



Board Report

File #: 2022-0665, File Type: Contract

Agenda Number: 38.

OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE NOVEMBER 17, 2022

**SUBJECT: EXPRESSLANES FASTRAK 6C ELECTRONIC TOLL COLLECTION
TRANSPONDERS**

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to award a three-year, Firm Fixed Price Contract No. DR84996000 to Neology, Inc., the lowest cost responsive and responsible bidder, to furnish FasTrak 6C Electronic Toll Collection transponders, and supporting accessory materials and services, in the total Contract amount of \$12,380,190, inclusive of all applicable taxes and fees, subject to resolution of any properly submitted protest(s), if any.

ISSUE

The transponders, currently held in inventory by Metro ExpressLanes and distributed to all its accountholders, use an older legacy protocol known as the "Title-21" protocol. This protocol is set to be formally retired from use statewide on January 1, 2024, at which time it will no longer be supported by FasTrak facility operators across the state. Its successor, the new "6C" protocol, has been officially supported by all FasTrak facilities, including the ExpressLanes on I-10 and I-110, since January 1, 2019. Metro must procure 6C-compliant transponders to replace all its existing Title-21 transponders before the Title-21 sunset date and distribute them to new accountholders moving forward.

BACKGROUND

State interoperability requirements outlined in Streets and Highways Code requires that all Expresslane accountholders carry transponders in their vehicles when driving in the ExpressLanes. This enables Metro to identify all vehicles quickly and reliably in the ExpressLanes at freeway speeds across all environmental and operating conditions so that they can be assessed the proper tolls for their trips. Metro ExpressLanes do accommodate Pay as You Go users in the ExpressLanes, but this does not address state interoperability requirements, or toll discounts that are available to ExpressLanes accountholders.

The approval of this contract award will ensure that Metro's accountholders are issued transponders

that comply with the state's regulatory AVI requirements. Replacing the transponders currently in possession of customers is anticipated to have no impact on customers and users of the ExpressLanes system, as there will be a one-for-one replacement of transponders at no additional required expense to customers. Metro will distribute replacement 6C transponders to all existing accountholders without any action required by them other than to mount the transponders properly in their vehicles upon receipt. Customers will be provided with information about proper and safe disposal of their existing transponders through either a local electronic waste recycler or by returning the transponder directly to Metro ExpressLanes

California Streets and Highways Code sections 27564 and 27565 establish requirements for statewide consistency of automatic vehicle identification (AVI) systems, including roadside toll systems that read onboard vehicle transponders for toll collection. As an All-Electronic Open-Road Tolling system (in contrast to conventional toll facilities that rely on toll booths for payment collection), the Metro ExpressLanes are subject to these requirements for AVI standards compliance.

California Code of Regulations Title 21, Division 2, Chapter 16 formally defines these AVI standards, which are branded as "FasTrak" to the public. There are currently two supported protocols specified in the formal definition of FasTrak: the older legacy Title-21 protocol, and the next-generation 6C protocol. The 6C protocol officially became active as part of the FasTrak specification on January 1, 2019, per §1700.2, and has been supported by all FasTrak facilities statewide since then. The Title-21 protocol is currently scheduled to be dropped from the FasTrak specification on January 1, 2024, per §1700.3, at which point only the 6C protocol will remain.

DISCUSSION

The 6C protocol is based on the ISO/IEC 18000-63 standard and offers many technical improvements over the older Title-21 protocol that it replaces. Unlike Title-21 transponders, 6C transponders do not require in-transponder batteries to function. This allows for smaller, lighter transponder form factors that occupy less space on the windshield and improve viewability for drivers as a result. These improvements also reduce the materials required to manufacture the transponders, lower the unit costs of purchase to Metro, and reduce the shipping costs for distribution to customers. While the older Title-21 transponders had a usable life limited by the onboard internal battery, new 6C transponders without batteries are not similarly constrained, which translates into fewer transponder replacements and less associated hassle for Metro ExpressLanes accountholders. Finally, the 6C protocol includes built-in provisions for error checking and customizable onboard memory, enabling more accurate and reliable roadside tolling operations.

