

Staff Summary
Schedule C: Competitive Requests for Proposals
(Award of Purchase and Public Work Contracts)

Item Number:					
Dept & Dept Head Name: Chief Operating Officer/Phillip Eng					
Division & Division Head Name: Fare Payment Programs/Alan Putre <i>Alan Putre</i>					
Board Reviews					
Order	To	Date	Approval	Info	Other
1	Finance	10/23/17	X		
2	Board	10/25/17	X		
Internal Approvals					
Order	Approval	Order	Approval		
1	Procurement <i>[Signature]</i>	6	Acting President, NYCT <i>[Signature]</i>		
2	COO <i>[Signature]</i>	7	Acting President, MNR <i>[Signature]</i>		
3	Budget <i>[Signature]</i>	8	President, LIRR <i>[Signature]</i>		
4	DDCR <i>[Signature]</i>	9	President, MTA Bus <i>[Signature]</i>		
5	Legal <i>[Signature]</i>	10	President, MTA <i>[Signature]</i>		

SUMMARY INFORMATION	
Vendor Name: Cubic Transportation Systems, Inc.	Contract Number: A-34024
Description: New Fare Payment System	
Total Amount: \$573,487,118	
Contract Term (including Options, if any): 22 years & 9 months	
Option(s) included in Total Amount? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Renewal? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Procurement Type: <input checked="" type="checkbox"/> Competitive <input type="checkbox"/> Noncompetitive	
Solicitation Type: <input checked="" type="checkbox"/> RFP <input type="checkbox"/> Bid <input type="checkbox"/> Other:	
Funding Source: <input checked="" type="checkbox"/> Operating <input checked="" type="checkbox"/> Capital <input type="checkbox"/> Federal <input type="checkbox"/> Other:	

PURPOSE:

To obtain Board approval to award competitively negotiated Contract A-34024 - New Fare Payment System to Cubic Transportation Systems, Inc. ("Cubic") to: (i) design/build, furnish, install, test, integrate and implement a New Fare Payment System ("NFPS") for MTA New York City Transit ("NYC Transit"), MTA Bus Company ("MTA Bus"), Metro-North Railroad ("MNR") and Long Island Rail Road ("LIRR") (MNR and LIRR are referred to collectively as the "Railroads") in the total amount of \$539,513,665 for a term of 69 months to Substantial Completion followed by seven years of base contract support services; (ii) to exercise \$14,314,174 in contract options for award with the base contract; and (iii) to exercise, if needed, \$19,659,279 in contract options for bus equipment. The total amount for Board approval is \$573,487,118. This contract includes additional options as discussed below that will be subject to future Board approval.

DISCUSSION:

This design/build project will provide the MTA with a state-of-the-art, integrated, reliable and convenient fare payment system and improve the customer experience by replacing disparate legacy systems in use by NYC Transit, MTA Bus, and the Railroads with an integrated next generation system. The NFPS will be an account-based, open payment system based on proven payment industry standards and open architecture principles, allowing customers to pay fares using diverse options, including mobile apps, digital wallets (e.g., Apple Pay, Android Pay, and Samsung Pay), contactless bank cards and MTA-issued contactless transit cards. The NFPS will provide customers with multiple 24/7 self-service options for managing their accounts and options to purchase and reload fare media online and at local retailers.

The base contract includes the following design and implementation phases:

- Phase 1: Development of core backend NFPS and initial launch of acceptance of contactless open payments using customer-furnished media (contactless bank cards and mobile phones with digital wallets) in some subway stations and buses (18 months).
- Phase 2: Completion of the roll-out of contactless acceptance to all subway stations and buses (35 months).
- Phase 3: Creation of robust retail sales and reload network for MTA-issued contactless transit cards and introduction of new NFPS all-agency mobile payment and ticketing app that has current Railroad eTix app functionality (39 months).
- Phase 4: Implementation of new vending machines for NYC Transit and the Railroads, and new Railroad ticket office machines (52 months).
- Phase 5: Completion of system implementation and full revenue system acceptance testing of the entire NFPS (56 months).

Staff Summary
Schedule C: Competitive Requests for Proposals
(Award of Purchase and Public Work Contracts)

Acceptance of contactless payments in all subway stations and buses is accomplished in Phase 2, 35 months after award. From commencement through revenue acceptance testing in Phase 5, the NFPS and the legacy systems will operate side by side to support a smooth transition for MTA customers. Customers without smartphones or contactless bank cards will be able to use MTA-issued contactless transit cards in Phase 3 which is completed 39 months after award. Following successful implementation and testing, the legacy systems will be decommissioned and removed by NFPS Substantial Completion (month 69).

