest rated proposer, for program support for the Employer Annual Pass Programs in an amount not to exceed \$6,374,722, inclusive of six, one-year options.

The contract amount consists of \$2,400,112 for the four-year base period, \$630,450 for the first option year, \$630,450 for the second option year, \$661,012 for the third option year, \$661,012 for the fourth option year, \$695,843 for the fifth option year, and \$695,843 for the sixth option year, for a combined total of \$6,374,722.

ISSUE

In FY03, the Board approved implementation of the Employer Annual Pass Programs, and Metro began outreach and sales of annual passes to employers. Sales have grown from \$314,000 in FY06 to over \$6 million this year.

An outside vendor has provided employer outreach and sales support for these programs since April 2010 under a contract awarded by the Board. As this contract is expiring, a new solicitation has been completed to replace it.

DISCUSSION

The Employer Annual Pass Programs generate over \$6 million in revenue for Metro and serve over 900 businesses with 32,000 annual TAP cardholders. Metro provides ridesharing commute assistance services to worksites in Los Angeles County with the objective of improving commuter mobility by reducing single occupant vehicle trips. Ridesharing is the alternative to driving to work alone and includes carpooling, vanpooling, taking transit, walking and bicycling to work. Metro Commute Services,

part of the Communications Department, provides rideshare commute assistance to businesses, and is responsible for promoting, selling and fulfilling the Employer Annual Transit Pass Programs. These include the Annual Transit Access Pass (A-TAP) and the Business Transit Access Pass (B-TAP), as well as other Board-approved special programs such as the Youth On the Move (YOTM) program to help foster youth aged 18-21 transition from foster care to independent living. There are several elements of services including:

- Identifying and targeting employers that would benefit from implementing a program at their worksite
- Scheduling one-on-one meetings to help employers develop a Transportation Demand Management (TDM) program including a transit pass program
- Meeting with potential new clients and securing annual sales contracts that must meet the A-TAP and B-TAP program policies and guidelines
- Executing, processing and managing all contracts and providing customer service assistance
- Assisting with special projects as needed to support the Employer Annual Transit Pass Programs

Metro has a staff of 7 non-contract FTEs working on these programs and has contracted out for additional staff needed since 2005. Currently, 5 additional staff from the vendor are working with Metro to service these 900 accounts. (5 union employees were recently added for TAP card fulfilment and processing as part of the TCU arbitration.) The most recent contract is with Inland Transportation Services and has been in place since April 17, 2010 and is expected to run through May 2015. This new 4-year procurement, with six one-year options, is to provide the required program support at the conclusion of the current contract.

DETERMINATION OF SAFETY IMPACT

These programs do not affect the incidence of injuries or healthful conditions for patrons or employees. Therefore, approval of this contract will have no impact on safety.

FINANCIAL IMPACT

The Employer Annual Pass Program currently brings in over \$6 million in revenue to Metro. The funding of \$683,000 for this service is included in the FY15 budget in cost center 7140, Marketing, under project number 405547, Task.01.09, Rideshare Services.

Since this is a multi-year contract/project, the cost center manager and Chief Communications Officer will be accountable for budgeting the cost in future years, including any option exercised.

Impact to Budget

The funding source for the Employer Annual Pass Programs is Enterprise Fund operating revenues. The source of funds for this action, operating revenues, is eligible to fund bus and rail operating and capital expenditures.

ALTERNATIVES CONSIDERED

1. Decline to award this contract to provide employer annual transit pass support services. This is not recommended because of the growth and success of the programs, which generate over \$6 million in revenue a year to Metro.
2. Add full time equivalents (FTEs) to provide additional resources to Metro's staff. This is not recommended because it would be more costly than the outsourced services and does not allow for flexibility to change work to meet the market's demands.

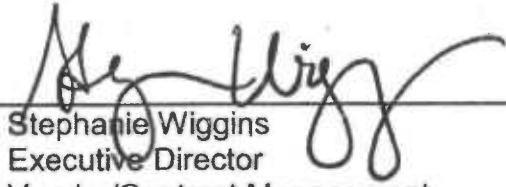
NEXT STEPS

Upon Board approval, execute a ten-year firm fixed unit rate, Contract No. PS189840071403371 to Inland Transportation Services by May 2015 so that program support for the Employer Annual Pass Programs can continue uninterrupted.

