

**Metro**Los Angeles County
Metropolitan Transportation AuthorityOne Gateway Plaza
Los Angeles, CA 90012-2952213.922.2000
metro.net**EXECUTIVE MANAGEMENT COMMITTEE
JUNE 19, 2014****SUBJECT: TRANSITION OF TAP SERVICE CENTER FUNCTIONS FROM XEROX
TO METRO DUE TO BINDING ARBITRATION****ACTION: APPROVE FINAL PHASE OF TAP TRANSITION****RECOMMENDATION**

Authorize the Chief Executive Officer to negotiate and approve Modification Number 24 to Contract PS33201664 with Xerox to provide TAP transition services in an amount not-to-exceed \$2.35 Million consistent with the recent arbitration determination.

ISSUE

In 2008 the Transportation Communications Union (TCU) filed a grievance against Metro claiming that certain TAP Service Center work performed by Metro's contractor Xerox belonged contractually to the TCU. In February 2013, an arbitrator ruled in favor of the TCU and ordered Metro to transition work from Xerox to Metro. Phase 1 was approved by the Board in July 2013 and included the Regional TAP Call Center and Reduced Fare Processing areas of the TAP Service Center. Phase 2 was approved in November 2013 and included Stockroom Inventory Oversight, Employer Annual Pass Programs, and Regional Accounting. Phase 3A was approved in April 2014 and included operational oversight and programming support for databases, reporting programs, and website functions. Phase 3B (final phase) includes a continuation of limited support from Xerox in order to maintain levels of customer service during the training of new labor and procurement of remaining services that are not appropriate to take in-house.

DISCUSSION**Transition Progress to Date**

Progress in the transition of TAP services continues to advance at a steady pace. Office space was identified, work stations were built, furniture and office equipment were ordered, licenses for software and programs were procured, technology and database access were moved to Metro, new job descriptions were created, training programs were compiled and launched, and positions continue to be filled. Employees have

begun to phase in the work that was formerly done by Xerox. Transportation Communications Union (TCU) management is working with Metro staff to successfully implement transition work that impacts at least 11 different Metro departments.

Now that these various functions are being implemented, progress toward full transition requires that final functions be brought in-house. Phase 3B addresses limited support services that will be needed from Xerox during the remaining transition. An independent contractor -- Lumenor Consulting Services has assisted with the planning and implementation of transition.

Methodology

As a consultant to Metro, Lumenor Consulting Group, Inc. performed a business analysis and identified staffing levels, technology, and space requirements needed to convert work from Xerox to Metro. The business process reviews were based on a combination of document reviews and interviews with Xerox, Metro, and TAP staff. The staffing analysis for TAP Supervisors was based on documentation and the analysis of tasks, work volumes, and service levels. Based on the annual hourly workload and the average times required to complete all tasks required by position, the total number of FTEs needed to transition work to Metro/AFSCME was calculated. Management FTEs were determined by a review of workload and interviews with Xerox, Metro and TAP Program management.

Remaining Functions

Phase 3B includes a 2-month extension of overall support, a 6-month extension for card distribution and initialization, third party vendor services and server/system hosting and programming support from Xerox. The cost for this extension is \$2.35 Million and includes the continuation of support for Xerox's proprietary Enterprise Content Management System that must be redesigned for Metro. The support for Third Party Vendor Services and Card Distribution, Initialization and Personalization of Cards is necessary while these functions are in the process of procurement. Expectations are that service and the customer experience will improve when Metro takes over the functions.

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's customers or employees.

FINANCIAL IMPACT

Impact to Future Budget: Cost Neutral

Because of cost savings on future contracted regional customer services, transition of the TAP Service Center to Metro is expected to be cost neutral after transition is complete. See Attachment C for transition cost breakdown.

Impact to FY15 Budget: Cost Neutral

This amount was previously budgeted in 2015. The former Xerox contract of \$8.1 Million a year will be reduced to a not-to-exceed amount of \$2.35 Million in FY15 to support remaining transition and services that are needed while TAP procures non-TCU functions, such as card distribution, third party vendor services, and system/server hosting. Going forward in future years, these services will continue to be contracted out and are budgeted at \$2.35 Million annually.