The base contract also includes seven years of system hosting and software support services following Substantial Completion for a total base contract duration of 12 years and nine months. The contract includes the following options:

- Two (2) five-year options for extended hosting and software support.
- Three (3) five-year options for call center and retail network services.¹
- NFPS equipment for the Railroads such as vending machines and ticket office machines (these options will be funded under the next capital program, but to facilitate interoperability machine design will take place concurrently with NYC Transit).
- Three five-year options for extended maintenance services for the Railroads' NFPS equipment.¹
- Select Bus Service (SBS) pilot during Phase 2 to allow for trials of on-board fare collection and all-door boarding.
- Optical bar code readers to facilitate single rides and mobile app features.
- Bus Equipment (antenna, driver control units, and router).
- Long-term parts provisioning – the contractor must provide parts and equipment at set prices for the useful life of the system.

Options for extended services, if exercised, will extend the contract duration for ten additional years after the 12 year and nine-month base contract term for a total contract term of 22 years and 9 months.

An Authorizing Resolution requesting the use of a competitive Request for Proposal (“RFP”) process for this procurement was approved by the Board in February 2015 to allow for consideration of factors other than price in order to secure the best value solution for the MTA. The RFP was advertised in April 2016, and six Proposals were submitted in July 2016. Technical Proposals were evaluated against the following evaluation criteria: (i) firm’s experience; (ii) team members’ experience; (iii) schedule and implementation; (iv) concept and design; (v) system integration, interoperability, and servicing; (vi) management approach and staffing; and (vii) diversity practices. Multiple committees were assembled to review proposals and provide guidance, including a multi-disciplinary Selection Committee (“SC”) and an Executive Committee which included the Presidents of the participating MTA agencies as well as senior MTA staff.

After its thorough review of the Technical Proposals, the SC determined that four of the six Proposers submitted Technical Proposals demonstrating relevant experience and qualifications that merited further consideration and, accordingly, voted to invite four Proposers to make oral presentations during the week of August 22, 2016. The four Proposers were Accenture, LLP (“Accenture”); Conduent Transport Solutions, Inc. (formerly Xerox Transport Solutions, Inc.) (“Conduent”); Cubic; and Scheidt & Bachmann USA, Inc. (“S&B”). Technical Proposals submitted by the remaining two Proposers, Boloro Global Limited (“Boloro”) and IPASS Metro LLC. (“IPASS”), failed to demonstrate relevant experience, qualifications and expertise required to accomplish the full scope of work on the scale required, and were eliminated from the further consideration. Boloro and IPASS were notified of their elimination. The SC's initial review was limited to Technical Proposals – the SC did not have access to the Price Proposals when determining which Proposers to invite to oral presentations.

Following oral presentations, the SC reviewed the Price Proposals and further evaluated the Technical Proposals based on the evaluation criteria and taking into consideration the information obtained through the oral presentations. Based on this review, the SC unanimously voted to invite Conduent, Cubic, and S&B to participate in negotiations. The SC unanimously considered Cubic’s Technical Proposal the superior submission, and each SC member scored Cubic's Technical Proposal considerably higher than Conduent and S&B on the technical criteria as Cubic demonstrated that it possessed superior relevant experience and greater experience and qualifications of its proposed team. Based on the technical criteria, Conduent ranked second and S&B ranked third, slightly below Conduent. Accenture was eliminated from further consideration based on the SC's unanimous conclusion that: (i) Accenture received the lowest technical rating as its experience with account-based fare payment systems and the experience of its team members were not commensurate with those of the other Proposers, and (ii) Accenture’s Price Proposal, at \$1,443,379,452, was the highest submitted.² Accenture was notified that it had been eliminated from further consideration.

¹ Note that the first of the of the three five-year options would be exercised during the base contract term.

²The Accenture pricing reported in this summary was adjusted to include (1) the extended value of commissions for the retail sales network based on the commission percentages proposed, and (2) \$136.5 million of software and services related to data center hosting that were not included in the total Price Proposal.