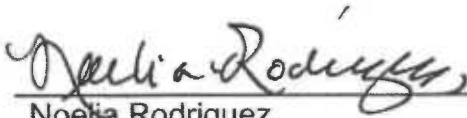
ATTACHMENTS

- A. Procurement Summary
- B. Funding/Expenditure Plan Sample
- C. Description of Annual Employer Transit Access Pass Program

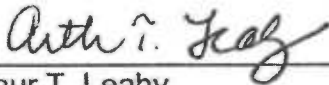
Prepared by: April McKay, Director, Metro Commute Services
213-922-2290



Stephanie Wiggins
Executive Director
Vendor/Contract Management



Noelia Rodriguez
Chief Communications Officer



Arthur T. Leahy
Chief Executive Officer

PROCUREMENT SUMMARY

PROJECT SUPPORT – EMPLOYER ANNUAL PASS
PROGRAMS/PS189840071403371

1.	Contract Number: PS189840071403371	
2.	Recommended Vendor: Inland Transportation Services	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: October 30, 2014	
	B. Advertised/Publicized: October 14, 2014	
	C. Pre-proposal/Pre-Bid Conference: November 6, 2014	
	D. Proposals/Bids Due: December 4, 2014	
	E. Pre-Qualification Completed: December 30, 2014	
	F. Conflict of Interest Form Submitted to Ethics: January 15, 2015	
	G. Protest Period End Date: February 25, 2015	
5.	Solicitations Picked up/Downloaded: 11	Bids/Proposals Received: 1
6.	Contract Administrator: Tom Meng	Telephone Number: (213) 922-1074
7.	Project Manager: April McKay	Telephone Number: (213) 922-2290

A. Procurement Background

This Board Action is to approve Contract No. PS189840071403371 issued in support of Metro Commute Services Department. The Metro Commute Services Department is responsible for promoting, selling, contract processing and management, and fulfillment and customer service for the Employer Annual Pass Programs.

The scope of the contract has three tasks:

- Task 1 – Program Management. This is to ensure that the two Appointment Setters and Three Senior Account Executives are conducting their work in a professional and efficient manner.
- Task 2 – Setting Appointments. Contractor shall provide two Appointment Setters to call and arrange appointments for Employer Annual Pass Sales visits by the Senior Account Executives. Goals are established and monitored weekly.
- Task 3 – Employer Annual Pass Sales Support. Three Senior Account Executive positions in three areas: one for sales in the field full time; one for sales and special projects such as development of new programs for institutional, college, or residential projects; and one for contract management and sales, depending on the workload and market demand.

The RFP was issued in accordance with Metro's Acquisition Policy and the contract type is a Firm Fixed Unit Rate.

Five amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on November 3, 2014 clarified the date of the pre-proposal meeting.
- Amendment No. 2, issued on November 4, 2014 provided answers to proposers questions.
- Amendment No. 3, issued on November 17, 2014 provided answers to proposers questions, provided the insurance script and DEOD script presented at the pre-proposal meeting, and the pre-proposal meeting sign sheet.
- Amendment No. 4, issued on November 17, 2014 provided additional answers to proposers' questions.
- Amendment No. 5, issued on December 1, 2014 provided additional answers to proposers' questions.

The Pre-Proposal meeting was conducted on November 6, 2014. One proposal was received on December 4, 2014.

In accordance with Metro's Acquisition Policy in cases of a single proposal, staff conducted a survey of the firms attending the pre-proposal conference. As a result of the survey, staff discovered that two of the four firms that attended the pre-proposal conference intended to propose as prime contractors and the other two firms intended to participate as sub-contractors for the prime. Metro received one proposal accounting for two of the four firms. One of the firms that intended to participate as a subcontractor did not submit a proposal because the prime that they were working with did not submit a proposal. Staff followed up with these firms by phone calls and e-mails requesting the reason they did not submit a proposal. One firm did not submit a proposal because the work appeared to be a temporary agency labor contract. This left the remaining sub-contractor without a proposing prime contractor.

