

**Board Report**

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**File #:** 2017-0117, **File Type:** Contract**Agenda Number:** 14.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
APRIL 19, 2017****SUBJECT: TAP CARD MANUFACTURING AND FULFILLMENT SERVICES****ACTION: AWARD CONTRACTS****RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award indefinite delivery/indefinite quantity (IDIQ), firm fixed unit price contracts for a three-year initial term, with two, one-year options for the following contracts: 1) PS29117000 and PS29117001 to ASK-intTag, LLC. for Card Manufacturing & Adhesive Stickers; 2) PS29117002, PS29117003, and PS29117004 to Oberthur Technologies of America Corp. for Adhesive Stickers and Card Manufacturing and Fulfillment Services, and 3) PS29117005 to Giesecke & Devrient Mobile Security America, Inc. for Fulfillment Services effective July 1, 2017, for Metro and Municipal Operators. The total combined not-to-exceed amount for 3 base years and two one year options is \$26,915,910 (average cost per year \$5.4M) inclusive of sales tax for **TAP Card Manufacturing and Fulfillment Services**, as identified below:

- Card Manufacturing - Base: \$9,272,563, Option 1: \$3,090,854, Option 2: \$3,090,854 in the total NTE amount of \$15,454,271
- Fulfillment & Distribution- Base: \$6,858,983, Option 1: \$2,286,328, Option 2: \$2,286,328 in the total NTE amount of \$11,431,639
- Adhesive Stickers - Base: \$18,000, Option 1: \$6,000, Option 2: \$6,000 in the total NTE amount of \$30,000

**ISSUE**

The TAP program now supports twenty-four agencies and award of these contracts is necessary for the continuation of the program over the next five years. The current smart card contracts are set to expire on June 30, 2017. Over 19 million TAP cards have been issued since the beginning of the program in 2006. Due to the continued growth of this robust system, the region needs to procure additional stock to continue the expansion of the TAP program and to replace expired, lost or stolen TAP cards.

**DISCUSSION**

TAP cards are the key component to the TAP regional system. TAP accounts for approximately 75% of fares collected across the region. The last contract award for \$16.2M for three years (average cost per year \$5.4M) was issued in November 2013 and ends June 30, 2017.

The cost for procuring TAP cards, providing personalization and warehousing is about \$2 per card. The purchase price of a TAP card from Metro TAP Vending Machines, Third-Party Vendors and on-line sales will continue to offset the cost of the TAP card procurement and personalization costs.

With 24 transit agencies currently participating in the TAP regional program, card replenishment and personalization will ensure seamless travel for customers. These Contracts will ensure that the TAP system remains flexible in accommodating different fare policies, fare structures and tariff regulations. Cards procured and fulfilled under these Contracts will help reduce the usage of cash fares. The Contract also includes procurement of smart decals for the U-Pass program which currently serves 10 campuses.

TAP anticipates that card manufacturing orders will be divided between Oberthur Technologies of America Corp. and ASK-intTag, LLC as the costs for manufacturing are very comparable. Card fulfillment prices for the different types of personalization vary significantly between Giesecke & Devrient Mobile Security America, Inc and Oberthur Technologies of America Corp. The majority of card fulfillment requests will be ordered from the lower priced Proposer. Based upon the current contract performance, it is prudent that TAP maintains two card fulfillment contracts due to supply chain and production issues.

The Request for Proposal was issued with the purpose of maximizing open competition within a large field of smart card suppliers and card personalization services in order to get the best pricing over the next five years. These indefinite delivery/indefinite quantity Contracts are prepared to be utilized on an "as needed" basis in which Metro has no obligation or commitment to order a defined quantity of TAP cards or personalization services. The projected quantities are estimates only, with deliveries to be ordered and released as required.

### **DETERMINATION OF SAFETY IMPACT**

Latched stations require patrons to use a TAP card to gain entrance to gated stations by electronically releasing the turnstile or opening the leaf-barriers on Americans with Disability Act (ADA) gates. Providing TAP cards for latched gated stations has a positive impact on the safety of Metro rail riders by limiting access to paying customers, thus improving transit station security.

