

**Board Report**

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**File #:** 2017-0117, **File Type:** Contract**Agenda Number:** 14.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
APRIL 19, 2017****SUBJECT: TAP CARD MANUFACTURING AND FULFILLMENT SERVICES****ACTION: AWARD CONTRACTS****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award indefinite delivery/indefinite quantity (IDIQ), firm fixed unit price contracts for a three-year initial term, with two, one-year options for the following contracts: 1) PS29117000 and PS29117001 to ASK-intTag, LLC. for Card Manufacturing & Adhesive Stickers; 2) PS29117002, PS29117003, and PS29117004 to Oberthur Technologies of America Corp. for Adhesive Stickers and Card Manufacturing and Fulfillment Services, and 3) PS29117005 to Giesecke & Devrient Mobile Security America, Inc. for Fulfillment Services effective July 1, 2017, for Metro and Municipal Operators. The total combined not-to-exceed amount for 3 base years and two one year options is \$26,915,910 (average cost per year \$5.4M) inclusive of sales tax for **TAP Card Manufacturing and Fulfillment Services**, as identified below:

- Card Manufacturing - Base: \$9,272,563, Option 1: \$3,090,854, Option 2: \$3,090,854 in the total NTE amount of \$15,454,271
- Fulfillment & Distribution- Base: \$6,858,983, Option 1: \$2,286,328, Option 2: \$2,286,328 in the total NTE amount of \$11,431,639
- Adhesive Stickers - Base: \$18,000, Option 1: \$6,000, Option 2: \$6,000 in the total NTE amount of \$30,000

**ISSUE**

The TAP program now supports twenty-four agencies and award of these contracts is necessary for the continuation of the program over the next five years. The current smart card contracts are set to expire on June 30, 2017. Over 19 million TAP cards have been issued since the beginning of the program in 2006. Due to the continued growth of this robust system, the region needs to procure additional stock to continue the expansion of the TAP program and to replace expired, lost or stolen TAP cards.

**DISCUSSION**

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TAP cards are the key component to the TAP regional system. TAP accounts for approximately 75% of fares collected across the region. The last contract award for \$16.2M for three years (average cost per year \$5.4M) was issued in November 2013 and ends June 30, 2017.

The cost for procuring TAP cards, providing personalization and warehousing is about \$2 per card. The purchase price of a TAP card from Metro TAP Vending Machines, Third-Party Vendors and on-line sales will continue to offset the cost of the TAP card procurement and personalization costs.

With 24 transit agencies currently participating in the TAP regional program, card replenishment and personalization will ensure seamless travel for customers. These Contracts will ensure that the TAP system remains flexible in accommodating different fare policies, fare structures and tariff regulations. Cards procured and fulfilled under these Contracts will help reduce the usage of cash fares. The Contract also includes procurement of smart decals for the U-Pass program which currently serves 10 campuses.

TAP anticipates that card manufacturing orders will be divided between Oberthur Technologies of America Corp. and ASK-intTag, LLC as the costs for manufacturing are very comparable. Card fulfillment prices for the different types of personalization vary significantly between Giesecke & Devrient Mobile Security America, Inc and Oberthur Technologies of America Corp. The majority of card fulfillment requests will be ordered from the lower priced Proposer. Based upon the current contract performance, it is prudent that TAP maintains two card fulfillment contracts due to supply chain and production issues.

The Request for Proposal was issued with the purpose of maximizing open competition within a large field of smart card suppliers and card personalization services in order to get the best pricing over the next five years. These indefinite delivery/indefinite quantity Contracts are prepared to be utilized on an "as needed" basis in which Metro has no obligation or commitment to order a defined quantity of TAP cards or personalization services. The projected quantities are estimates only, with deliveries to be ordered and released as required.

### **DETERMINATION OF SAFETY IMPACT**

Latched stations require patrons to use a TAP card to gain entrance to gated stations by electronically releasing the turnstile or opening the leaf-barriers on Americans with Disability Act (ADA) gates. Providing TAP cards for latched gated stations has a positive impact on the safety of Metro rail riders by limiting access to paying customers, thus improving transit station security.

### **FINANCIAL IMPACT**

The funding for smart cards is included in the proposed FY2018 budget in Regional TAP operating budget project 300016 under Line Item 50320: Contract Services account. Since this is a multi-year contract, the cost center manager and the Executive Officer, TAP Operations are responsible for budgeting future costs.

The cost of procured smart cards will be partially offset by card fees charged to customers for each new or replacement TAP card.

### **IMPACT TO BUDGET**

The funding sources for project 300016 in FY18 will continue to be a mix of Prop C 40%, TDA Article 4 and fare revenues. These sources are eligible for operating and capital improvements for both bus and rail.

### **ALTERNATIVES CONSIDERED**

The current procurement allows Metro to purchase the TAP cards and order personalization/fulfillment services necessary to continue the expansion of the TAP program and to replace expired, lost or stolen TAP cards. The alternatives considered are as follows:

- 1) Discontinue the purchase and use of TAP smart cards and revert back to the use of paper fare media. This action is not recommended because:
  - a. TAP provides customers with the ability to travel seamlessly across LA County.
  - b. TAP allows Metro and our Regional Partners the ability to implement smart fare collection practices such as 2 hour transfers, peak and off-peak pricing and rolling passes.
  - c. TAP data provides accurate and meaningful information for in-depth ridership analysis and service planning.

### **NEXT STEPS**

Upon approval by the Board, staff will execute Contracts PS29117000 and PS 29117001 to ASK-

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intTag, LLC. for card manufacturing and adhesive stickers; PS29117002, PS29117003, and PS29117004 to Oberthur Technologies of America Corp. for adhesive stickers and card manufacturing and fulfillment services, and Contract No. PS29117005 to Giesecke & Devrient Mobile Security America, Inc. for fulfillment services effective July 1, 2017.

**ATTACHMENTS**

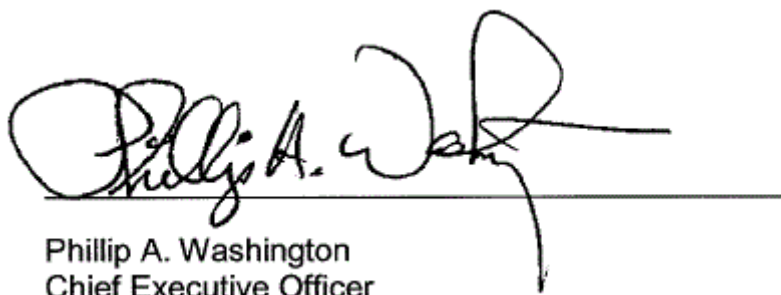
Attachment A - Procurement Summary

Attachment B - DEOD Summary

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