Based on the market survey performed, adequate competition exists because the solicitation was performed in an environment where all proposers believed that competition was available.

Staff also sent e-mails to all other firms that downloaded the proposal requesting information as to why they did not submit a proposal. No responses have been received.

B. Evaluation of Proposals/Bids

A Proposal Evaluation Team (PET) consisting of staff from Metro Commute Services and one person from Los Angeles World Airports Rideshare program was convened and conducted a comprehensive technical evaluation of the proposal received.

The proposal was evaluated based on the following evaluation criteria and weights:

Minimum Requirements:

1. Three years of similar and directly related experience
 - a. The firm must have appointment-setting experience and business-to-business sales experience.
2. A letter of reference from at least two government agencies for which they have provided work as described in the Scope of Work.
3. Experience working with government agencies with a contract size larger than \$200,000 a year.

The firm that met the minimum requirements was then evaluated on the following criteria:

- | | |
|-------------------------------------|------------|
| • Qualifications of the Firm | 25 percent |
| • Staffing and Project Organization | 25 percent |
| • Work Plan | 20 percent |
| • Price | 30 percent |

The evaluation criteria are appropriate and consistent with criteria developed for other, similar Firm Fixed Unit Rate Solicitations. Several factors were considered when developing these weights, giving the greatest importance to the price.

Inland Transportation Services (ITS), the incumbent, was the only proposer that responded to this solicitation. During the week of December 8, 2014 the PET met and scored the proposal received. The proposal addressed the requirements of the RFP, experience with all aspects of the required tasks, and stressed the firm's commitment to the success of the project. The ITS proposal received very high scores from all evaluators.

Qualifications Summary of Firms Within the Competitive Range:

Inland Transportation Services

The recommended firm, ITS, has been in business for 25 years and is a leader in the Transportation Demand Management field. ITS is the current service provider for Metro's Employer Rideshare and Annual Transit Pass Support programs and has provided satisfactory service. The ITS team is seasoned and professional and most have been working with Metro for several years. The SBE subcontractor has been a member of the ITS team since 2012, providing satisfactory services. The price is in alignment with the Independent Cost Estimate and their work plan and staffing plan meet the RFP's requirements. The following chart shows the PET's findings.

1	FIRM	Average Score	Factor Weight	Weighted Average Score	Rank
2	Firm: Inland Transportation Service				
3	Qualifications of the Firm	24.88	25.00%	99.50	1
4	Staffing/Project Organization	23.81	25.00%	95.25	1
5	Work Plan	19.40	20.00%	97.00	1
6	Price	30.00	30.00%	100.00	1
7	Total		100.00%	97.94	1

C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based on historical pricing, negotiations and comparison with the independent cost estimate. Therefore, since the prices are fair and reasonable, it is recommended that ITS be awarded the contract.

Cost negotiations conducted resulted in a cost reduction of \$84,020.52.

	Bidder/Proposer Name	Proposal Amount	Metro ICE	Negotiated amount or NTE
1	Inland Transportation Services	\$6,458,742	\$6,291,366	\$6,374,722

Prior to exercising any option years, a market survey and cost analysis will be performed to determine whether the price is fair and reasonable, and if it is in the best interest of Metro to exercise the options.

D. Background on Recommended Contractor

The recommended firm, ITS is located in Riverside, CA, and has been in business for 25 years and is a leader in the Transportation Demand Management (TDM) field. ITS is the current service provider for Employer Rideshare and Annual Transit Pass Support. Metro Commute Services states that the services provided by ITS since April 2005 have been satisfactory. The total contract amount awarded to date to ITS for these services is \$5,183,345.

ITS has a seasoned and professional TDM team. Most of the team members have been working with Metro for several years or longer and have a good working relationship with Metro staff and fully understand and perform their required tasks with expertise. The Van Stratten Group, Inc. is the Small Business Enterprise Sub-Contractor to ITS and has been a member of the ITS team since 2012, providing services to Metro Commute Services.