### **FINANCIAL IMPACT**

The funding for smart cards is included in the proposed FY2018 budget in Regional TAP operating budget project 300016 under Line Item 50320: Contract Services account. Since this is a multi-year contract, the cost center manager and the Executive Officer, TAP Operations are responsible for budgeting future costs.

The cost of procured smart cards will be partially offset by card fees charged to customers for each new or replacement TAP card.

### **IMPACT TO BUDGET**

The funding sources for project 300016 in FY18 will continue to be a mix of Prop C 40%, TDA Article 4 and fare revenues. These sources are eligible for operating and capital improvements for both bus and rail.

### **ALTERNATIVES CONSIDERED**

The current procurement allows Metro to purchase the TAP cards and order personalization/fulfillment services necessary to continue the expansion of the TAP program and to replace expired, lost or stolen TAP cards. The alternatives considered are as follows:

- 1) Discontinue the purchase and use of TAP smart cards and revert back to the use of paper fare media. This action is not recommended because:
  - a. TAP provides customers with the ability to travel seamlessly across LA County.
  - b. TAP allows Metro and our Regional Partners the ability to implement smart fare collection practices such as 2 hour transfers, peak and off-peak pricing and rolling passes.
  - c. TAP data provides accurate and meaningful information for in-depth ridership analysis and service planning.

### **NEXT STEPS**

Upon approval by the Board, staff will execute Contracts PS29117000 and PS 29117001 to ASK-

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intTag, LLC. for card manufacturing and adhesive stickers; PS29117002, PS29117003, and PS29117004 to Oberthur Technologies of America Corp. for adhesive stickers and card manufacturing and fulfillment services, and Contract No. PS29117005 to Giesecke & Devrient Mobile Security America, Inc. for fulfillment services effective July 1, 2017.

**ATTACHMENTS**

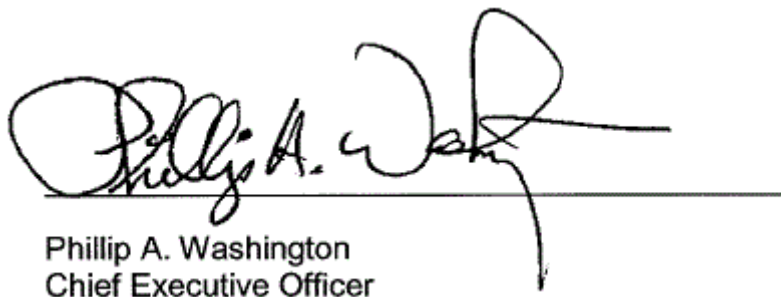
Attachment A - Procurement Summary

Attachment B - DEOD Summary

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Phillip A. Washington  
Chief Executive Officer

**PROCUREMENT SUMMARY**

**TAP CARD MANUFACTURING AND FULFILLMENT SERVICES**

1.	<b>Contract Number:</b> ASK-intTag, LLC - PS29117000, PS29117001 Oberthur Technologies of America Corp. - PS29117002, PS29117003, PS29117004 Giesecke & Devrient Mobile Security America, Inc. - PS29117005	
2.	<b>Recommended Vendor:</b> ASK-intTag, LLC - Card Manufacturing and Adhesive Stickers; Oberthur Technologies of America Corp – Adhesive Stickers, Card Manufacturing and Fulfillment Services; Giesecke & Devrient Mobile Security America, Inc. - Fulfillment Services	
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> September 6, 2016	
	<b>B. Advertised/Publicized:</b> September 7, 2016	
	<b>C. Pre-Proposal Conference:</b> September 14, 2016	
	<b>D. Proposals Due:</b> November 30, 2016	
	<b>E. Pre-Qualification Completed:</b> March 22, 2017	
	<b>F. Conflict of Interest Form Submitted to Ethics:</b> December 9, 2016	
	<b>G. Protest Period End Date:</b> April 22, 2017	
5.	<b>Solicitations Picked up/Downloaded:</b> 18	<b>Bids/Proposals Received:</b> 5
6.	<b>Contract Administrator:</b> Anush Beglaryan	<b>Telephone Number:</b> (213) 418-3047
7.	<b>Project Manager:</b> Cary Stevens	<b>Telephone Number:</b> (213) 922-2401

**A. Procurement Background**

This Board Action is to approve contract awards in support of regional TAP cards manufacturing and personalization/fulfillment services for Metro and municipal operators. The Universal Fare System designed by Metro created the concept and specifications for a region-wide smart card system using a single TAP smart card that could be used for multimodal transportation, product purchases, and other future uses. TAP cards are required to support the expansion of the TAP program and for the replacements for expiring cards. Metro is responsible for ensuring that all TAP enabled municipal operators in the region have an adequate supply of cards. Board approval of contract awards are subject to resolution of any properly submitted protest.

