

Date: August 13, 2014

To: Board of Directors

From: Neil McFarlane

Subject: **RESOLUTION 14-08-42 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH READY CREDIT CORPORATION FOR EFARE SYSTEM RETAIL NETWORK SERVICES**

1. Purpose of Item

The purpose of this item is to request that the TriMet Board of Directors (Board) adopt a resolution authorizing the General Manager to execute a contract with Ready Credit Corporation (“Ready Credit”) for the provision of retail network services for the regional electronic fare payment (“eFare”) system.

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other _____

3. Reason for Board Action

Board authorization is required because the proposed contract obligates TriMet to pay in excess of \$500,000 for goods and services.

4. Type of Action:

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

5. Background

The region’s eFare system project contemplates a robust retail network within which TriMet¹ fare cards (stored value cards) would be widely available for purchase by eFare customers. TriMet’s goal is to increase the availability of fare instruments from the coverage levels in place today via retail outlets and to make fare loading widely available through retail point of sales (POS) systems. It is contemplated that fare cards with no loaded value, will be available for purchase in displays similar to the manner in which gift cards are merchandised today in many retail outlets. Fare value in turn, could be loaded at the same time a customer is processed through the grocery (or convenience store) check-out line. This retail network will be the primary avenue where unbanked, cash paying customers load their eFare accounts to access the benefits of eFare. Customers will not pay fees to load value to their accounts via the retail channel. The primary roles for this contractor then, are to integrate the retail stores’ POS systems with a processor that integrates with TriMet’s eFare back end system, maintain

¹ While references will be to TriMet throughout this memo, if CTRAN and Portland Streetcar exercise options to participate in the eFare system, it should be assumed that these references will apply to each of those regional partners.

a large, diverse retail network, manage the card inventory placement in the retail network and to process, account for, and settle funds flow to TriMet.

A large retail network is pivotal to TriMet's strategy to offer unbanked customers easy access to load their eFare account, and reduce cash and wear and tear of TriMet's electro-mechanical equipment, such as Fareboxes and Ticket Vending Machines.

Integrating directly with a retail store's POS system and using a purchase display model similar to the gift card industry avoids the need to invest in expensive, stand alone POS equipment used for transit fares only (a common model used in other transit agencies), streamlines accounting processes, improves the customer experience, and attracts a much larger number of retail stores to sell transit fares.

6. Procurement Process

Subsequent to conducting extensive industry outreach and research over the previous eighteen months, as well as conducting a formal Request for Industry Comment process, TriMet issued a Request for Proposal (RFP) on May 16. TriMet received two proposals in response to the RFP, one from InComm Inc. ("InComm"), and one from Ready Credit. Representatives from each firm attended interview and discussion sessions in Portland with staff evaluators, prior to the issuance of a Request for Best and Final Offers (BAFOs) on July 3. Evaluation criteria for award decision included applicable experience, proposed servicing plan and proposed network coverage (altogether 60%), and proposed service pricing (primarily commission on load values – 40%).

7. Evaluation

TriMet's BAFO request prompted for different levels of retail network coverage and for associated pricing at each level. At the level which TriMet will select, InComm's BAFO proposed coverage was just slightly higher than Ready Credit's, however both firms' coverage proposals will more than double the size of today's retail outlet network. The staff evaluation committee favored Ready Credit's ability to cover sales at existing large grocery chain partners (Fred Meyer, Safeway, Albertsons).

Ready Credit proposed more favorable pricing (commission % and a design and implementation fee of \$266,000) at the selected coverage level and will charge TriMet a 5.65% commission on value loaded to cards. InComm's proposed commission was 7.5%. Based on estimated total load values for the five-year base term of the contract, staff estimates this commission difference would amount to approximately \$2.4 million for the base term and approximately \$5.5 million for a contract that exercises an additional 5-year option term.

Ready Credit is a Nevada corporation, based in Minneapolis, and staff believes this firm has relevant experience related to this contracting requirement. Ready Credit is a current participant in an eFare project in Philadelphia, and has previously successfully participated in transit pilot projects in Los Angeles, New Jersey, and Utah.

8. Diversity

Ready Credit has a relatively small workforce, but with good workforce diversity (5 minority out of 16 total employees). Ready Credit intends to subcontract the project management function for this contract to a woman-owned business, estimated to be 31% of the design and integration fee (or \$82,000 of the \$266,000 total fees).

9. Financial/Budget Impact

Commissions that are paid to retail outlets for fare instruments sold, are currently separately accounted for, but netted against sales revenue. The overall commission level under the new program, including all of the added benefits, will only be approximately 1% higher than existing levels.

10. Impact if Not Approved

A primary objective of the eFare project is to make new stored value fare instruments widely available throughout the regional transit system and to make loading of value convenient and funds settlement efficient. While actual placement of card inventory in retail outlets will not take place until 2016, the work and coordination needed to integrate the back end systems of this contractor with the back end systems of INIT (the main System Integrator), needs to commence now. A delay in this award or another required approach to retail distribution may delay the full implementation of the eFare project.

DA/CT/JF/pc

RESOLUTION 14-08-42

RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH READY CREDIT CORPORATION FOR EFARE SYSTEM RETAIL NETWORK SERVICES

WHEREAS, TriMet has authority under ORS 267.200 to execute a contract with Ready Credit Corporation for eFare System Retail Network Services (“Contract”); and

WHEREAS, the total amount of the contract shall exceed \$500,000; and

WHEREAS, the TriMet Board of Directors (Board), by Resolution dated November 25, 2009, adopted a Statement of Policies requiring the Board to approve goods and services contracts in excess of \$500,000;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Contract shall be in conformance with applicable laws.
2. That the General Manager or his designee is authorized to execute the Contract.

Dated: _____

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:

Legal Department