The Project Manager has 26 years' experience in managing award winning rideshare programs. In 2005, ITS entered into a five year Rideshare Program Support contract with Metro. In 2011, the contract was amended to include service promoting Metro's A and B-TAP programs to employers in Los Angeles County. Two senior account executive positions and two appointment setter positions were added to the contract and they have successfully provided Metro the scope of services outlined in the RFP.

ITS' current Employer Rideshare and Annual Transit Pass contract with Metro, Contract No. PS107140706 has expended \$2,773,334 against the total value of \$3,142,292.

E. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) established a 15% Small Business Enterprise (SBE) goal for this solicitation. Inland Transportation Services exceeded the goal by making a 19.88% SBE commitment.

SMALL BUSINESS GOAL	15% SBE	SMALL BUSINESS COMMITMENT	19.88% SBE
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	DBE/SBE Subcontractors	% Committed
1.	The Van Stratten Group, Inc.	19.88%
	Total Commitment	19.88%

F. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

ATTACHMENT B

**PS189840071403371 Program Support - Employer Annual Pass Program
Funding/Expenditure Plan**

	Years 1 - 4 (no change)	Years 5 & 6 Options	Years 7 & 8 Options	Years 9 & 10 Options	% of Total
Uses of Funds					
Project Manager	\$ 97,968.00	\$ 51,338.56	\$ 53,805.44	\$ 56,409.60	4%
Appointment Setter	\$ 417,747.20	\$ 219,731.20	\$ 229,632.00	\$ 241,363.20	17%
Appointment Setter	\$ 417,747.20	\$ 219,731.20	\$ 229,632.00	\$ 241,363.20	17%
Senior Account Executive	\$ 493,292.80	\$ 259,625.60	\$ 273,395.20	\$ 289,286.40	21%
Senior Account Executive	\$ 493,292.80	\$ 259,625.60	\$ 273,395.20	\$ 289,286.40	21%
Senior Account Executive - Van Stratten Group DBE	\$ 480,064.00	\$ 250,848.00	\$ 262,163.20	\$ 273,977.60	20%
Total Project Cost	\$2,400,112.00	\$ 1,260,900.16	\$ 1,322,023.04	\$ 1,391,686.40	100%
Sources of Funds	\$2,400,112.00	\$ 1,260,900.16	\$ 1,322,023.04	\$ 1,391,686.40	100%
Total Project Funding	\$2,400,112.00	\$ 1,260,900.16	\$ 1,322,023.04	\$ 1,391,686.40	100%
Total				\$ 6,374,721.60	100%

Description of Annual Employer Transit Access Pass Program

The Employer Annual TAP Pass Programs (ATAP and BTAP) has an enrollment of approximately 900 employers and generates more than \$6 million dollars of annual revenue for Metro. The Employer programs are a low-cost, high value benefit and help to improve employee morale, health and attendance.

The A –TAP program is sold at full fare to employers for employees who chose to ride Metro or EZ Pass partners.

The Metro Employer Annual TAP Program includes the Business Transit Access Pass (BTAP) which is sold at a group rate versus the full price of \$1200 for the year to employers for all eligible employees. Eligible employees are determined by a Metro Senior Account Executive and require the employer to enroll all or nearly all of their full time employees. This group rate is based on Metro's local level of service (LOS), with a high level of service sold at \$276 per year per pass, a medium level of service pass which is sold at \$192 per pass per year and a low level of service which is sold at \$132 per year per pass. The 77%- 89% discount is offered to encourage increased ridership at the employer's worksite and to put a pass in pockets of current non-riders. Research has shown that 71% of employers said their employees started riding transit once they got the BTAP.

The LOS is based on the number and frequency of transit and rail trips that are generated during peak periods. The federal definition of peak commuting hours is 6AM-9:30AM.

In a high LOS area, such as many parts of downtown Los Angeles, a Metro bus or rail service would need to generate more than 51 trips during peak hours and be located within 1/3 of a mile from the employer's worksite location. In a medium LOS area, such as many parts of Santa Monica or San Gabriel Valley, Metro transit services would need to generate between 11-50 trips during peak periods in order to be considered a medium LOS area. The more opportunity there is to ride transit, the higher the price.

