

**Board Report**

File #: 2018-0234, **File Type:** Contract**Agenda Number:** 53.

**AD HOC CONGESTION HIGHWAY AND ROADS COMMITTEE
JUNE 21, 2018****SUBJECT: METRO EXPRESSLANES - ROADSIDE TOLL
COLLECTION SYSTEM****ACTION: AWARD CONTRACT****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award firm fixed price Contract No. PS44478000 to Conduent State & Local Solutions, Inc. for implementing and maintaining an ExpressLanes roadside toll collection system in the amount of \$40,872,209 for the eight-year base period, with two, three-year options, in the amounts of \$9,244,429 and \$8,859,200, respectively, for a total of \$58,975,838, subject to resolution of protest(s), if any.

ISSUE

In 2010, Metro entered into Contract No. PS0922102333 (existing contract) with Atkinson Contractors, LP (Atkinson) to design, build, operate and maintain the I-10 and I-110 ExpressLanes. The existing contract is scheduled to expire on February 29, 2020, upon exercise of a final option year approved by the Board in January 2018 and an additional year of services to be authorized in a separate Board action.

Based on lessons learned and consistent with best practices in the tolling industry, Metro has split the services provided under the current contract into three separate procurements which are the back office system, roadside toll collection system, and customer service operations. The roadside toll collection system contract includes roadside equipment, dynamic pricing, trip building and other support functions.

The Board approved the back office system contract in January of 2018. In consideration of the existing contract's termination date, and recognition of the fact that the roadside toll collection system requires the longest development lead time after the back office system, this is the second of the three major ExpressLanes procurement contracts requiring Board approval. Staff is recommending award of this Contract for the roadside toll collection system, to enable Metro to develop and implement the new system and to ensure seamless operation of the ExpressLanes.

DISCUSSION

The roadside toll collection system encompasses the hardware and software systems in the field needed to support congestion pricing calculations and collection from customers in the ExpressLanes. Functions of the roadside toll collection system include transponder communications, image capturing and processing, dynamic pricing, and transaction processing. Since toll agencies have very specific business rules, rate policies, customer policies and standard operating procedures dictated by the agency or statute, each roadside toll collection system must be designed to conform to precisely specified requirements.

The existing contract and roadside toll collection system were designed with the goal of performing a one-year demonstration project. After over five years of operation, the existing system is reaching the end of its contract term.

The system and services under the new contract will incorporate the latest best-in-class tolling technologies capable of fulfilling the needs of the existing facilities over the next 8-14 years, with additional capacity for future growth to support additional ExpressLanes corridors as they are implemented. The new system will also support integration of the anticipated occupancy detection system.

This roadside toll collection system contract term and associated scope of work, which included over 1,600 requirements, was developed in collaboration with a team of consultants with tolling expertise. The recommended contract term is based on experience gained in five years of tolling, as well as the results of an Industry Forum.

Staff is recommending an eight-year base contract with two, three-year options for a total of fourteen years, which is consistent with the contract term for the previously awarded back office system.

Typical procurements have shorter contract terms in an effort to lower costs. This strategy works well when dealing with commodities or services that do not involve significant lead times for the procurement, development, testing, implementation and operations phases, and for projects where transitions from one vendor/contractor to another do not carry significant risk of extended service interruptions. Metro's roadside toll collection system diverges from these criteria for short contract terms, due to the roadside toll collection system's integral role in the toll collection process for ExpressLanes, coupled with the extensive scale and distribution of the subsystems and field equipment required to perform these functions.

More specifically, a roadside toll collection system requires a large capital investment for the equipment necessary to support electronic tolling. Due to the quantity of equipment required and the complexity associated with system integration, a significant amount of labor hours and corridor closures is required to bring a new roadside toll collection system online. Furthermore, careful coordination with Caltrans and other contractors is required during the transition from the existing contractor to the new one to ensure minimal service disruptions in the process. Industry experience has shown that a typical acquisition of a roadside toll collection system requires at least 30-36 months to complete. This places substantial burden on Metro staff with respect to time and resources, making the process cost-prohibitive to repeat at the standard procurement intervals. With a shorter contract term, the agency would be in a perpetual cycle of system procurement, integration, and data migration. Details on the typical procurement timeline for standard roadside toll collection

systems are provided below.

- Months 1-6: Review the existing statement of work's requirements and update to reflect tolling best practices and lessons learned.
- Months 7-18: Release RFP, review proposals (which are commonly over 500 pages each), interview, negotiate, seek Board approval, and award.
- Months 19-36: Perform design, implementation, data migration, and go-live.

The staff's recommendation for the roadside toll collection system contract term incorporates careful consideration of all these factors and constraints with respect to procurement, transition, integration, and deployment. A potential total contract term of fourteen years will allow Metro to fully realize the useful life of the system and obtain maximum return on investment. Furthermore, it typically takes at least a year of operation to comprehensively verify system reliability and achieve steady-state conditions. Therefore, at least three years is usually required from the award date before normal, stable operating conditions are achieved. For this reason, a shorter contract duration would lead to significant procedural inefficiencies, as the procurement process would need to be restarted almost immediately after the new vendor has been selected.

In summary, minimizing the number of vendor/system transitions for the roadside toll collection system reduces operating costs, avoids lane closures, and minimizes the risk of lost transactions and service disruptions that can arise during system transition.

The additional two, three-year options, which would each be brought back to the Board to seek approval to exercise the option at the appropriate time, will allow staff sufficient time to develop, advertise, award and implement a new system if warranted.

DETERMINATION OF SAFETY IMPACT

The Board action will not have an impact on safety of Metro's patrons or employees.

FINANCIAL IMPACT

Funding for this Contract will come from toll revenues. The funds required for FY19 are included in the FY19 budget in Cost Center 2220, Project Numbers 307001 and 307002, Account 50316, Task 02.01.

Since this is a multi-year project, the cost center manager and Executive Officer of Congestion Reduction will be responsible for budgeting the cost in future years.

Impact to Budget:

The toll revenue fund is not eligible for bus and rail operating expenses outside of the ExpressLanes corridors. This action will not impact ongoing bus and rail operating and capital costs, the Proposition A and C and TDA administration budget or the Measure R administration budget.

ALTERNATIVES CONSIDERED

The Board may choose not to award and execute the Contract. This alternative is not recommended because services under the existing contract will lapse and the ExpressLanes program will be adversely affected.

The Board may choose to direct staff to develop and install the system using in-house resources. This alternative is not recommended since Metro staff does not currently possess sufficient expertise in developing, installing and maintain roadside tolling equipment, nor does it have the availability/capacity to do so.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS44478000 to Conduent State & Local Solutions, Inc. for the implementation and maintenance of the new ExpressLanes roadside toll collection system.

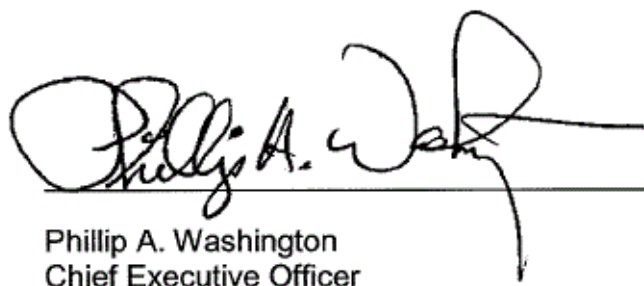
ATTACHMENTS

Attachment A - Procurement Summary

Attachment B - DEOD Summary

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