FY15 Xerox contract extension	Not to exceed \$2,350,000
Services allocated in FY15 Budget	\$2,350,000
Impact is cost neutral to FY 15 Budget	\$0

Notes: Figures in Millions. Total Xerox contract in past was \$8.1 Million. As services are procured, Xerox support will end.

Funding for Phase 3B comes from fare revenue and Prop C 40% to the 3020 cost center.

ALTERNATIVES CONSIDERED

The Board was informed in closed session in February 2013 that Metro was ordered to transition TAP Service Center work to Metro as a result of a legally binding arbitration decision. Therefore, transition is mandatory and no alternative was considered in transitioning the work that belonged to the TCU.

NEXT STEPS

With Board approval of the Phase 3B, Metro will continue to move forward with transition of staff, equipment, technology, and workstations. Metro is currently completing two Requests for Proposals for Third Party Vendor Services and TAP Card Initialization & Personalization. Metro will begin converting proprietary software and the Content Management System customized by Xerox. Staff will continue to work with TCU management and County Counsel to comply with the arbitration ruling and will return to the Board with an update on transition progress in September.

Prepared by:

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**PROCUREMENT SUMMARY
REGIONAL TAP SERVICE CENTER**

1.	Contract No.: PS33201664		
2.	Contractor: XEROX Corporation (Formally ACS State and Local Solutions)		
3.	Mod. Work Description: Contract Extension and Additional Funding		
4.	Work Description: Customer Service Center		
5.	The following data is current as of	May 30, 2014	
6.	Contract Completion Status:		
	Bids Opened	N/A	Financial Status
	Contract Awarded	04/18/06	Contract Award Amount
	NTP	04/18/06	Total of Modifications approved
	Orig. Complete Date	10/31/11	Pending Modifications (including this action)
	Current Est. Complete Date	6/30/14	Current Contract Value (with this action)
7.	Contract Administrator: Don Dwyer	Telephone Number: (213) 922-6387	
8.	Project Manager: David Sutton	Telephone Number: (213) 922-5633	

A. Procurement Background

This proposed modification is for an amount NTE \$2.35 Million to cover the anticipated costs during the extended period of performance. Phase 3B (final phase) includes a continuation of limited support from Xerox in order to maintain levels of customer service during training of new labor, transition of work, and procurement of remaining services that are not appropriate to take in-house.

This contract change will be handled in accordance with the LACMTA approved policies and procedures for contract modifications.

On April 18, 2006, Contract No. PS33201664 was awarded to ACS State and Local Solutions/Xerox in the amount of \$31,572,127 as the highest evaluated proposer for the Regional Tap Service Center.

Attachment B shows that twenty-three modifications have been issued to date to add and/or delete work.

B. Cost/Price Analysis

The final negotiated amount will comply with all requirements of Metro's Acquisition Policy and Procedure, fact-finding, clarifications, negotiations, and cost analysis to determine a fair and reasonable price before the contract is executed. This is a firm, fixed unit price contract and the unit prices for this extension have not changed.

	MTA Estimate	Negotiated Amount
1.	NTE \$2.35 Million	TBD

C. Small Business Participation

The subject contract was awarded to Xerox Services (formerly ACS State & Local Solutions, Inc.) in April 2006. This contract was subject to a mandatory DBE goal requirement at the time of award. Xerox made a 6.26% Disadvantaged Business Enterprise (DBE) commitment, listing one (1) DBE subcontractor. Current DBE participation is 4.63%, a 1.63% shortfall. In April 2012 and again in August 2013, Xerox was notified that they were not meeting their DBE commitment, and was asked to submit evidence of their good faith efforts (GFE). Xerox is deemed in Non-Compliance with the DBE requirements, based on the lack of adequate GFE documentation.

Xerox's DBE utilization is not consistent with their contract commitment, as it was revealed that Acumen Building Enterprise (original DBE subcontractor) was under-utilized. This under-utilization shall result in appropriate sanctions. A letter of non-compliance was mailed May 27, 2014, specifying that the appropriate sanction shall include a mandatory DBE Training Session carried out by the Diversity and Economic Opportunity Department (DEOD). Xerox has 10-days from the date of the letter to file a written appeal. Failure to respond within the ten (10) day period shall constitute a waiver of the right to appeal. Xerox shall be responsible for all associated expenses of the DBE Training, including, but not limited to, travel, lodging, meals, etc. Final contract payment will be withheld pending Xerox's completion of the mandatory DBE Training Session.