Request for Proposal (RFP) PS29117 was issued in accordance with Metro’s Acquisition Policy and the contract type is an indefinite delivery/indefinite quantity (IDIQ), firm fixed unit price.

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

- Amendment No. 1, issued on September 30, 2016, updated the link provided for the list of Current Projects;
- Amendment No. 2, issued on November 2, 2016, extended samples and proposal due date from November 21, 2016 to November 28, 2016;
- Amendment No. 3, issued on November 14, 2016, extended samples and proposal due date from November 28, 2016 to November 30, 2016;

A total of 5 proposals were received on November 30, 2016.

The Scope of Work for the RFP was divided into the three following functions. As stated in the Statement of Work Consideration Form of the RFP, proposers were requested to submit separate proposals for each function they would like to be considered for award.

1. Smart Card Manufacturing
2. Card Fulfillment and Distribution
3. Adhesive Stickers

## **B. Evaluation of Proposals**

A Proposal Evaluation Team (PET) consisting of staff from the TAP technical team was convened and conducted a comprehensive technical evaluation of the proposals received and testing of samples which were requested as part of the RFP.

As stated in the RFP, proposals were initially evaluated by using the minimum qualifications requirements on a pass/fail basis. Proposers who met the minimum qualification requirements were then evaluated further on the weighted criteria described herein. All five proposing firms passed the minimum qualifications requirements.

The proposals for Smart Card Manufacturing were evaluated based on the following evaluation criteria and weights:

- |  |            |
|--|------------|
| • Experience & Skills                                | 10%        |
| • Program Management Team Experience                 | 10%        |
| • Supply Chain Management                            | 10%        |
| • Physical & Electrical Smart card<br>Characteristic | 35%        |
| • Printing (Graphics)/Packaging                      | 10%        |
| • Cost Proposal                                      | <u>25%</u> |
| Total:   | 100%       |

The proposals for Card Fulfillment & Distribution were evaluated based on the following evaluation criteria and weights:

- Experience & Skills 15%
  - Program Management Team Experience 15%
  - Card Fulfillment/Personalization 20%
  - Card Order Reporting & Processing 25%
  - Cost Proposal 25%
- Total: 100%

The proposals for Adhesive Stickers were evaluated based on the following evaluation criteria and weights:

- Experience & Skills 10%
  - Physical & Electrical Characteristics 35%
  - Printing (Graphics)/Packaging 15%
  - Durability 15%
  - Cost Proposal 25%
- Total: 100%

The five proposals that were received met all of the Minimum Qualifications Requirements and were evaluated based on the evaluation criteria set forth in the RFP. The firms are listed below in alphabetical order and the functions they proposed:

1. Ask-intTag, LLC (Smart Card Manufacturing and Adhesive Stickers)
2. Gemalto, Inc. (Smart Card Manufacturing)
3. Giesecke & Devrient Mobile Security America, Inc. (Smart Card Manufacturing and Card Fulfillment and Distribution)
4. Oberthur Technologies of America Corp. (Smart Card Manufacturing, Card Fulfillment and Distribution, and Adhesive Stickers)
5. Valid USA, Inc. (Smart Card Manufacturing)

During the months of December, January, and February, the PET reviewed and scored each of the proposals and tested sample cards. Proposers provided various sample cards and adhesive stickers that were tested to ensure they met the required specifications. All five proposers passed the physical and electrical smart card characteristics testing.

