

**Board Report**

File #: 2017-0779, **File Type:** Contract**Agenda Number:** 9.

**AD HOC CONGESTION HIGHWAY AND ROADS COMMITTEE
JANUARY 17, 2018****SUBJECT: METRO EXPRESSLANES - BACK OFFICE SYSTEM****ACTION: AWARD CONTRACT****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award an eight-year firm fixed unit price Contract No. PS40164000, to TransCore for implementing and maintaining an ExpressLanes back office system in an amount not to exceed \$48,327,615 for the eight-year base period, with two, three-year options, in amounts not to exceed \$19,031,882 and \$20,733,661, respectively, for a total not to exceed amount of \$88,093,158, 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 22, 2020, if all option years are exercised and an additional year of services is authorized as requested 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 systems, customer service center operations. The back office system contract includes account management, violation processing and other support functions.

In light of the existing contract's termination date, and since the back office system requires the longest development lead time it is the first of the contracts requiring Board approval. Staff is requesting award of this Contract for the tolling back office system to enable Metro to develop and implement the new system to ensure seamless operation of the ExpressLanes.

DISCUSSION

A tolling back office solution is a software based system that provides functions such as transaction processing, customer account management, transponder management, payment and toll violations processing. Since each toll agency has very specific business rules, rate policies, customer policies and standard operating procedures dictated by the agency or statute, the back office system is highly

customized to meet specified requirements.

The existing contract and systems were integrated with the goal of deploying a successful 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 implement the latest best-in-class tolling technologies capable of servicing the needs of the existing facilities with growth to support future ExpressLanes corridors. The new system will also enhance customer-facing systems such as the website and phone system.

Contract Term

The back office system scope of work, which included over 2200 requirements, and the recommended contract term were developed in tandem with a team of consultants with tolling expertise. Additionally, Metro conducted a Tolling Industry Forum to gather expert input regarding the optimal contract term. The recommended contract term is based on experience gained in five years of tolling and the results of the Industry Forum.

Staff is recommending an eight-year base contract with two, three-year options for a total of fourteen years.

Typical procurements have shorter contract terms to encourage competition and optimal pricing. This works best when dealing with commodities or services that do not involve significant agency investment in procurement, development, testing, implementation and operations and when the system transition does not have potential significant impacts on agency customers, costs and revenue.

Back offices are arguably the most complex component of a tolling system and often require significant customization. In order to procure, develop and implement a toll back office system, a period of three years is typically required which represents a significant investment in agency time, personnel and financial resources which would be costly and inefficient to frequently repeat.

The following is a sample of activities and timeframes for the system procurement under the three year timeline:

- 6 Months: Review the existing statement of work's requirements and update to reflect tolling best practices and lessons learned.
- 12 Months: Release RFP, review proposals (which are commonly over 600 pages each), interview, negotiate, seek Board approval and award.
- 1.5 - 2 years: Design, implementation, data migration, go-live.

The recommended contract term reflects the nature of the investment and the time period required for procuring, developing and implementing the system. With a shorter contract term, the agency would be in a perpetual cycle of system procurement, integration, and data migration.

As part of the Toll Industry Forum questions, staff asked each toll vendor their preferred contract term inclusive of option years. Eleven firms replied to a varying number of base and option years. Three of the firms recommended five to eight years and the remaining seven firms recommended nine or more years. The primary reason for the recommended longer contract term is that it would allow full utilization of the expected useful life of the system components.

A potential total contract term of fourteen years will provide Metro the full useful life of the system to obtain maximum return on investment. Also, it typically takes at least a year of operation to fully burn-in the system and operate on a steady-state basis. So, it will usually be at least three years into the contract for this steady state operation to occur. For example, with a shorter contract duration, the agency will have to start the procurement process almost immediately after the new vendor has been hired.

Minimizing the number of times the back office is changed keeps the operations costs down and avoids data and customer issues that can arise during system transition.

For comparison purposes, staff also surveyed contract terms of other tolling agencies throughout the country (Attachment C). The majority of tolling contracts have a maximum term of 10 or more years with varying numbers of option years.