DBE COMMITMENT	DBE 6.26%	DBE PARTICIPATION	DBE 4.63%
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	DBE Subcontractor	Ethnicity	Commitment %	Current Participation¹
1.	Acumen Building Enterprise	African American	6.26%	4.57%
2.	Two Roads Professional Resources	Non-Minority Woman	Added	0.06%
	Totals		6.26%	4.63%

¹Current Participation = Total Actual amount Paid-to-Date to DBE firms ÷ Total Actual Amount Paid-to-date to Prime.

ATTACHMENT B

Contract Modifications

	Original Contract	4-18-06	\$31,572,127
1.	Administrative Change, Order of Precedence	4-21-06	\$0.00
2.	Administrative Change, Reduce DBE requirement to 6.26%	5-18-06	\$0.00
3.	Administrative Change, Re-allocate Costs	11-3-06	\$0.00
4.	Fare Evasion Study	11-7-07	\$78,427
5.	Deductive Change, Actual Cost of Fare Evasion Study	8-25-08	-\$17,684
6.	Printing of Mifare Cards for Retirees and Metro Dependents	7-25-08	\$36,158
7.	Contactless Smart Card Stock	10-20-08	\$500,000
8.	Extend Period of Performance	7-31-11	\$500,000
9.	Extend Period of Performance	7-29-11	\$2,000,000
10.	Extend Period of Performance	10-31-11	\$500,000
11.	Extend Period of Performance	11-30-11	\$500,000
12.	Extend Period of Performance, Ratify Actual Expenditures, Partial Claim Settlement	6-28-12	\$14,200,896
13.	Add Temporary Staff for Spike in Card Processing	10-29-12	\$36,946
14.	Add Temporary Staff for Spike in Call Volume	11-13-12	\$39,577
15.	Settlement of Envision Claim	12-18-12	\$150,000
16.	Add Temporary Staff for Processing Increased Volume of Transactions, April to June 2013	4-10-13	\$355,277
17.	Extend Period of Performance to 6-30-14	5-23-13	\$8,800,000
18.	Add Temporary Staff to process expired Student TAP Cards	7-26-13	\$250,516
19.	Call Center Support and Server Memory Upgrade	10-11-13	\$29,636
20.	Transition Support	2-25-14	\$57,755
21.	Website Enhancements	11-12-13	\$38,920
22.	Siebel Software	3-26-14	\$0.00
23.	50,000 Commemorative TAP cards for Union Station 75th Anniversary	5-28-14	\$8,195
24.	Extend Period of Performance, Additional funding to bring Phase 3B TAP Service Center functions in-house	Pending	\$2,350,000
	Total		\$61,986,746

ATTACHMENT C

Transition Costs – Phases 1, 2 & 3

1	Phase 1 (In progress) 38 FTEs approved by Board in March 2013 FTEs: Call Center and Reduced Fare Application Processing	\$3,191,317
2	Phase 2 (in progress) 18 FTEs approved by Board in November 2013 FTEs: Stockroom, Corporate Programs, Regional Accounting	\$1,830,069
3	Phase 3A (in progress) 6 FTEs Approved by Board in April 2014 FTEs: Finance, Database Oversight, Program Coordination	\$736,032
4.	Phase 3B No FTEs	\$0
5.	Estimate for Future Contracted Services (Card Initialization & Personalization, Third Party Vendor Network Services)	\$2,350,000
6.	Xerox Contract Amount (Expiring June 2014)	\$8,134,474
7.	Future Recurring TAP Annual Costs (FTEs + Estimated Future Contracted Services)	\$8,107,418
8.	Annual Cost Savings After Transition	\$27,056

9.	One-Time Transition Costs	
10.	Phase 1: Hardware, software, technology, furniture, office build-out and equipment) Approved by Board in March 2013	\$1,000,000
11.	Phase 2: Additional hardware, software, technology, furniture, office build-out and equipment Approved by Board in November 2013	\$600,000
12.	Phase 3A: No funds requested	\$0
13.	Phase 3B: Cost Neutral	\$0
14.	Total One-Time Costs (Phases 1, 2, 3A & 3B)	\$1,600,000