A Metro Sr. Account Executive (Sr. AE) meets with a business owner or high level decision maker in order to promote and sell the A and BTAP programs. In the group rate BTAP program, the Metro Sr. AE will determine the number of BTAP passes the employer must purchase in order to get the group rate and ensure revenue neutrality for Metro. The number of passes required is generally all full-time employees employed by the employer with a few allotted exemptions such as an employee who rides Metrolink (since Metrolink riders ride Metro for free), an employee who has an EZ pass, or an employee who needs a car to make sales calls. After the number of BTAP participants is determined, the Metro Sr. AE prepares a contract, and provides a detailed description of all required documents needed in order to secure the sale.

The A and BTAP programs are priced on a calendar year, thus allowing enrollment during any time of the year at a pro-rated cost. ATAP is sold at full fare which is \$1,200 annually, or prorated at \$100 a month times the number of months the employer is enrolling. In the BTAP program, if the employer is enrolling in January they will also pay for the entire 12 months upfront as well, but at a group rate depending on their level of transit service. For example, an employer located in a high LOS area, enrolling for 12 months, will pay \$276 per employee. If the employer is enrolling in July, they would pay a pro-rated cost for six months. Metro Commute Services (MCS) renews clients from October through December of each year. An 85% renewal rate is generally achieved. Every employer is contacted; renewal contracts and review of total employee counts are recalculated to ensure integrity of the program, and to make sure that Metro is capturing the required participation rate and remain revenue neutral.

The pricing sheet demonstrates both A and BTAP prorated and annual fees:

Employer Annual B-TAP Program Pro-Rated Guide			
Minimums:	20	14	10
Starting Month	Low	Medium	High
January	\$132	\$192	\$276
February	\$121	\$176	\$253
March	\$110	\$160	\$230
April	\$99	\$144	\$207
May	\$88	\$128	\$184
June	\$77	\$112	\$161
July	\$66	\$96	\$138
August	\$55	\$80	\$115
September	\$44	\$64	\$92
October	\$33	\$48	\$69
November	\$22	\$32	\$46
December	\$11	\$16	\$23

*All prices are calculated upon a per person rate

A-TAP Pro-Rated Payment Guide

Starting Month	A-TAP	Senior Rates
January	\$1,200	\$20 per month
February	\$1,100	\$240 per year
March	\$1,000	
April	\$900	
May	\$800	
June	\$700	
July	\$600	
August	\$500	
September	\$400	
October	\$300	
November	\$200	
December	\$100	

*All prices are calculated upon a per person rate

*Rates as of September 2014

In calendar year 2014, Metro sold over \$6.2 million in revenue from employer annual passes, with over 900 accounts and 32,000 passes. This is broken down into:

- A TAP pass program sales at full price, generating \$1.8 million at 29 business locations for 1,774 passes
- B TAP pass programs at a group rate (77 – 89% discount) at 964 locations, generating \$4.4 million in revenue for 30,307 passes
- Board approved Youth on the Move (YOTM) pass programs, generating no revenues, but with a street value of \$4 million for about 2,000 EZ passes with multiple zones. YOTM is a Board-approved special program to help foster youth aged 18-21 transition from foster care to independent living. YOTM generates no revenue, but does generate a significant number of boardings, due to the transit-dependency of the youth.

Metro has a staff of 7 non-contract FTEs working on these programs and has contracted out for additional staff needed since 2005. Currently, 5 additional staff from the vendor are working with Metro to service these 900 accounts. (5 union employees

were recently added for TAP card fulfillment and processing as part of the TCU arbitration.)

Comparison of Employer Annual Pass Program Group Rate/Discount versus Market Value:

- The A TAP program passes are sold at current full fare rates. There is no discount for this \$1.8 million in sales, so they are sold at market value.
- The B TAP program passes, if sold at full fare, would cost \$36 million. However, at that price, there would be fewer buyers since not everyone rides. Instead, the revenue is \$4.4 million and puts a pass in the pocket of all eligible employees and gives them the option to ride Metro and reduce congestion and increase mobility.

Difference between Employer Annual Transit Pass Programs and TAPTOGO

The Employer Annual TAP Pass Programs (ATAP and-BTAP) has an enrollment of approximately 900 employers and generates more than \$6 million dollars of annual revenue for Metro.