### **Qualifications Summary of Firms**

#### **ASK-intTag, LLC.**

ASK-intTag, LLC (ASK) designs and manufactures contactless smart cards, contactless tickets, labels, stickers, and related products. ASK is an international

company, headquartered in Mougins, France. The company was founded in 1997 by 4 senior managers, all from the smart card industry. ASK currently employs over 250 people with 3 manufacturing locations in: Mougins, France, Beijing, China, and Essex Junction, VT. ASK provides contactless cards for mass transit applications, and has the unique ability to adapt its contactless technology expertise to both paper and plastic. ASK can support transit agencies' requirements for both extended use and limited use of fare collection media.

ASK is a fully integrated contactless card and ticket manufacturer. All manufacturing steps and sub-components are produced by ASK, thus providing optimized turnaround time as well as a quality control that measures and analyzes all components. Moreover, ASK offers a unique sticker encoding site located at their highly secured site in Vermont.

ASK's project management team has over 50 years of experience in the industry. ASK has also proposed to put together an entire team dedicated to Metro to assist in all aspects of the project. ASK has also worked with Metro to provide adhesives stickers for the Metro U-Pass program.

### **Gemalto, Inc.**

Gemalto, Inc. (Gemalto) has more than 15 years of experience in providing transport solutions and is a leader in digital security. Gemalto to date has had over 140 million transit cards delivered and has been serving transit authorities for over 2 decades. Its leadership has facilitated ambitious transit programs around the world in such places as Paris, London, Netherlands, Santiago de Chile, Portugal, Malaysia, Italy, Sao Paulo, and China.

Gemalto's qualified staff has a combined experience over ninety years in the payment card industry. Their experience encompasses program and product development, industrialization of innovative card bodies, manufacturing techniques, sales management, and operations.

### **Giesecke & Devrient Mobile Security America, Inc.**

Giesecke & Devrient Mobile Security America, Inc. (G&D) is a globally operating technology company that specializes in security and advanced card solutions. G&D facilities with contactless smart card production and personalization capability include Ohio, Canada, Mexico City, Brazil, Spain, China, and Slovakia. To date, G&D has supplied over 300 million contactless cards for transit customers across the globe. G&D also holds the earliest patents for smart card technology and has developed the Eurocheque system together with the Deutsche Bundesbank in 1968 which fathered the credit and debit card systems we have today. In addition, G&D also holds certification for manufacturing and personalization services for Visa, Mastercard, Discover and American Express.



G&D has been working with Metro since 2005 when they began delivering cards and providing services such as card stock and inventory management, card initialization and personalization, card testing, card fulfillment, and card issuance. G&D's qualified staff combined has over 96 years of experience in the smart card and services industry.

**Oberthur Technologies of America Corp.**

Oberthur Technologies of America Corp. (OT), the M Company, is a leader in digital security solutions for the mobility space. OT has been at the heart of mobility, from the first smart cards to the latest contactless payment technologies which equip millions of smartphones. Present in the payment, telecommunications and identity markets, OT offers end-to-end solutions in the smart transactions, mobile financial services, machine-to-machine, digital identity and transport and access control fields.

OT has been in the smart card industry for more than 20 years. The company employs 6,500 people worldwide and has a presence with facilities including seven manufacturing plants in the US, Latin America, Europe, Middle-East and Asia, 39 personalization and fulfillment centers, 12 research and development centers and 50 sales offices.

OT developed a market leading setup to support customers with one manufacturing hub in Exton, PA, two service centers in Los Angeles, CA and Chantilly, VA and two R&D centers in Los Angeles and Boston. The project management team at OT has a cumulative experience of 262 years in the smart card industry. OT has set up a dedicated project team which will oversee all aspects of the project.

**Valid USA, Inc.**

Valid USA, Inc. (Valid) is a publicly traded Brazilian company with over 5,000 employees worldwide. Valid has been providing security printing and card solutions for over 59 years and is expanding operations around the world. Valid has developed strong smart card manufacturing capacities in North America, Brazil, Latin America, and Europe. Over the last three years, Valid has shipped more than 16.9 million contactless smart cards. Valid's qualified staff has a combined experience of over 90 years in the smart card industry.