Staff Summary
Schedule C: Competitive Requests for Proposals
(Award of Purchase and Public Work Contracts)

The initial Price Proposals submitted by the Proposers invited to negotiations were as follows:

	Conduent	Cubic	S&B
Base	\$510,921,746	\$619,909,362	\$579,442,389
Options	\$539,072,961	\$804,242,593	\$644,283,103
Total	\$1,049,994,707	\$1,424,151,955	\$1,223,725,492

Note that the prices set out above: (i) do not include pricing for the detailed Railroad requirements, which were expanded during the procurement process (discussed below), and (ii) were, for evaluation purposes, adjusted by the MTA to include commissions paid by the MTA to retailers in the retail sales network, with the adjustment based on the Proposer-submitted commission percentages to be paid to such retailers.

Multiple negotiation sessions were held with the selected Proposers between November 15 and December 9, 2016. The negotiations focused on: (i) price; (ii) technical issues; and (iii) key contract issues such as liquidated damages, dispute resolution, warranty obligations, indemnification, and limits of liability.

During negotiations, the MTA concluded that it would be advantageous to expand the Railroad requirements included in the initial RFP, which would better allow the MTA to obtain competitive pricing and avoid the need for a subsequent change order to address the scope of the Railroads' needs. To this end, the RFP was revised so that Railroad-specific system design is included as part of the base award, and options are available for railroad vending machines, related equipment, and operating-funded maintenance services. The Railroad-specific options will be exercised once funding for the equipment becomes available in the next Capital Program.

The MTA requested Interim Proposals following the initial negotiations while the RFP was being updated to include the additional Railroad specifications. The MTA conducted negotiations addressing the Interim Proposals in May 2017. The MTA requested another set of Interim Proposals following its distribution of the updated RFP, and a final round of negotiations took place in August 2017 that addressed primarily pricing, the expanded Railroad specifications, and outstanding contract terms.

The negotiated contract includes liquidated damage provisions that motivate the contractor's compliance with the contract schedule. Liquidated damages are tied to specific deliverables, such as development of the core backend NFPS during Phase 1. The amount of liquidated damages increases based on the phase and deliverable at issue. Further, the MTA has the right to terminate the contract based on certain events of default and for convenience.

The MTA issued a request for Best and Final Offers ("BAFOs") on August 24, 2017. The BAFO request also included alternative contract language (priced separately) that the MTA could elect to accept or reject, including: (i) an alternative dispute resolution provision; (ii) a reduction of the liquidated damages cap; and (iii) the contractor's right to seek financial compensation due to extended MTA review periods of contractor-submissions. The BAFO request also sought final pricing for those Proposer-submitted Value Engineering Proposals that the MTA accepted.

The following pricing was submitted with the BAFOs (inclusive of the Railroads' requirements):

	Conduent	Cubic	S&B
Base	\$496,653,264	\$539,513,665	\$559,623,508
Options	\$496,972,517	\$523,082,335	\$579,413,620
Total	\$993,625,781	\$1,062,596,000	\$1,139,037,129

Note that the prices set out above include: (i) the alternative contract language and Value Engineering Proposals that the MTA selected, and (ii) the retail sales commission paid by the MTA (as discussed above). The engineer's estimate is \$1,224.1 million.

The SC reviewed, scored, and ranked the BAFOs along with all relevant material provided during the procurement process in accordance with the evaluation criteria, among which the firm's experience, the team members' experience, and schedule and implementation were the most important criteria. Cubic maintained its considerable technical superiority over the other Proposers following the BAFO evaluation, Conduent's rank was lowered to third place, and S&B's rank raised to second place based largely on its competent showing during negotiations, particularly by its proposed lead engineer. The SC unanimously determined that Cubic is technically superior to S&B and Conduent. Each SC member scored Cubic considerably higher than S&B and Conduent on the technical criteria.

Of particular note, the SC determined that Cubic's relevant experience is greatly superior to that of the other Proposers. Cubic implemented service proven fare payment systems for the Chicago Transit Authority and Transport for London, both of which are account based systems that accept open payments. Neither S&B nor Conduent has implemented an account-based fare payment system that accepts open payments in revenue service. The SC also found that Cubic's proposed personnel displayed a command of the subject matter that was overall superior to that of the other proposer teams and determined that the experience and qualifications of Cubic's proposed personnel were overall superior. Cubic's team demonstrated an understanding of the complexities and challenges of the work which made the SC confident that Cubic will deliver a successful system within the required timeframe. Cubic's proposed open payment design is service-proven, unlike those of the other Proposers.

