

Motion No. M2019-30

Retail Network Services Provider for next generation ORCA

Meeting:	Date:	Type of action:	Staff contact:
Rider Experience and Operations Committee	04/04/2019	Recommend to Board	Jason Weiss, CIO and Executive Director, Information Technology Brittany Esdaile, next generation ORCA Program Manager
Board	04/25/2019	Final action	

Proposed action

Authorizes the chief executive officer to execute a ten-year contract, with five additional one-year options to extend, with Ready Credit Corporation to be the retail network services provider for the next generation ORCA program in the amount of \$14,874,935, with a 20% contingency of \$2,974,987, for a total authorized contract amount not to exceed \$17,849,922, contingent upon approval of the ORCA Joint Board. The Sound Transit share of the capital project costs will be approximately \$63,629, plus 20% contingency while the operating costs will be determined by regional agreement for each year of operations.

Key features summary

- This contract is for a retail network services provider to provide a network of retail merchants for the distribution of contactless smart card fare payment media, and the loading of value associated with transit accounts, in support of the next generation ORCA fare collection system.
- In the first three years of the contract, Ready Credit Corporation will complete network design, integrations, and retail development, with the actual distribution of smart cards to begin toward the end of the third year or in the fourth year of the contract.
- The capital project cost is \$235,200, including the base term and contingency. The operating cost is \$17,614,722, including all option years and contingency. Operating costs are to be paid to Ready Credit Corporation based on a 5.5 percent commission for each value load transaction and a \$1.25 commission for each card sold.
- Sound Transit has been designated the lead agency for the next generation ORCA program. As part of the ORCA Interlocal Cooperation Agreement (ILA), the ORCA Joint Board must take an action to approve the contract award on behalf of the ORCA partner agencies. This confirmation is scheduled for the April 8, 2019, ORCA Joint Board meeting.
- Sound Transit's capital portion of the contract is approximately \$63,268.80, including options and contingency, which is based upon a capital share of 26.9 percent of regionally-shared network design and integration.
- Sound Transit will receive reimbursement from the other ORCA agencies for their shares of the total contract amount. The other ORCA agency capital shares are as follows: King County Metro 57.8 percent, Community Transit 7.3 percent, Pierce Transit 4.4 percent, Kitsap Transit 2.1 percent, Everett Transit 0.8 percent, and Washington State Ferries 0.7 percent.

- Sound Transit's share of the operating costs will be based on a regionally approved operating share formula for each year of operations. The operating costs will depend heavily on the number of transactions that customers make at retail locations in the future, but it has been estimated based on previous retail ORCA sales and industry data.

Background

In 2003, Sound Transit entered into an Interlocal Cooperation Agreement (ILA) for the design, implementation, operation and maintenance of the Regional Fare Coordination System with King County Metro, Community Transit, Everett Transit, Kitsap Transit, Pierce Transit, and Washington State Ferries. Under the ILA, regional costs are shared among the agencies. Since 2009, Sound Transit's share of the regional ORCA expenses has been approved by the Board through adoption of the annual budgets.

As the Legacy ORCA system approaches its end of life, the next generation ORCA system will build on the success of the first while providing a more flexible platform for incorporating new features and changes over time, including an improved user experience and new payment options. Sound Transit is the procurement and contracting agency supporting the regional next generation ORCA program, which is currently in the design phase.

The Legacy ORCA retail network is currently comprised of 134 retailers located throughout the ORCA region. The ORCA agencies are responsible for recruiting and managing the contract and relationship with each of these retailers. To sell or revalue ORCA cards, these retailers must utilize ORCA-specific equipment that is obsolete, challenging to maintain, and is no longer available for purchase. As a result, the number of retailers cannot grow beyond the number of available Legacy ORCA retail devices (140). The ORCA agencies currently pay a 2 percent commission for each value load transaction and a \$1.00 commission for each card sold.

The next gen ORCA retail network services commission rates for this contract are higher than present-day rates, however the engagement will include full contract and relationship management, maintenance of systems, distribution services, and will ultimately deliver an extensible prepaid card network that provides transit customers and the ORCA agencies with more convenience for ORCA fare media and stored value purchases. Ready Credit Corporation network currently includes over 570 retailers in the ORCA region. At next gen ORCA implementation, a minimum of 250 of these retailers will be engaged and ready to sell ORCA fare media and E-purse stored value.

The next gen ORCA retail network will consist of merchant locations that currently sell prepaid debit cards (aka gift cards) and where the point-of-sale (POS) system is already integrated with at least one prepaid debit card network provider. No ORCA-specific equipment will be required.

The retail network services provider's scope of work includes:

- Implementing and maintaining an extensive network of retail locations that distributes next gen ORCA fare media and enables customers to easily and securely add value to their next gen ORCA transit accounts;
- Managing the supply and distribution of retail packaged fare media to the retail merchants;
- Integrating with retail merchants' point-of-sale (POS) systems to facilitate the safe, secure, and efficient real-time sales of fare media and stored value, or providing a web-based portal at locations where POS integration is not possible;
- Integrating with the next gen ORCA system to activate media and transmit stored value load transactions; and
- Supporting timely and accurate financial reporting and reconciliation for all fare media and stored value retail sales transactions.

