



## Board Report

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

**Agenda Number:** 45.

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**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

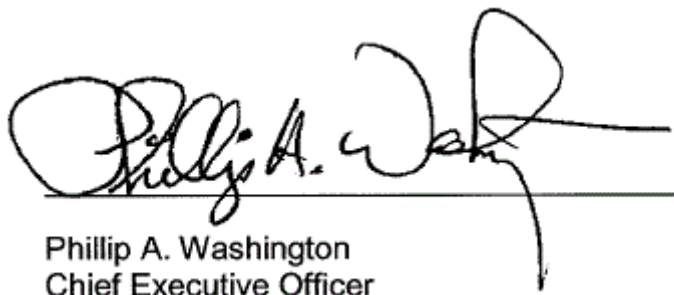
Attachment B - DEOD Summary

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

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Debra Avila, Chief Vendor/Contract Management Officer (213) 418-3051



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Phillip A. Washington  
Chief Executive Officer

## PROCUREMENT SUMMARY

## TAP GIFT CARD SALES AND RELOAD PROGRAM/PS43741000

1.	<b>Contract Number:</b> PS43741000	
2.	<b>Recommended Vendor:</b> Interactive Communications International, Inc.	
3.	<b>Type of Procurement (check one):</b> <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.	<b>Procurement Dates:</b>	
	<b>A. Issued:</b> 8/23/2017	
	<b>B. Advertised/Publicized:</b> 8/23/2017	
	<b>C. Pre-Proposal Conference:</b> 9/19/2017	
	<b>D. Proposals Due:</b> 10/13/2017	
	<b>E. Pre-Qualification Completed:</b> 12/20/2017	
	<b>F. Conflict of Interest Form Submitted to Ethics:</b> 12/8/2017	
	<b>G. Protest Period End Date:</b> 2/20/2018	
5.	<b>Solicitations Picked up/Downloaded:</b> 8	<b>Bids/Proposals Received:</b> 1
6.	<b>Contract Administrator:</b> Ana Rodriguez	<b>Telephone Number:</b> (213) 922-1076
7.	<b>Project Manager:</b> Erica Lee	<b>Telephone Number:</b> (213) 922-2418

**A. Procurement Background**

This Board Action is to approve a five-year revenue generating Contract No. PS43741000 to expand the locations at which patrons may purchase and reload Transit Access Pass (TAP) cards by making the cards available at major retailers within Metro's operating area through a gift card distributor.

RFP No. PS43741 was issued in accordance with Metro's Acquisition Policy and the contract type is a firm fixed percentage of sales.

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

- Amendment No. 1, issued on September 8, 2017 extended the Pre-Proposal Conference date to September 19, 2017 and extended the proposal due date to October 3, 2017;
- Amendment No. 2, issued on September 27, 2017 provided a revision on the Scope of Services and extended the proposal due date to October 13, 2017.

A pre-proposal conference was held on September 19, 2017 and was attended by two participants representing two firms. There were 13 questions submitted and responses were released prior to the proposal due date.

A total of eight firms downloaded the RFP and were included on the plan holders list. A single proposal was received on the due date of October 13, 2017 from Interactive Communications International, Inc. (InComm). A market survey was conducted of

planholders that did not submit a proposal to ascertain their reasons(s) for non-submittal. One response was received. The reason for not submitting a proposal was that the firm was not willing to assume the risks associated with possible theft of the TAP cards and requests for refunds/complaints from customers due to processing time delays.

## **B. Evaluation of Proposals**

A Proposal Evaluation Team (PET) consisting of staff from the Metro TAP department and the Information Technology department was convened and conducted a comprehensive technical evaluation of the proposal received.

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

- |  |            |
|--|------------|
| • Degree of the Proposer's Skills and Experience                           | 15 percent |
| • Experience and Capabilities of the Proposer's Management Team            | 25 percent |
| • Understanding of Work and Appropriateness of Approach for Implementation | 40 percent |
| • Price  | 20 percent |

Several factors were considered when developing these weights, giving the greatest importance to Understanding of Work and Appropriateness of Approach for Implementation.