This contract has been strategically designed to offer maximum flexibility to Metro with respect to its current and future transponder needs. While the contract allows Metro to purchase up to 1,450,000 6C transponders, Metro is not obligated to order the full amount, and Metro also has the flexibility to specify shipment receipt dates and quantities on an ongoing basis over the contract term. This allows Metro to reduce its recurring inventory storage costs while providing protection against depletion of stock at any given time. Since 2012, has issued more than 1.39 million Title-21 transponders, and issues approximately 10,000 new transponders per month through all its distribution channels, including the customer service centers, website, automated phone system, and retail partners.

It is not possible to upgrade or otherwise modify the existing Title-21 transponders distributed to Metro's accountholders to achieve 6C compatibility. Instead, new 6C transponders must be procured and distributed to accountholders to replace the existing Title-21 transponders currently in their possession.

DETERMINATION OF SAFETY IMPACT

The Board action is not anticipated to have an impact on the safety of Metro's patrons or employees.

FINANCIAL IMPACT

The FY23 budget includes \$15 million in Cost Center 2220 (Shared Mobility) and Projects 307001/307002 for FasTrak 6C Compliant Electronic Toll Collection transponders. Since this is a multi-year contract, the Cost Center Manager, ExpressLanes 6C transponder fulfillment Project Manager and Deputy Chief Operations Officer of Shared Mobility will be responsible for budgeting in future years.

Impact to Budget

The funding for this Contract will come from toll revenues. The toll revenue fund is not eligible for bus and rail operating expenses outside of the ExpressLanes corridors.

EQUITY PLATFORM

As of the latest available data from August 2022, there are 17,060 active Low Income Assistance Plan (LIAP) accounts. An estimated 8,018 (47%) of these accountholders live in Equity Focus Communities (EFCs). Delaying this contract action would jeopardize Metro's ability to perform transponder replacements for all of its active accountholders-including these LIAP accountholders-before the Title-21 sunset date, which would prevent them from being able to continue using the Metro ExpressLanes after that date.

Metro's Diversity and Economic Opportunity Department reviewed this procurement and concluded that no specific Small Business Enterprise or Disabled Veteran Business Enterprise goals were appropriate for this solicitation. However, it satisfied the eligibility criteria for Metro's new Medium-Size Business (MSZ) Enterprise program and was released as an MSZ-II set-aside solicitation accordingly.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This ExpressLanes contract supports Strategic Goal 1, providing high-quality mobility options that enable people to spend less time traveling, by providing customers access to the latest transponder technology necessary to enable uninterrupted collection of toll payments electronically in the ExpressLanes moving forward.

The contract supports Strategic Goal 2, delivering outstanding trip experiences for all users of the transportation system, by providing customers access to improved transponder technology that offers added protection against device failures and extended usable equipment life timeframes, reducing the time burden on customers associated with transponder maintenance, troubleshooting, and replacement.

The contract supports Strategic Goal 4, transforming LA County through regional collaboration and national leadership, by ensuring ExpressLanes customers receive standards-compliant transponders that afford them uninterrupted, seamless access to other FasTrak facilities across the region and state beyond the Title-21 sunset date.

ALTERNATIVES CONSIDERED

The Board may elect not to award and execute the Contract. This alternative is not recommended because state law requires that all toll facilities in the state be compliant with the functional specifications and standards for AVI systems as defined in California Code of Regulations, and failure to award a contract for 6C transponders will prevent Metro ExpressLanes from maintaining such compliance after the Title-21 protocol used by Metro's current transponder inventory is retired on January 1, 2024.

NEXT STEPS

Upon Board approval, staff will execute Contract No. DR84996000 for FasTrak 6C Electronic Toll Collection transponders.

ATTACHMENTS

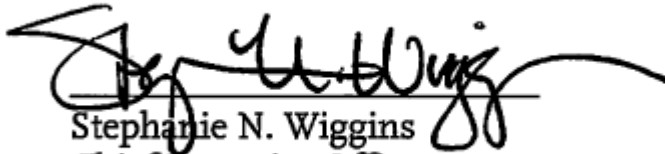
Attachment A - Procurement Summary
Attachment B - DEOD Summary
Attachment C - EFC ExpressLanes Map

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Stephanie N. Wiggins
Chief Executive Officer