Procurement information

A Request for Proposals (RFP) method was issued due to the nature of the procurement. Sound Transit received two proposals. A multi-agency team evaluated both proposals. Sound Transit requested revised proposals from both firms to address some minor weaknesses and also for a best and final offer. The results of the evaluation of those revised proposals lead to the selection of vendor Ready Credit Corporation.

Fiscal information

This contract action provides for professional services to support the next generation ORCA Program. Sound Transit is only responsible for its share as established by the current Interlocal Agreement (ILA). As the lead Agency for this contract, Sound Transit will be responsible for the contract management and financial reporting. Per procedures established in the current ILA, Sound Transit, as Fiscal Agent, will receive invoices monthly, bill the participating agencies and ensure timely payment to our vendors. The amount represented in the contract detail table below is the full amount of the contract. Sound Transit will be responsible for its proportionate share when the costs are incurred.

In this proposed action, Sound Transit's costs are divided between capital and operating costs. Sound Transit's portion of the total capital cost of \$235,200 is, \$63,629 plus a 20 percent contingency of \$12,726 for a total of \$75,355. These costs will be incurred between 2019 and 2021 as design and testing are completed. The balance of the contract is operating costs and Sound Transit's share will be included as fare collection expenses in future year budgets.

ORCA Next Generation

(in thousands)

Project Phase	Authorized Project Allocation to Date	Board Approvals	This Action	Board Approved Plus Action	Uncommitted / (Shortfall)
Agency Administration	\$1,754	\$	\$	\$	\$1,754
Research & Technology	29,769	834	76	910	28,859
Total Current Budget	\$31,523	\$834	\$76	\$910	\$30,613
Phase Detail - Research and Technology					
Research and Technology HW	\$1,334		\$76	\$76	\$1,257
Other Research and Technology	28,435	834		834	27,602
Total Phase	\$29,769	\$834	\$76	\$910	\$28,859

Ready Credit Corporation Contract Detail	Board Approvals to Date	Current Approved Contract Status	Proposed Action	Proposed Total for Board Approval
Contract Amount	\$	\$	\$14,875	\$14,875
Contingency Amount			2,975	2,975
Total Contract Amount	\$	\$	\$17,850	\$17,850
Percent Contingency	0%	0%	20%	20%

Notes:

Amounts are expressed in Year of Expenditure.

Board Approvals = Committed To-Date + Contingency as of Feb 2019, and includes pending Board actions.

For detailed project information, see page 216 of the 2019 Financial Plan & Adopted Budget.

Small and Disadvantaged business enterprises (DBEs) Participation

Sound Transit promotes and encourages small business participation, which also includes disadvantaged business enterprises (DBEs). Small business and DBE goals are based upon an examination of subcontracting opportunities contained in the work of this contract and the number of small businesses/DBEs available to perform such subcontracting work.

Sound Transit determined that there were few small business and DBE subcontracting opportunities based upon the work described in this contract, so small business/DBE goals were not established.

Public involvement

Not applicable to this action.

Time constraints

Next generation ORCA is a schedule-driven program and execution of the retail network services provider contract must be executed during the current design phase. A one month delay in approval will risk placing the contract on the critical path and a day-for-day slip in the overall program schedule.

Prior Board/Committee actions

Motion No. M2018-140: Authorized the chief executive officer to execute the Interlocal Cooperation Agreement for Implementation, Operation and Maintenance of the ORCA System.

Motion No M2009-16: Authorized the chief executive officer to execute a restated and amended interlocal agreement for the Smart Card project with Community Transit, Everett Transit, Kitsap Transit, King County Metro Transit, Pierce Transit, and Washington State Ferries to update the agreement for the operating phase.

Environmental review – KH 3/25/19

Legal review – AJP 3/28/19

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A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a ten-year contract, with five additional one-year options to extend, with Ready Credit Corporation to be the retail network services provider for the next generation ORCA program in the amount of \$14,874,935, with a 20% contingency of \$2,974,987, for a total authorized contract amount not to exceed \$17,849,922, contingent upon approval of the ORCA Joint Board. The Sound Transit share of the capital project costs will be approximately \$63,629, plus 20% contingency while the operating costs will be determined by regional agreement for each year of operations.

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Supporting timely and accurate financial reporting and reconciliation for all fare media and stored value retail sales transactions.

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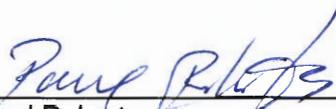
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Motion

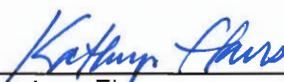
It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a ten-year contract, with five additional one-year options to extend, with Ready Credit Corporation to be the retail network services provider for the next generation ORCA program in the amount of \$14,874,935, with a 20% contingency of \$2,974,987, for a total authorized contract amount not to exceed \$17,849,922, contingent upon approval of the ORCA Joint Board. The Sound Transit share of the capital project costs will be approximately \$63,629, plus 20% contingency while the operating costs will be determined by regional agreement for each year of operations.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on April 25, 2019.



Paul Roberts
Board Vice Chair

Attest:



Kathryn Flores
Board Administrator