From October 16, 2017 through October 30, 2017, the PET conducted its independent evaluation of the proposal. At the conclusion of the PET's review of the proposal received, it was determined that InComm met Metro's requirements and was determined to be qualified to provide the required services.

### **Qualifications Summary of Firm:**

#### **Interactive Communications International, Inc. (InComm)**

InComm is an international firm with over 25 years of experience in the prepaid media industry. The proposal submitted by InComm described not only their experience with prepaid media in general but their specific experience with transit fare products in particular. Some of the agencies that they have worked with are the Utah Transit Authority (UTA), the State Road and Tollway Authority (SRTA) in Georgia, the InterUrban Transit Partnership in Grand Rapids, Michigan, and Edmonton Transit in Canada. InComm's offer of a turnkey, end-to-end solution for the management and distribution of TAP cards to an expansive retail network will increase the accessibility of Metro's TAP cards for customers and facilitate the reloading of fares at many more locations.

Following is a summary of the PET evaluation scores:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	InComm				
3	Degree of the Proposer's Skills and Experience	84.00	15.00%	12.60	
4	Experience and Capabilities of the Proposer's Management Team	78.00	25.00%	19.50	
5	Understanding of Work and Appropriateness of Approach for Implementation	81.32	40.00%	32.53	
6	Price	100.00	20.00%	20.00	
7	<b>Total</b>		<b>100.00%</b>	<b>84.63</b>	<b>1</b>

### C. Cost Analysis

This Contract is a net revenue generating contract. The contractor will cover all costs and shall turn over the net revenue to Metro on a weekly basis after having deducted the expense and commission fees. Under this Contract, if a customer purchases a new TAP card, they will be charged a fee of \$2. The Contractor will retain \$1 of the new card fee and 4% of value loaded onto the card. The Contractor will then remit to Metro the other \$1 of the new card fee along with 96% of the value loaded onto the card.

The recommended expense fee and commission percentage that will be deducted from gross sales has been determined to be fair and reasonable based on an independent cost estimate (ICE), cost analysis, technical analysis, and fact-finding.

	Proposer Name	Proposal Amount	Metro ICE	Commission amount
1.	InComm	4% of value loaded + \$1.00 upon initial purchase	8% of value loaded	4% of value loaded + \$1.00 upon initial purchase

### D. Background on Recommended Contractor

InComm was founded in 1992 and is headquartered in Atlanta, Georgia. They have over 2,000 employees, over 500,000 points of distribution in 31 countries that generate approximately \$40 billion in annual transaction volume and activate approximately 300 million cards per year. In addition, they have experience with fare media for various transit agencies and have proposed a thorough solution that will include the expansion of the TAP network in Los Angeles County.

DEOD SUMMARY

TAP GIFT CARD SALES AND RELOAD PROGRAM / PS43741000

**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) determined that a small business goal is not applicable to this Transit Access Pass (TAP) retail expansion contract, which is a net revenue-generating procurement and will not utilize federal, state and/or local funding.