PROCUREMENT SUMMARY

EXPRESSLANES FASTRAK 6C ELECTRONIC TOLL COLLECTION TRANSPONDERS

1.	Contract Number: DR84996000	
2.	Recommended Vendor(s): Neology, Inc.	
3.	Type of Procurement (check one): <input checked="" type="checkbox"/> IFB <input type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: 5/25/2022	
	B. Advertised/Publicized: 5/25/22	
	C. Pre-Bid Conference: 6/1/22	
	D. Bids Due: 7/29/22	
	E. Pre-Qualification Completed: 9/12/22	
	F. Conflict of Interest Form Submitted to Ethics: 8/5/22	
	G. Protest Period End Date: 11/18/22	
5.	Solicitations Picked up/Downloaded: 20	Bids Received: 3
6.	Contract Administrator: Loretta Norris	Telephone Number: (213) 922-2632
7.	Project Manager: Barkev Tatevosian	Telephone Number: (213) 922-2452

A. Procurement Background

This Board Action is to approve Contract No. DR84996000 to procure pre-programmed Fastrak Radio Frequency Identification (RFID) tolling transponders, including hand-held readers, retail packaging, and fulfillment services (optional) to support Metro's Shared Mobility, Express Lanes system. Contract award is subject to resolution of any properly submitted protest.

An Invitation for Bid (IFB) No. DR84996000 was issued in accordance with Metro's Acquisition Policy and the contract type is Firm Fixed Price (FFP).

Three (3) amendments were issued during the solicitation phase of this IFB:

- Amendment No. 1, issued on May 26, 2022, to provide Technical Requirements;
- Amendment No. 2, issued on June 27, 2022, to update the Critical Dates;
- Amendment No. 3, issued on July 1, 2022, to update the Schedule of Quantities and Prices.

A total of three (3) bids were received on July 29, 2022.

B. Evaluation of Bids

This procurement was conducted in accordance and complies with Metro’s Acquisition Policy for a competitive sealed bid. The three bids received are listed below in alphabetical order:

1. Kapsch TrafficCom USA, Inc.
2. Neology, Inc.
3. Star Systems America, LLC

All firms were determined to be responsive and responsible to the IFB requirements. The recommended firm, Neology, Inc., the lowest responsive and responsible bidder, was found to be in full compliance in meeting the bid and technical requirements of the IFB.

C. Price Analysis

The recommended bid price from Neology has been determined to be fair and reasonable based upon adequate price competition and selection of the lowest responsive and responsible bidder.

Bidder’s Name	Total Bid Amount	Metro ICE
Neology, Inc.	\$12,380,190	\$31,200,000
Star Systems America, LLC	\$13,451,700	
Kapsch TrafficCom USA, Inc.	\$14,736,819	

The variance between the bid price and Metro’s ICE is attributed to historical and assumption of pricing in the current market, pandemic-related supply chain constraints and inflation that has impacted the entire economy. Metro’s ICE assumed that the 2019 tariffs for transponders had an overall effect of increasing unit prices by roughly 5% that year. Furthermore, pandemic-related supply chain constraints were assumed to result in an additional unit price increase of 10% annually in 2020 and 2021. Finally, high inflation was assumed to result in additional 10% increases in unit costs in 2022 and 2023. Ultimately, our estimate for transponder unit costs in 2023 dollars came to roughly \$18, but the bidders proposed a far lower price per transponder. Given the large volume of our order, this alone translated into a cost difference of over \$16 million between the ICE and the bid price. In addition, the bidders are able to handle such large volumes of transponder-related orders, including services, that economies of scale were achieved beyond what Metro estimated.

D. Background on Recommended Contractor

The recommended firm, Neology, Inc., was founded in 1986, is headquartered in San Diego, California, and has divisions located in Poway, CA, Bryan, TX, United Kingdom, and Mexico. Neology supplies 90% of the 6C transponders used in the U.S. and is providing satisfactory service to its customers that include Washington State Department of Transportation (WSDOT), Transportation Corridor Agency (TCA), Orange County, CA, Express Toll Colorado (E470), Riverside County Transportation Commission (RCTC) Riverside, CA, Bay Area Transportation Authority (BATA), San Francisco, CA, and State Road and Toll Authority (SRTA).

DEOD SUMMARY

EXPRESSLANES FASTRAK 6C ELECTRONIC TOLL COLLECTION
TRANSPONDERS / DR84996000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise (SBE)/Disabled Veteran Business Enterprise (DVBE) participation goal for this Medium-Sized (MSZ-II) procurement due to lack of subcontracting opportunities. It is expected that Neology will provide the services with its own workforce. No bids were received from an MSZ-II firm.

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. PLA/CCP is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.

Attachment C

