

Washington Metropolitan Area Transit Authority  
**Board Action/Information Summary**

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 100289	Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No
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**TITLE:**

ERG Mod - RCSC Operations & Additional Costs

**PURPOSE:**

(1) To ratify a contract modification for increased costs associated with the operation of the Regional Customer Service Center (RCSC); (2) to approve award of a contract modification for additional costs for the duration of Option Year 1 (July 21, 2008 through July 20, 2009); and (3) subject to the availability of funds, exercise Option Year 2 (July 21, 2009 through July 20, 2010), in order to continue operations of the RCSC and allow modification of the contract to include the additional operational expenses that continue from Option Year 1 through the duration of Option Year 2.

**DESCRIPTION:**

**Background:** In July 2003, Metro awarded Contract No. CO5034 to ERG Transit Systems (USA) Inc. (ERG), with a 5-year base period for an amount of \$19,958,471. A portion of the ERG contract provides customer service and card management services in support of the Regional SmarTrip® Program. In support of these activities, ERG was required to create a Regional Customer Service Center (RCSC) and to provide and maintain communication lines from the Regional transit agencies to the Jackson Graham Building (JGB). The period-of-performance of CO5034, as modified, ended July 21, 2008. The contract also provided for two one-year options after conclusion of the base period.

In July 2008, Option Year 1 of this contract was issued extending the period of the contract from July 20, 2008 through July 20, 2009, in a not-to-exceed amount of \$3,772,771, which at the time was estimated to be sufficient. The value of the contract is based in part upon the number of active cards, which has a direct relationship to the cost required to provide the level of support for the customer call center. The original estimate assumed a number of active cards at 290,000 in 2002 and the contract included a volume price table. Since the base contract was let, active cards have exceeded the amount estimated in the contract, and as a result additional cost has been incurred by the vendor to provide the level of support from the RCSC that is required under the contract.

This request is to provide additional funding to the Base Contract from March 2007 through June 2008, where active card volume increased by 18% and to the

Option 1 Year contract from July 2008 through June 2009 of this year, where current levels represent 1,600,000 active cards, which represent a 34% increase from the prior year. An Active Card is defined as a SmarTrip® card that has been used to pay a rail or bus fare or a parking fee within the previous six months.

The Customer Service Support Center provides the following services:

**Increased Backend Customer Service Support:** Calls answered by the RCSC trigger backend customer support, generally related to SmarTrip® card management. The volume of backend support increased commensurate with the increase in call volume and other Metro initiatives (e.g., migrating transit benefits from MetroChek to SmarTrip®) which increased the overall usage of SmarTrip® cards. In addition, the increased number of active cards (1,600,000) causes a proportional increase in the activities to support the card stock management. The original estimated number of active cards was only 290,000. The number of active cards greatly exceeds the estimate. In February of this year the RCSC created 115,213 SmarTrip® kits for distribution compared 107,542 for all of 2005.

The major cost drivers to provide that level of service which have impacted contract funding is below:

**Increase in Customer Service Staff:** ERG subcontracted the customer service center operation to Northrop Grumman Information Technology (NGIT), which developed the staffing level of the RCSC based upon the estimates of the number of cards that would be in circulation stated in the original RFP and the resultant call volume expected. A contract modification is required to allow adjusting customer service staff levels, as needed, to meet anticipated changes in SmarTrip® usage for the duration of the contract. The estimated cost for the increased staffing levels is \$1,833,000 through FY 2009.

**Data Communication Lines:** Metro and regional initiatives required additional communication lines not included in the original contract to support implementation of the Carmen Turner Facility (CTF) as a disaster recovery site, to reduce the regional cost of software maintenance, and to support data collection activity for clearing and settling. To support these SmarTrip® program initiatives, ERG was directed to provide and maintain communication lines between Metro, Regional Partners, and ERG. The contract must now be modified to include these additional costs. The estimated cost for the phone lines is \$607,000 through FY 2009.

**Additional Miscellaneous Costs:** Due to the unprecedented demand for SmarTrip® cards during the inauguration period, the beginning of SmarTrip® sales in CVS locations, and the elimination of paper transfers, ERG experienced an unexpected cost for delivery of SmarTrip® cards and will incur nominal

additional costs to install PIN pads to support debit card processing for Point of Sale device at CVS locations. The estimated cost for these other expenses is \$509,000.

**Continued Operation:** The contract currently expires July 20, 2009. Exercising Option Year 2 will extend the period-of-performance to July 20, 2010. The estimated cost for Option Year 2, subject to availability of funds, is \$6,950,000 and includes these additional costs.

**FUNDING IMPACT:**

This action is only to grant contract authority. It does not increase the Board Approved FY2009 Operating Budget. When the FY2009 Operating Budget was approved there was not sufficient clarity regarding the financial impact of these contractual matters to budget a sufficient amount in the Office of SmartTrip (SMRT).

The FY 2009 funding for this contract, \$2,949,000 will be sourced in the purchased services category of the operating budget.

The total annual budget for purchased services in rail and bus mode is \$80.9 million. As of February 2009, the year-to-date actual expenditures have been \$43.2 million. The remaining unexpended budget is \$37.7 million.

In addition, the financial impact of this action has already been factored into the costs and assumptions underlying the Proposed FY2010 Operating Budget currently being reviewed by the Finance, Administration and Oversight Committee.

Approval of the increased contract authority being requested in this action can be accommodated without requiring any increase in budget authority.

Budget: Operating Budget, Fiscal 2009  
 Office: SMRT (68100)  
 This Action: \$2,949,000  
 Remarks: See above.

<b>ERG CONTRACT</b>	
Outstanding Invoices (lines & labor)	\$1,300,000
Balance for Opt Yr 1 RCSC Operations	\$2,100,000
Balance for Opt Yr 1 Additional Costs (lines & labor)	\$ 940,000
<b>A. Outstanding and Opt Yr 1 Future Cost Subtotal</b>	<b>\$4,340,000</b>
FY09 Contract Operating Budget	\$3,672,371
Contract Expenses to Date	\$2,280,891

<b>B. Remaining FY09 Contract Balance</b>	<b>\$1,391,481</b>
Outstanding and Opt Yr 1 Future Cost Subtotal (A)	\$4,340,000
Remaining FY09 Contract Balance (B)	\$1,391,481
<b>C. Contract Budget Shortfall (A-B=C)</b>	<b>\$2,949,519</b>

Budget: Operating Budget, Fiscal 2010  
 Office: SMART (68100)  
 This Action: \$6,950,000  
 Remarks See above.

It is estimated that the regional partners will contribute a total of approximately \$1.1 million each year in support of the RCSC. The reimbursement is dependent upon the ridership at each agency.

	Amount	Cumulative Amount
Base Contract	\$19,958,471	\$19,958,471
Total Prior Modifications	\$8,310,512	\$28,268,983
This Action FY2009	\$2,949,000	\$31,217,983
This Action FY2010	\$6,950,000	\$38,167,983

**RECOMMENDATION:**

Ratification of a contract modification for increased costs associated with operation of the Regional Customer Service Center (RCSC); approval to modify a contract for additional costs for the duration of Option Year 1; and, subject to the availability of funds, approval to exercise Option Year 2 in order to continue operations of the RCSC and allow modification of the contract to include the additional operational expenses that continue from Option Year 1 through the duration of Option Year 2.