**B. Living Wage and Service Contract Worker Retention Policy Applicability**

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

**C. Prevailing Wage Applicability**

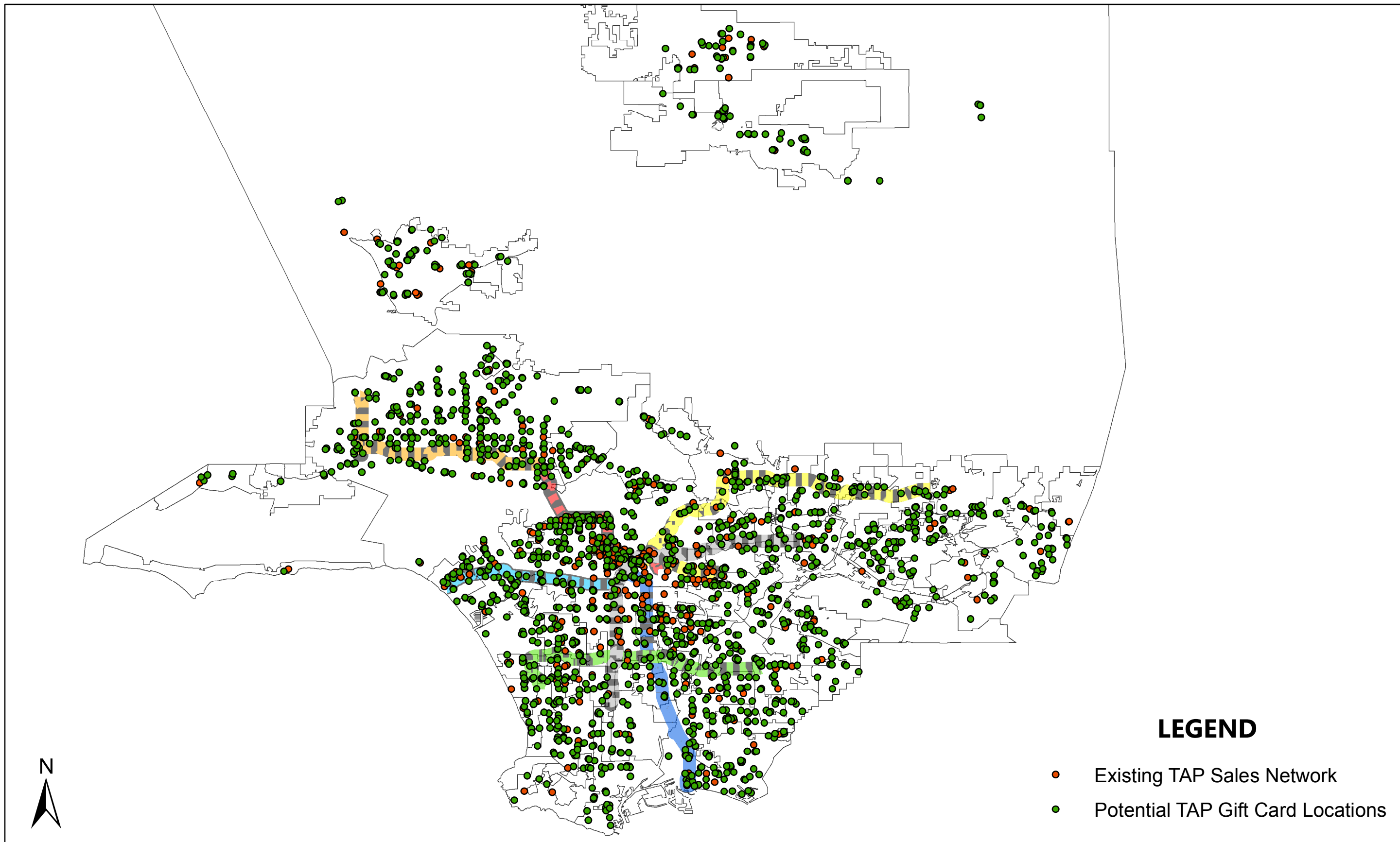
Prevailing wage is not applicable to this Contract.

**D. Project Labor Agreement/Construction Careers Policy**

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract.



# Map of Existing TAP Sales Network + Potential TAP Gift Card Sales Locations



# TAP Gift Card Program

Metro Board of Directors Meeting  
David Sutton, Executive Officer, TAP  
May 24, 2018

