To: Finance-Auditing Committee/Committee of the Whole
Meeting of March 27, 2020

From: Jennifer Mennucci, Director of Budget and Electronic Revenue
Joseph M. Wire, Auditor-Controller
Denis J. Mulligan, General Manager

Subject: AUTHORIZE EXECUTION OF THE SECOND AMENDMENT TO
CONTRACT NO. 2017-B-4, REPLACEMENT TOLL COLLECTION SYSTEM,
WITH KAPSCH TRAFFICCOM IVHS INC. AND ACTIONS RELATIVE
TO CAPITAL PROJECT #1525, TOLL SYSTEM UPGRADE

Recommendation
The Finance-Auditing Committee recommends that the Board of Directors authorize the General Manager, or his designee, to take the following actions relative to Contract No. 2017-B-04, Replacement Toll Collection System (Contract) with Kapsch TrafficCom USA, Inc. (Kapsch) and actions relative to Capital Project 1525, Toll System Upgrade:

1) Amend the Contract to add system design services, hardware, software, and implementation services for interim toll collection system in the existing toll plaza at a cost of $1,734,673;

2) Amend the Contract to add maintenance and operation services for the interim toll collection system, beginning November 2020, at a rate of $36,881 per month, for 24 months;

3) Allow for a ten percent contingency of $17,347 for hardware and $3,688 per month for maintenance and operation services ($88,512 in total for a 24-month period);

4) Amend contract 2018-B-05, Consultants to Provide Technical Support for Toll Operations to increase the not-to-exceed contract amount by $300,000 to the new amount of $3,300,000 to allow for continued and additional consultant support for the interim toll collection system implementation; and,

5) Authorize a budget increase of $2,538,848 in the FY 19/20 Bridge Division Capital Budget for Project #1525, to be funded with 100% District funds, for a revised total project budget of $8,480,848.

This matter will be presented to the Board of Directors at its March 27, 2020 meeting for appropriate action.
Summary

At its meeting three years ago on March 24, 2017, the Board of Directors authorized the award of Contract No. 2017-B-04, Replacement Toll Collection System, (Contract), to Kapsch. The toll lane software is the essential technical tool that enables the Golden Gate Bridge, Highway and Transportation District (District) to collect tolls. It records the transactions in the lanes, categorizes, and sends the files to the regional customer service center for processing. The Contract was in the amount of $3,237,139 for the implementation of a new toll collection system, and included a contingency of $323,713. The Contract provided that Kapsch would implement a replacement toll collection system by December 2019. The replacement toll collection system contemplated by the Contract is to be mounted on a physical structure called a gantry.

Shortly after the Contract award to Kapsch, a separate Request for Proposals for design of the gantry was issued. The gantry is currently in the design phase, and an Invitation to Bid for physical construction of the gantry is not expected to be issued until later this year. In the summer of 2018, the District began implementing necessary hardware and software upgrades in order to comply with new State toll technology requirements that became effective on January 1, 2019. In the fall of 2019, the District also began replacing some tolling software as a stopgap until the gantry is complete and the new toll collection system is fully implemented.

The existing original electronic toll equipment in the toll plaza must be replaced. The equipment is approximately 13 years old and is no longer efficiently collecting tolls. The current equipment and its technology cannot be upgraded any further. An interim solution is therefore necessary to maintain toll collection operations until the gantry is completed.

The District requested that Kapsch submit a proposal to deliver an interim. The interim system builds upon hardware already replaced in 2018 and the software implemented in 2019. The interim system will improve the toll collection process by using modernized equipment and technology to more effectively and efficiently capture required transaction information. The cost for design, hardware, software and implementation of the interim system is $1,734,673. Maintenance and operational costs for the interim system until the gantry-based system is expected to be complete are $36,881 per month, for 24 months, beginning November 2020.

Implementation of an interim system will allow for continued operation of the tolling system with minimal disruptions for both the District and customers. This interim system provides the District with continuity and accountability because Kapsch will maintain the entire toll collection system, regardless of the state of transition. The interim system leverages existing work and equipment already paid for by the District and will therefore maximize efficiencies for the District. The District’s outside consultant has analyzed Kapsch’s proposal and advised the District that the price is less than what public agencies might reasonably pay for a similar system. The fixed maintenance and operation costs allow for a longer term commitment instead of variable month-to-month costs that could increase wildly due to unforeseen circumstances. The maintenance and operation agreement also has a fixed escalation cost of three percent per year after the initial 24-month period.

Staff also requests an amendment to contract number 2018-B-05, Consultants to Provide Technical Support for Toll Operations, Because of the complexities involved in deploying the interim toll
system and transitioning away from the old toll system and elements from the replacement toll system, additional consultant support is necessary, including project management and technical support. This item proposes increasing that amount by $300,000 to provide continued support for the implementation of the interim toll system.

**Fiscal Impact**

The total cost for the amendment to contract No. 2017-B-04 is $2,725,676. Of that amount, the amendment to Capital Project 1525 will include the contract amendment to Kapsch ($1,734,673), the first year of maintenance costs ($442,572), and associated contingencies ($61,603). The capital project amendment will also include the additional project management and technical support ($300,000), bringing the total capital project cost amendment not-to-exceed $2,538,848. This will bring the total capital project cost from $5,942,000 to $8,480,848 (100% District funded). The second year of additional maintenance costs and contingencies ($486,828) for the toll collection system were included in the FY 2019/20 Adopted Budget and will be included in future Bridge Division Operating Budgets. The fiscal impact is summarized as follows:

<table>
<thead>
<tr>
<th>PROPOSED AMENDMENT</th>
<th>Capital - 1525</th>
<th>Operating</th>
<th>TOTAL</th>
<th>TOTAL (SUMMARY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kapsch Amendment (sys design/hardware/software/imp)</td>
<td>$1,734,673</td>
<td>$1,734,673</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kapsch Contingency</td>
<td>17,347</td>
<td>17,347</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st year of Maintenance ($36,881/mo)</td>
<td>442,572</td>
<td>442,572</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st year of Maintenance Contingency ($3,688/mo)</td>
<td>44,256</td>
<td>44,256</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd year of Maintenance ($36,881/mo)</td>
<td>442,572</td>
<td>442,572</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd year of Maintenance Contingency ($3,688/mo)</td>
<td>44,256</td>
<td>44,256</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PM and Tech Support</td>
<td>300,000</td>
<td>300,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**

$2,538,848

$486,828

$3,025,676

$3,025,676

**PROJECT 1525 BUDGET AMENDMENT, TOLL SYSTEM UPGRADE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Total Project Budget (as of July 2018)</td>
<td>$5,942,000</td>
</tr>
<tr>
<td>Proposed Amendment to 1525 (March 2020)</td>
<td>2,538,848</td>
</tr>
</tbody>
</table>

**PROPOSED TOTAL PROJECT BUDGET**

$8,480,848