



Board Report

File #: 2017-0796, **File Type:** Contract

Agenda Number: 45.

**REVISED
REGULAR BOARD MEETING
MAY 24, 2018**

SUBJECT: TAP GIFT CARD SALES AND RELOAD PROGRAM

ACTION: AWARD CONTRACT

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a five-year, revenue-generating Contract No. PS43741000 to Interactive Communications International, Inc. (InComm) for the distribution of TAP gift cards for purchase at retail gift card kiosks at major chain stores to satisfy customer demand for more TAP sales locations.

(CARRIED OVER FROM FEBRUARY'S REGULAR BOARD MEETING)

ISSUE

Due to the expansion of TAP to 24 participating agencies, and new features such as all door boarding and transfer on second boarding, there is a high customer demand for more convenient locations to purchase TAP cards. Approval of this contract award will enable TAP cards to be available on gift card kiosks for purchase at up to 2,000 locations in Los Angeles County.

DISCUSSION

TAP cards are currently available at over 400 locations throughout LA County, including at 93 rail and 18 Orange Line stations, aboard Metro buses, online at *taptogo.net* and by phone at 866-TAPTOGO. The TAP Gift Card Sales and Reload Program will provide TAP cards at up to 2,000 major chain stores throughout Los Angeles County (see Attachment C) including near high-volume bus stops and transit centers. The goal is to satisfy customer demand for increased convenience to purchase TAP products and attract new customers. By increasing TAP card availability, cash customers are more likely to transition to TAP thereby speeding up boardings, enhancing security and providing a seamless travel experience across 24 transit agencies. The Program also supports the Metro Rapid All Door Boarding and Transfer on Second Boarding programs. The Program will assist in minimizing

dwelling times by decreasing the use of cash for bus fare.

How the Program Works

The customer enters a participating chain store such as CVS, Rite-Aid, 7-Eleven, Walgreens, or Family Dollar and takes a TAP card from the gift kiosk. The customer hands the cashier the card and requests a dollar amount from \$5 to \$100 to be loaded onto the card. The customer pays the desired amount plus a \$2 card fee. The cashier then scans and loads the card.

Due to different types of fare collection equipment in operation, there is a processing time delay as to when the card is ready for use. For buses with TAP fareboxes, the latency period may be 24 to 48 hours. This delay is experienced because fareboxes must be updated each night at Bus Divisions. At rail stations, a customer's card will be ready to use within an hour, and on buses with mobile validators, cards will be ready within 45 minutes. The TAP card packaging will include information as to when a TAP card will be ready to use.

Supporting All-Door Boarding Efforts

All-door boarding (ADB) on Metro Rapid Line 754 will be operational by summer 2018 and Line 720 will be operational by winter 2018. ADB will require TAP only boardings. The TAP Gift Card Sales and Reload Program will augment ADB service on Metro Rapid by providing customers with convenient locations to purchase TAP cards.

Selling TAP cards and fare products at these additional locations will ease the transition from the use of cash to TAP. It will support and strengthen ADB's objective to improve speed, reliability, and customer convenience. Customers will benefit from shorter dwelling times and Metro will be able to attain improved on-time performance.

From preliminary review of the vendor's locations, an additional 56 retail locations may be added within a 1/4 mile of the Metro Rapid Line 720 and Line 754 corridors.

Selection of Contractor

The formal solicitation was released for competitive proposals with the intent to award multiple contracts to take advantage of the broadest number of potential retailers. However, only a single proposal was received from InComm. The technical proposal was acceptable and the fee structure was determined to be fair and reasonable. The fact that the proposal met Metro's requirements and the results of a market survey that was conducted to discover the reasons why other firms on the planholders list did not propose, led staff to the decision not to pursue a re-solicitation.

Commission Rate

The Contractor will deduct a fee of \$1 per new TAP card sold to cover services such as printing, packaging and distribution, plus a 4% commission of the dollar value loaded onto the TAP card. Due to the payment structure, there are no operational costs required for the program since the vendor will pay Metro for the sales less 4% commission and the \$1 new card fee. For example, if a customer purchases a new TAP card and wants to load \$100 of value, the total transaction will be \$102 to the customer. The vendor will keep \$1 for the new card fee and \$4 for the commission and will pay Metro a net of \$97 for this transaction. Metro will receive weekly deposits via electronic funds transfer of the net sales proceeds to a regional bank account that will be set up for this project.

DETERMINATION OF SAFETY IMPACT

Using TAP to pay fare is safer for customers than using cash because registered TAP cards can be replaced if lost or stolen. Using TAP cards also speeds up boardings and eliminates the need to fumble for change to feed coins and bills into the farebox.

FINANCIAL IMPACT

No additional funding is required to execute this action as the Contractor will be paid out of total gross sales of TAP fare media. The Contractor will be paid \$1 per new card sale and a 4% commission of loaded sales value.

The TAP cards needed to support this program are already accounted for in the approved FY2018 budget of cost center 3020 TAP, under project 300016, account 50320, for card manufacturing and fulfillment. Since this is a multi-year contract, the cost center manager and Executive Officer will be accountable for budgeting funding needs for future years.

ALTERNATIVES CONSIDERED

The Board may choose not to award the contract for TAP Gift Card Sales and Reload Program and TAP sales would carry on with the over 400 existing vendors in the TAP Sales Vendor Network. This is not recommended because the TAP Gift Card Sales and Reload Program would provide additional TAP sales locations.

NEXT STEPS

Upon approval by the Board, staff will execute Contract No. PS43741000 with InComm, Inc. to proceed with implementing the TAP Gift Card Sales and Reload Program. The program is anticipated

to begin by first quarter of 2019. ~~fall 2018~~.

ATTACHMENTS

Attachment A - Procurement Summary

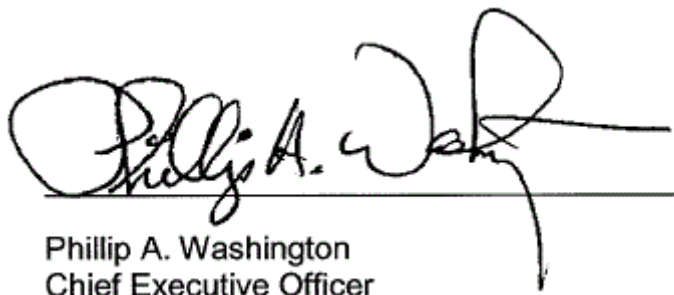
Attachment B - DEOD Summary

Attachment C - Map of Existing TAP Sales Network + Potential TAP Gift Card Locations

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