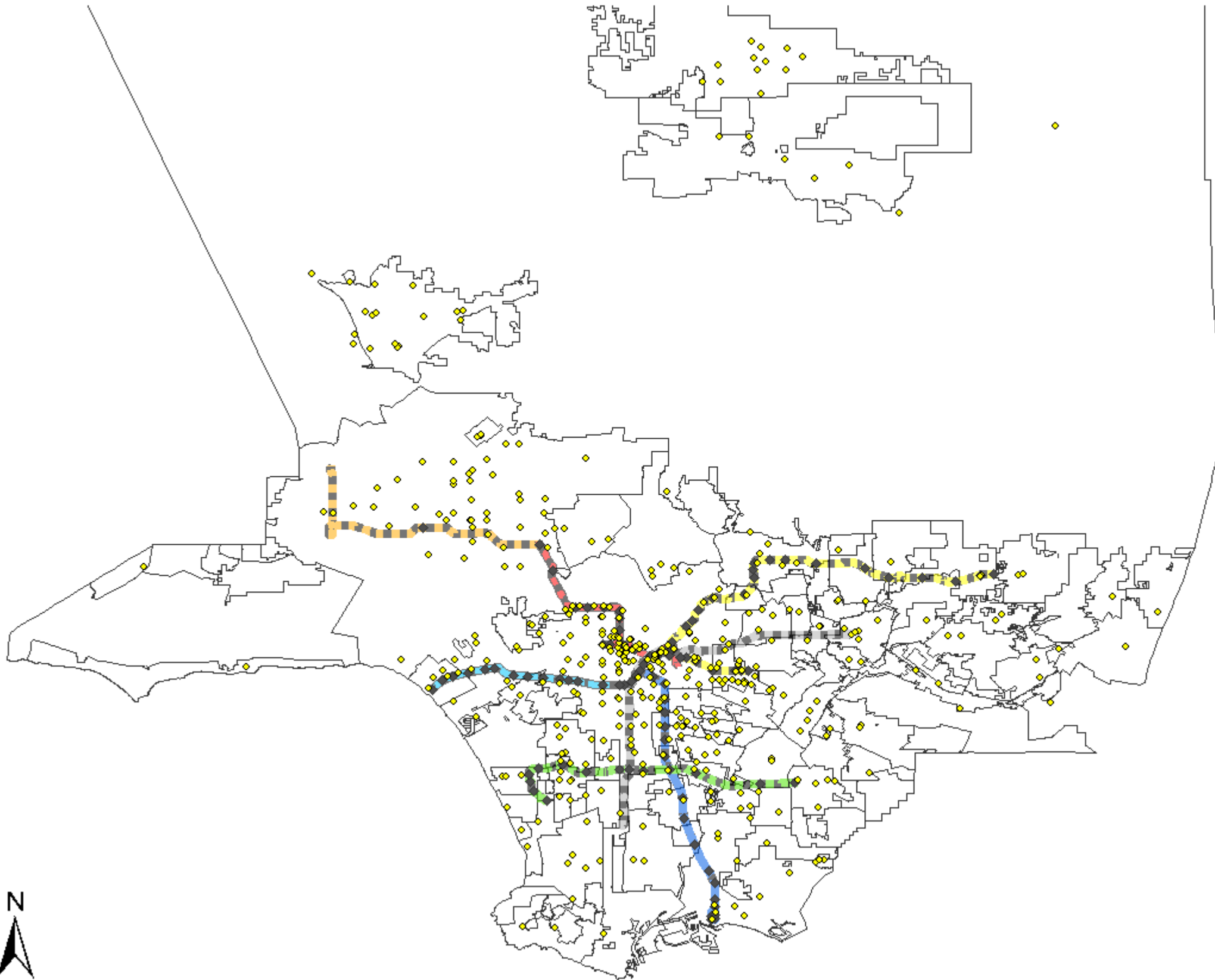


# Project Overview

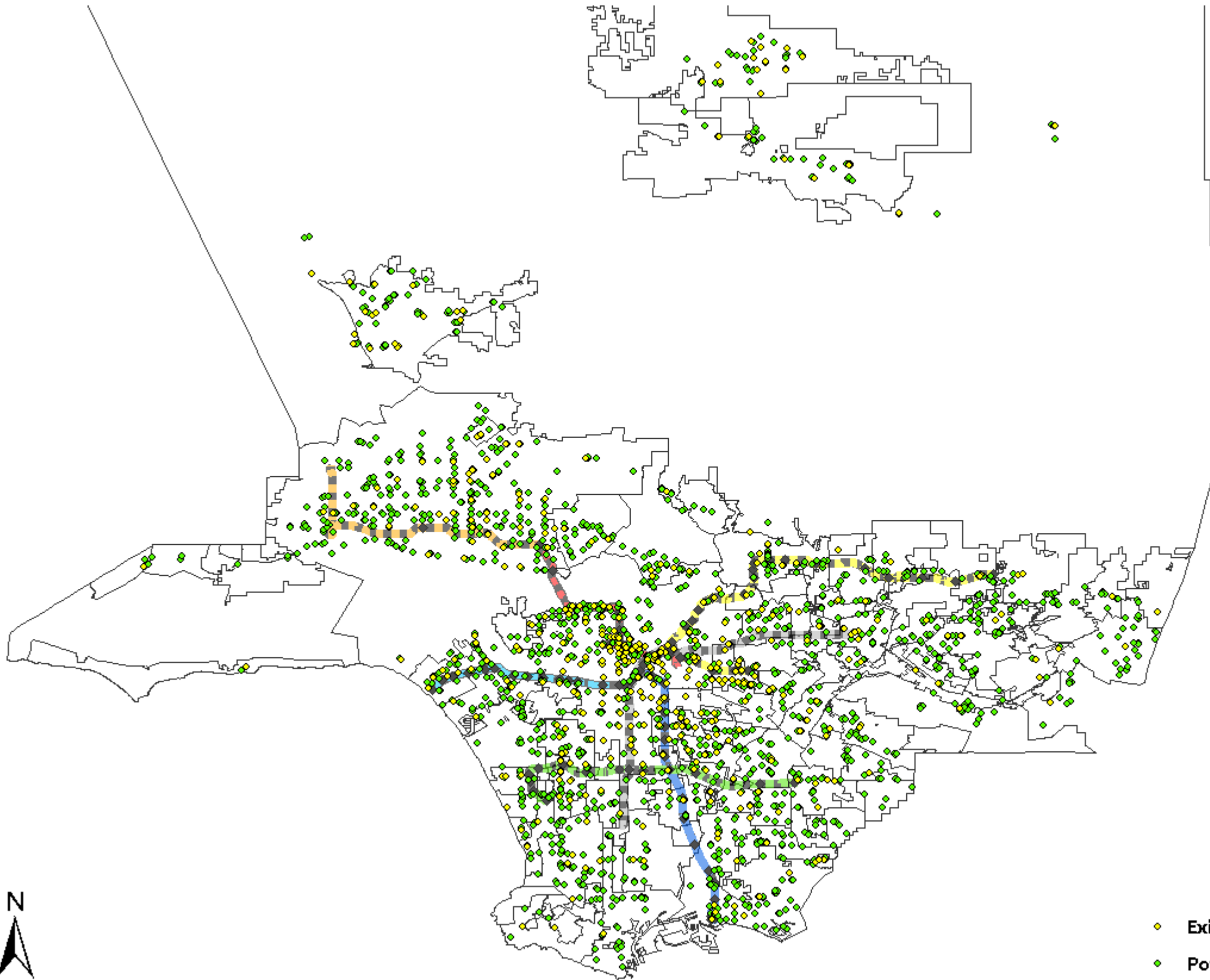
- TAP cards will be available on gift card kiosks at up to 2,000 locations in Los Angeles County
- Locations include: Walgreens, CVS, 7-Eleven, and Rite-Aid
- Phased approach
  - Phase 1: Concentrate in areas served by the 14 transit agencies with mobile validators that can activate card within 45 minutes and all Metro Rail Lines, Silver Line, Orange Line and Metro Rapid 720 and 754 Lines
  - Phase 2: Expand outreach to all areas once farebox refurbishment is complete within 2 years



# Existing TAP Vendor Network



# Existing TAP Vendor Network & Potential TAP Gift Card Locations



- ◆ Existing TAP Vendor Network
- ◆ Potential TAP Gift Card Locations

# How It Works

1. Customer selects a TAP card from kiosk
2. Customer pays the cashier a \$2 card fee plus an amount between \$5 and \$100
3. Cashier scans and loads the dollar amount on the card and hands the card to the customer