Contract award is recommended to the two highest scoring firms for the various functions. The following is the summary of scores for each function and firm:

**Smart Card Manufacturing**

Firm	Average Score	Factor Weight	Weighted Average Score	Rank
Oberthur Technologies				

Experience & Skills	100.00	10%	10.00	
Program Management Team Experience	100.00	10%	10.00	
Supply Chain Management	100.00	10%	10.00	
Physical & Electrical Smart card Characteristic	100.00	35%	35.00	
Printing (Graphics)/Packaging	100.00	10%	10.00	
Cost Proposal	89.60	25%	22.40	
<b>Total</b>		<b>100%</b>	<b>97.40</b>	<b>1</b>
<b>ASK-intTag, LLC</b>				
Experience & Skills	100.00	10%	10.00	
Program Management Team Experience	93.30	10%	9.33	
Supply Chain Management	73.33	10%	7.33	
Physical & Electrical Smart card Characteristic	100.00	35%	35.00	
Printing (Graphics)/Packaging	66.60	10%	6.66	
Cost Proposal	100.00	25%	25.00	
<b>Total</b>		<b>100%</b>	<b>93.32</b>	<b>2</b>
<b>Valid USA, Inc.</b>				
Experience & Skills	93.33	10%	9.33	
Program Management Team Experience	100.00	10%	10.00	
Supply Chain Management	80.00	10%	8.00	
Physical & Electrical Smart card Characteristic	100.00	35%	35.00	
Printing (Graphics)/Packaging	93.33	10%	9.33	
Cost Proposal	81.52	25%	20.38	
<b>Total</b>		<b>100%</b>	<b>92.04</b>	<b>3</b>
<b>Giesecke &amp; Devrient Mobile Security America, Inc.</b>				
Experience & Skills	96.66	10%	9.66	
Program Management Team Experience	96.66	10%	9.66	
Supply Chain Management	83.33	10%	8.33	
Physical & Electrical Smart card Characteristic	100.00	35%	35.00	
Printing (Graphics)/Packaging	100.00	10%	10.00	
Cost Proposal	67.96	25%	16.99	
<b>Total</b>		<b>100%</b>	<b>89.64</b>	<b>4</b>
<b>Gemalto, Inc.</b>				

Experience & Skills	90.00	10%	9.00	
Program Management Team Experience	80.00	10%	8.00	
Supply Chain Management	40.00	10%	4.00	
Physical & Electrical Smart card Characteristic	100.00	35%	35.00	
Printing (Graphics)/Packaging	93.33	10%	9.33	
Cost Proposal	85.08	25%	21.27	
<b>Total</b>		<b>100%</b>	<b>86.60</b>	<b>5</b>

The two firms recommended for Smart Card Manufacturing proposed the lowest prices for the various TAP cards included in the Statement of Work.

### Card Fulfillment and Distribution

Firm	Average Score	Factor Weight	Weighted Average Score	Rank
<b>Oberthur Technologies</b>				
Experience & Skills	96.67	15%	14.50	
Program Management Team Experience	100.00	15%	15.00	
Card Fulfillment/Personalization	80.00	20%	16.00	
Card Order Reporting & Processing	93.32	25%	23.33	
Cost Proposal	100.00	25%	25.00	
<b>Total</b>		<b>100%</b>	<b>93.83</b>	<b>1</b>
<b>Giesecke &amp; Devrient Mobile Security America, Inc.</b>				
Experience & Skills	100.00	15%	15.00	
Program Management Team Experience	100.00	15%	15.00	
Card Fulfillment/Personalization	80.00	20%	16.00	
Card Order Reporting & Processing	93.32	25%	23.33	
Cost Proposal	35.44	25%	8.86	
<b>Total</b>		<b>100%</b>	<b>78.19</b>	<b>2</b>

### Adhesive Stickers

Firm	Average Score	Factor Weight	Weighted Average Score	Rank
<b>Oberthur Technologies</b>				
Experience & Skills	100.00	10%	10.00	
Physical & Electrical Characteristics	93.34	35%	32.67	
Printing (Graphics)/Packaging	86.67	15%	13.00	
Durability	93.33	15%	14.00	
Cost Proposal	100.00	25%	25.00	
<b>Total</b>		<b>100%</b>	<b>94.67</b>	<b>1</b>
<b>ASK-intTag, LLC</b>				
Experience & Skills	100.00	10%	10.00	
Physical & Electrical Characteristics	86.66	35%	30.33	