It's an annual program paid a year in advance, with a contract that is signed. It aims to promote and increase transit ridership within the business community.

The staff associated with the Employer Annual Pass programs actively creates and maintains relationships with the employers and strives to increase participation by 20%, each year. It's a full-service program that works specifically with the employer administrator associated with each account. Under this program, an Account Executive meets with the prospective client and determines and educates the employers as to their eligibility status and proper methodology for program participation.

TAPTOGO is a program for employees to order their desired fare media (monthly/ weekly/stored value, etc...) online, once their employer is signed up. This program requires the employer to reach out and contact Metro. It is not positioned to increase ridership, but does offer the employer a method of purchasing passes for their employees through the TAPTOGO website/program. It is a self-service process wherein the customer is required to handle the setup of their account. The number of participants varies from month to month.

Employer Annual Pass Program
*Annual Pass
*Prepaid a year in advance
*Signed contract with employer
*Photo ID TAP card
*Full Service Program
*Metro works with Employer Account Administrator
*3 tiered pricing
*Active Outreach & Solicitation
*Create Employer Relationship and Retention
*Targets Discretionary Rider
*Group Rate for BTAP
*Increases Ridership
*Orders Sent to G&D for card processing

TAPTOGO
*Monthly or weekly passes only
*Pay Per Order (Online/Spreadsheets)
*No contract
*No Photo on card (generic blue card)
*Individual Self Service Program, not employer based
*Wage Works often to administer the program for a fee to the employer
*In-house & G&D Card Loads

Benchmarks

Group rate annual employer pass programs have been proven to be an efficient and effective way to work with employers and increase transit ridership in other cases across the country. In a January 2008 article, "Best Practices in Transportation Demand Management", it says that "Santa Clara Valley Transportation Authority and the Greater Denver area Regional Transportation District provide both employee and residential annual Eco Passes at deeply discounted rates, good for all area transit services, on the condition that a pass is purchased for every employee or for every resident within a condo community, apartment building, or neighborhood association (i.e., there is universal enrollment). The cost per pass varies depending on size of the company or residential area and proximity to high-quality transit service. The cost to the company or residential community per annual Eco Pass varies between \$7.50 and \$120, which is only 0.6% and 9%, respectively, of an Adult Express Pass purchased by an individual." This is the same as a 99.4% and 91% discount.

Metro's BTAP program follows this same methodology and structure, but with a lower discount.

Cost/Benefit Analysis:

Sales from the Employer Annual Pass Programs (ATAP and BTAP) generate over \$6.2 million in fare revenue. In addition, \$4 million in revenue-equivalent value for passes for the Youth on the Move program is also handled as part of the Employer Annual Pass Programs. But considering just the "hard" revenues of \$6.2 million, the program is very effective, with total annual costs of \$2.527 million. Revenues exceed program expenses by 2.5 times.

A cost breakdown of the program as budgeted for FY15 follows:

- \$1.369 million for 6 Non-contract FTEs including fringes, workers comp, allocated overhead, etc.
- \$0.528 million for 5 TCU FTEs (as part of the TCU arbitration requiring switching fulfillment services from Xerox to Metro) and 1 Non-contract FTE, including fringes, workers comp, allocated overhead, etc.
- \$.630 for the new Program Support vendor contract

Taking \$6.2 million in revenue generated and dividing it by the total program costs of \$2.527 million shows that revenues exceed costs by 2.5 times. In addition, the program generates ridership and goodwill for the Metro brand, as well as relieving congestion and meeting the mission of the agency which is to:

- “design, construct, operate and maintain a safe, reliable, affordable and efficient transportation system that increases mobility, relieves congestion, and improves air quality to meet the needs of all Los Angeles County residents.”

Reasons Why Metro Offers Employer Annual Pass Programs:

Metro offers local Los Angeles businesses the opportunity to purchase Employer Annual pass programs so that their employees can commute to work using Metro transit. The program strives to increase mobility, relieve congestion, increase transit riders and improve air quality for everyone. The annual pass program puts a pass in the pocket of current non- transit riders making it affordable for them to try transit; thus reducing congestion on our streets and highways.