# Activation of the Card

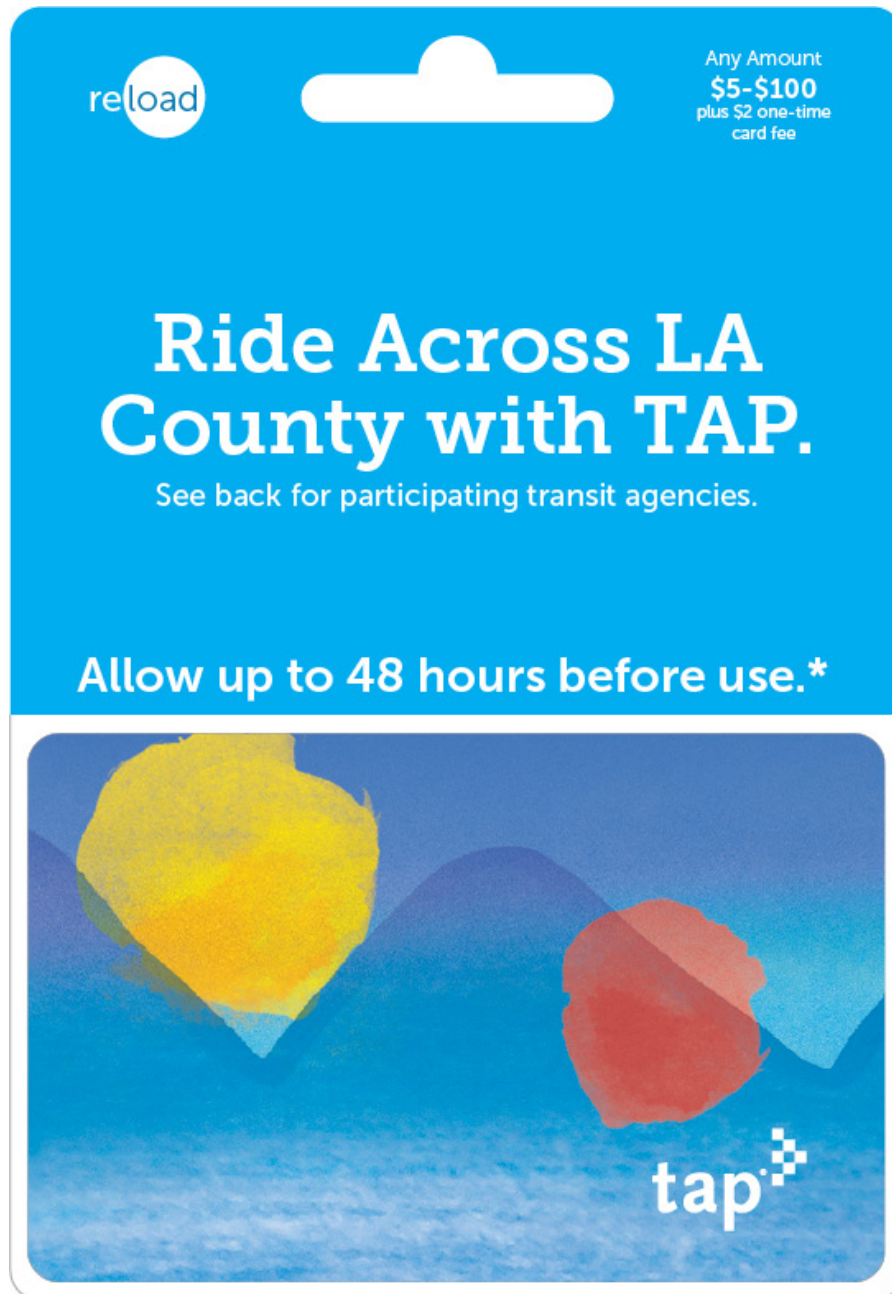
- Card is ready to use from 45 minutes to 48 hours depending on where the card is tapped

Bus Mobile Validators	Rail Station Validators	Bus Fareboxes
Less than 45 minutes	Less than 45 minutes	24-48 hours