Staff Summary
Schedule C: Competitive Requests for Proposals
(Award of Purchase and Public Work Contracts)

In accordance with the evaluation criteria in the RFP, the SC unanimously selected Cubic to be recommended for award. The SC took into consideration that Cubic's overall evaluated price for the base and options is \$69.0 million or 6.9% higher than Conduent's price, but determined that Cubic's pronounced technical superiority outweighed the price difference and that Cubic's Proposal constitutes the best value to the MTA. The SC had a far greater degree of confidence in a successful implementation by Cubic than in a successful implementation by Conduent. S&B was ranked technically above Conduent, but ranked technically considerably lower than Cubic and S&B's proposed price exceeded Cubic's proposed price by \$76.4 million (7.2%). Ultimately, the SC unanimously concluded that Cubic's Proposal presented the best value to the MTA, and the Executive Committee concurred with the SC's recommendation of Cubic for award.

Cubic's BAFO price of \$1,062,596,000 (including the base, options, alternative contract language, and Value Engineering Proposals) is \$161.5 million (13%) below the revised in-house estimate of \$1,224.1 million. Cubic's BAFO price is also \$361.6 million (25%) below its initial Price Proposal, despite the addition of requirements for the Railroads after receipt of initial proposals; had the Railroad requirements been included in the initial proposals, the decrease would have been in excess of \$450 million. The price has been found to be fair and reasonable based on the competitive nature of the RFP and comparison to the in-house estimate.

The total value of the base contract and all options, is \$880,096,000³. The amount sought for Board approval is \$573,487,118, which also excludes the cost of retail sales commissions. That amount also includes the following options: (i) SBS Pilot (\$1,201,638); (ii) the first five-year option for retail sales of fare media to distribute the MTA card at local retailers (\$11,491,930); (iii) optical barcode readers (\$1,620,606); and (iv) if needed and as approved by the Chief Procurement Officer, the following bus equipment: bus antennas, bus driver control units, and bus routers (\$19,659,279). The total value of options for which Board approval is requested is \$33,973,453.

In summary, the total amount sought for Board approval consists of \$539,513,665 for the base contract and \$33,973,453 in options, for a total of \$573,487,118.

A background search and review of documents submitted by Cubic disclosed no "significant adverse information" within the meaning of the All Agency Responsibility Guidelines. Having evaluated all available facts, Procurement finds Cubic to be fully responsible for award. Review of Cubic's financial condition is ongoing; no award will be made until this review is completed.

In connection with a previous contract, Five Star Electric ("Five Star"), a significant subcontractor, was found to be responsible notwithstanding significant adverse information (SAI) pursuant to the All-Agency Responsibility Guidelines and such responsibility finding was approved by MTA Chairman/CEO in consultation with the MTA General Counsel in October 2014. No new SAI has been found relating to Five Star and Five Star has been found to be responsible.

D/M/WBE INFORMATION:

The MTA Department of Diversity and Civil Rights has established goals at 4.5% MBE and 4% WBE due to the specialized requirements of this contract. Cubic submitted its utilization plan reflecting an overall goal of 10.6%, exceeding the overall goal of 8.5%. Cubic has achieved the M/W/DBE goals on previous MTA contracts.

CAPITAL PROGRAM REPORTING:

This contract has been reviewed for compliance with the requirements of the 1986 legislation applicable to Capital Contract Awards and the necessary inputs have been secured from the responsible functional departments.

IMPACT ON FUNDING:

This project is funded by the MTA and will be managed by MTA Fare Payment Programs. The total of \$573.5 million for Board approval is funded as follows: \$480.8 million in capital and \$92.7 million in operating funding. Funding for the capital project is available through both the 2010–2014 and 2015–2019 Capital Programs. The base contract is funded as follows: \$457.5 million in capital funding and \$82.0 million in operating funding. The options are funded as follows: \$23.3 million in capital funding and \$10.7 million in operating funding. A portion of in-house support costs will be funded in the 2020–2024 Capital Program.

ALTERNATIVES:

Award to another Proposer. Not recommended for the reasons stated above.

RECOMMENDATION:

That the Board approve the award of competitively negotiated Contract A-34024 - New Fare Payment System to Cubic as described in the Purpose section above.

³ \$880,096,000 is equal to Cubic's evaluated BAFO price of \$1,062,596,000 minus the \$182,500,000 in retail sales commissions that was included for evaluation purposes in all proposers' prices based on their proposed commission rates.