Printing (Graphics)/Packaging	86.67	15%	13.00	
Durability	76.67	15%	11.50	
Cost Proposal	69.44	25%	17.36	
<b>Total</b>		<b>100%</b>	<b>82.19</b>	<b>2</b>

### C. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon price analysis, technical evaluation, and adequate price competition. The recommended not-to-exceed amount of \$26,915,910 for 5 years is based on the highest NTE amount for each of the services below. The NTE amount for 3 base years with two one-year options as identified below:

- Card Manufacturing – Base: \$9,272,563, Option 1: \$3,090,854, Option 2: \$3,090,854 in the total NTE amount of \$15,454,271
- Fulfillment & Distribution- Base: \$6,858,983, Option 1: \$2,286,328, Option 2: \$2,286,328 in the total NTE amount of \$11,431,639
- Adhesive Stickers – Base: \$18,000, Option 1: \$6,000, Option 2: \$6,000 in the total NTE amount of \$30,000

As these are indefinite delivery/indefinite quantity contracts, Metro will place orders based on need for the various services.

#### Card Manufacturing

	<b>Proposer Name</b>	<b>Proposal Amount</b>	<b>Metro ICE</b>	<b>NTE Amount*</b>
1.	Oberthur Technologies	\$15,454,271.00	\$22,120,500.00	\$15,454,271.00
2.	ASK-intTag, LLC	\$13,846,050.00	\$22,120,500.00	\$13,846,050.00

\*Prices received are for evaluation purposes and are based on estimated quantities provided by Metro

#### Fulfillment & Distribution

	<b>Proposer Name</b>	<b>Proposal Amount</b>	<b>Metro ICE</b>	<b>NTE Amount*</b>
1.	Oberthur Technologies	\$10,569,300.00	\$9,619,513.00	\$4,437,300.00
2.	Giesecke & Devrient Mobile Security America, Inc.	\$12,516,324.00	\$9,619,513.00	\$11,431,639.00

\*Prices received are for evaluation purposes and are based on estimated quantities provided by Metro

#### Adhesive Stickers

	<b>Proposer Name</b>	<b>Proposal Amount</b>	<b>Metro ICE</b>	<b>NTE Amount*</b>
1.	Oberthur Technologies	\$20,835.00	\$42,400.00	\$20,835.00

2.	ASK-intTag, LLC	\$30,000.00	\$42,400.00	\$30,000.00
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\*Prices received are for evaluation purposes and are based on estimated quantities provided by Metro

**D. Background on Recommended Contractors**

**ASK-intTag, LLC. (ASK)**

ASK was founded in 1997 by 4 senior managers, all from the smart card industry. ASK currently employs over 250 people with 3 manufacturing locations in: Mougins, France, Beijing, China, and Essex Junction, VT. ASK has acquired a worldwide leadership position in contactless cards for mass transit applications. ASK has the unique ability to adapt its contactless technology expertise to both paper and plastic.

**Oberthur Technologies**

Oberthur Technologies is a leader in the smart card industry for more than 20 years. The company employs 6,500 people worldwide and has a presence with facilities including 7 manufacturing plants (in the US, Latin America, Europe, Middle-East and Asia), 39 personalization and fulfillment centers, 12 Research & Development centers and 50 sales offices. The project management team at OT is highly qualified with a cumulative experience of 262 years in the smart card industry.

**Giesecke & Devrient Mobile Security America, Inc.**

Giesecke & Devrient Mobile Security America, Inc. (G&D) is a globally operating technology company that specializes in security and advanced card solutions. G&D has been the leader in contactless technology for over 20 years. G&D has been working with Metro since 2005 when they began delivering cards and providing services such as card stock and inventory management, card initialization and personalization, card testing, card fulfillment, and card issuance. G&D's qualified staff combined has over 96 years of experience in the smart card and services industry.

DEOD SUMMARY

TAP CARD MANUFACTURING AND FULFILLMENT / CONTRACT NO. PS29117

**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) did not recommend a Small Business Enterprise/Disabled Veteran Business Enterprise goal for this solicitation due to lack of subcontracting opportunities. This procurement involves the manufacture and delivery of TAP cards which are proprietary in nature.

**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 Contract.

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

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