Based on the results of the industry forum, a review of contract terms associated with other tolling contracts and the initial time required to develop and burn-in the system, staff is recommending an eight-year base to maximize the up-front implementation costs. The additional two, three-year options, which would be brought back to the Board to seek approval to exercise the option, will allow staff sufficient time to develop and advertise, award and implement a new system, if warranted.

Pass-Through Costs

In order to obtain the best fixed price from the proposers, staff identified various costs such as postage and communications leased lines as pass-through items which ensure that expenditures reflect actual costs without any markups. This methodology minimizes the risk for both Metro and the contractor and yields a best value proposal for the Contract.

Small Business Participation

Staff worked with the Diversity and Economic Opportunity Department (DEOD) in the determination of a zero percent goal Small Business Enterprise (SBE) requirement for the back office system while incentivizing vendors to partner with small businesses through the evaluation score. The zero percent goal is due to limited partnering opportunities, the minimum requirements of implementing a toll system back office, large pass-through costs and a survey of other tolling agency procurements goals.

The following are tolling agencies with recent back office system procurements and examples of their DBE/SBE Goals.

Agency/Project	DBE/SBE Goal	Rationale
----------------	--------------	-----------

San Diego Association of Governments (SANDAG) Back Office System	Recent procurement did not include a DBE/SBE percentage	The procurement encouraged the use of SBE with no minimum requirement and did not involve federal funding.
Transportation Corridor Agencies (TCA) Customer Service Operations	Recent procurement did not include a DBE/SBE percentage	SBE was encouraged with no minimum requirement and did not involve any federal funding.
New Jersey Turnpike Authority Back Office System	Included a request for a "good faith" effort to include DBE participation but there was no specific requirement	The procurement allowed for favorable consideration of such effort as part of a much broader scoring of the proposal.
New York agencies in various tolling related procurements	2-10% that may or may not be fixed requirements but do require good faith efforts	
Central Florida Expressway Back Office System	As part of the agency's policies, they have an overall DBE target of 9.91%	The agency generally meets the quota through agency contracts outside of toll system projects

The approach of a zero percent goal and incentivizing participation through evaluation scoring resulted in a 5.07% SBE commitment by the recommended firm for the project.

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 FY18 are included in the FY18 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.

ALTERNATIVES CONSIDERED

The Board may choose to direct staff to develop the system using in-house resources. This alternative is not recommended since Metro staff does not possess expertise in developing a tolling back office system.

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.

NEXT STEPS

Upon Board approval, staff will execute Contract No. PS40164000 with TransCore for the

implementation and maintenance of the new ExpressLanes back office system and will update the project implementation schedule for transition to a new back office system.

ATTACHMENTS

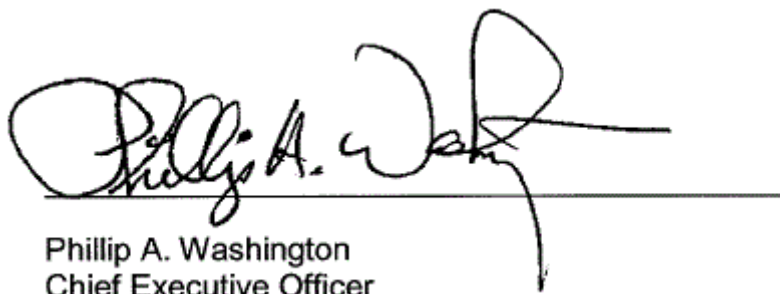
Attachment A - Procurement Summary

Attachment B - DEOD Summary

Attachment C - Toll Agency Contract Terms for Back Office System

Prepared by: Tim Lew, Sr. Transportation Planning Manager, (213) 418-3134
Kathy McCune, Deputy Executive Officer, (213) 418-3138
Shahzad Amiri, Executive Officer, (213) 922-3061

Reviewed by: Debra Avila, Chief Vendor/Contract Management Officer, (213) 418-3051
Stephanie Wiggins, Deputy Chief Executive Officer, (213) 922-1023



Phillip A. Washington
Chief Executive Officer