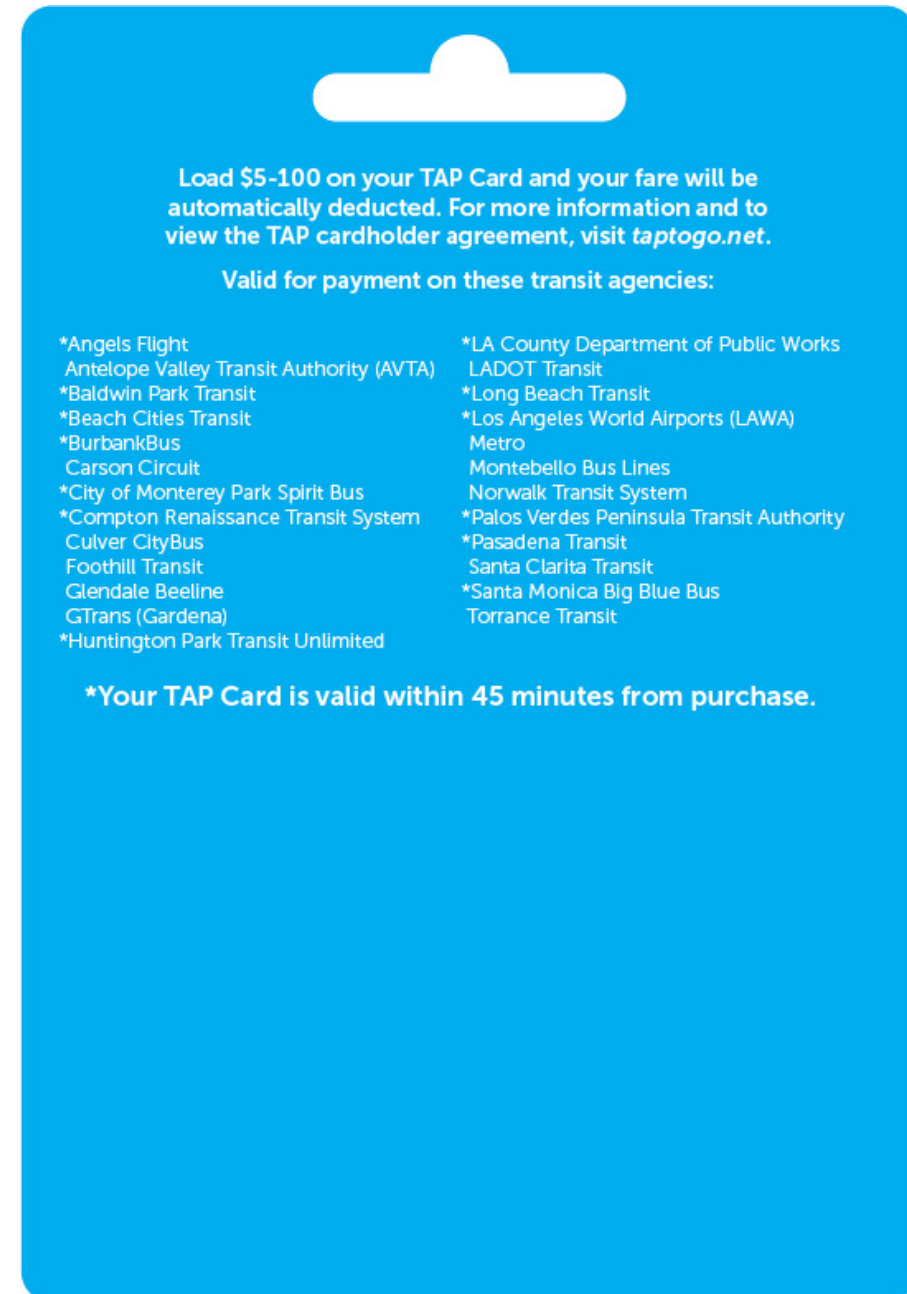
- 14 agencies with bus mobile validators - Less than 45 minutes
  - Burbank, Glendale, Long Beach, Pasadena, Santa Monica, Compton, Carson, Baldwin Park, Huntington Park, Monterey Park, LAWA, LA County Public Works, Palos Verdes, Redondo Beach,
  - Also All Metro Rail, Orange Line, Metro Silver Line, and soon Metro Rapid 754 and 720 lines

# TAP Card Carrier

## Front



## Back





# Commission Rate

- Contractor is paid \$1.00 per TAP card sold and 4% commission cash loaded to card
- No operational costs; card fee and commission will be deducted from gross TAP sales