



# MTA Headquarters Procurements

**Lisette Camilo**, Chief Administrative Officer/Interim Chief Procurement Officer

## PROCUREMENTS

The Procurement Agenda this month includes 2 actions for a proposed estimated expenditure of \$231.2M.

<b>Subject</b> Request for Authorization to Award Various Procurements					
<b>Department</b> MTA Procurement					
<b>Department Head Name</b> Lisette Camilo					
<b>Department Head Signature</b> <i>Lisette Camilo</i>					
<b>Project Manager Name</b> Rose Davis					
<b>Board Action</b>					
<b>Order</b>	<b>To</b>	<b>Date</b>	<b>Approval</b>	<b>Info</b>	<b>Other</b>
1	Committee	05/20/24			
2	Board	05/22/24			

May 18, 2024			
<b>Department</b>			
<b>Department Head Name</b>			
<b>Department Head Signature</b>			
<b>Internal Approvals</b>			
	<b>Approval</b>		<b>Approval</b>
	CAO		
	Legal		
	CFO		

<b>Internal Approvals (cont.)</b>							
<b>Order</b>	<b>Approval</b>	<b>Order</b>	<b>Approval</b>	<b>Order</b>	<b>Approval</b>	<b>Order</b>	<b>Approval</b>

**PURPOSE**

To obtain approval of the Board to award various contracts and purchase orders, and to inform the MTA Headquarters Committee of these procurement actions.

**DISCUSSION**

**MTA Headquarters proposes to award Noncompetitive procurements in the following categories:**

<u>Schedules Requiring Majority Vote:</u>	<u># of Actions</u>	<u>\$ Amount</u>
Schedule G: Miscellaneous Service Contracts	2	\$ 231.2 M
<b>SUBTOTAL</b>	<b>2</b>	<b>\$ 231.2 M</b>

**MTA Headquarters proposes to award Competitive procurements in the following categories: None**

**MTA Headquarters proposes to award Ratifications in the following categories: None**

<b>TOTAL</b>	<b>2</b>	<b>\$ 231.2 M</b>
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**COMPETITIVE BIDDING REQUIREMENTS:** The procurement actions in Schedules A, B, C, and D are subject to the competitive bidding requirements of PAL 1209 or 1265-a relating to contracts for the purchase of goods or public work. Procurement actions in the remaining Schedules are not subject to these requirements.

**BUDGET IMPACT:** The purchases/contracts will result in obligating funds in the amounts listed. Funds are available in the current operating/capital budgets for this purpose.

**RECOMMENDATION:** That the purchases/contracts be approved as proposed. (Items are included in the resolution of approval at the beginning of the Procurement Section.)

## **BOARD RESOLUTION**

**WHEREAS**, in accordance with Sections 1265-a and 1209 of the Public Authorities Law and the All-Agency General Contract Procurement Guidelines, the Board authorizes the award of certain noncompetitive purchase and public work contracts, and the solicitation and award of requests for proposals regarding purchase and public work contracts; and

**WHEREAS**, in accordance with the All-Agency Service Contract Procurement Guidelines and General Contract Procurement Guidelines the Board authorizes the award of certain noncompetitive miscellaneous service and miscellaneous procurement contracts, certain change orders to purchase, public work, and miscellaneous service and miscellaneous procurement contracts, and

**WHEREAS**, in accordance with Section 2879 of the Public Authorities Law and the All-Agency Service Contract Procurement Guidelines, the Board authorizes the award of certain service contracts and certain change orders to service contracts.

NOW, the Board resolves as follows:

1. As to each purchase and public work contract set forth in annexed Schedule A, the Board declares competitive bidding to be impractical or inappropriate for the reasons specified therein and authorizes the execution of each such contract.
2. As to each request for proposals (for purchase and public work contracts) set forth in Schedule B for which authorization to solicit proposals is requested, for the reasons specified therein, the Board declares competitive bidding to be impractical or inappropriate, declares it is in the public interest to solicit competitive request for proposals, and authorizes the solicitation of such proposals.
3. As to each request for proposals (for purchase and public work contracts) set forth in Schedule C for which a recommendation is made to award the contract, the Board authorizes the execution of said contract.
4. As to each action set forth in Schedule D, the Board declares competitive bidding impractical or inappropriate for the reasons specified therein and ratifies each action for which ratification is requested.
5. The Board authorizes the execution of each of the following for which Board authorization is required: (i) the miscellaneous procurement contracts set forth in Schedule E; (ii) the personal service contracts set forth in Schedule F; (iii) the miscellaneous service contracts set forth in Schedule G; (iv) the modifications to personal/miscellaneous service contracts set forth in Schedule H; (v) the contract modifications to purchase and public work contracts set forth in Schedule I; and (vi) the modifications to miscellaneous procurement contracts set forth in Schedule J.
6. The Board ratifies each action taken set forth in Schedule K for which ratification is requested.

**MAY 2024**

**LIST OF NONCOMPETITIVE PROCUREMENTS FOR BOARD APPROVAL**

**Procurements Requiring Majority Vote:**

**G. Miscellaneous Service Contracts**

(Staff Summaries required for items estimated to be greater than \$1,000,000.)

- |  |                      |                                      |
|--|----------------------|--------------------------------------|
| <b>1. Masabi LLC</b><br><b>7 years with one 5-year Option</b><br><b>Master Contract # 16022</b>                                | <b>\$97,069,659</b>  | <b><i>Staff Summary Attached</i></b> |
| Award of a contract to continue administering the Mobile Ticketing Program for Long Island Rail Road and Metro-North Railroad. |                      |                                      |
| <b>2. Scheidt &amp; Bachmann USA</b><br><b>5.5 years with two 5-year Options</b><br><b>Contract # 90000000004653</b>           | <b>\$134,134,782</b> | <b><i>Staff Summary Attached</i></b> |
| Award of a contract to replace and upgrade the fare collection solution for Long Island Railroad and Metro-North Railroad.     |                      |                                      |

**Schedule G: Miscellaneous Service Contracts**

Item Number: 1

<b>Vendor Name (Location)</b> Masabi, LLC (New York, New York)
<b>Description:</b> Mobile Ticketing Program for Long Island Rail Road and Metro-North Railroad
<b>Contract Term (including Options, if any)</b> Seven years with one 5-year Option
<b>Option(s) included in Total Amount?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> n/a
<b>Procurement Type:</b> <input type="checkbox"/> Competitive <input checked="" type="checkbox"/> Noncompetitive
<b>Solicitation Type:</b> <input type="checkbox"/> RFP <input type="checkbox"/> Bid <input checked="" type="checkbox"/> Other: Sole-Source

<b>Contract Number</b> Master Contract 16022	<b>Renewal?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Total Amount:</b>	\$97,069,659 (estimated)
<b>Funding Source</b> <input checked="" type="checkbox"/> Operating <input checked="" type="checkbox"/> Capital <input type="checkbox"/> Federal <input type="checkbox"/> Other:	
<b>Requesting Department:</b> Timothy Hughes, LIRR Ticket Selling & Technology Anne Doyle, MNR Fare Collection Technology	

**Discussions:**

MTA Headquarters is seeking Board approval to award a noncompetitive miscellaneous service contract to Masabi, LLC (“Masabi”) to continue administering the Mobile Ticketing Program for Long Island Rail Road (“LIRR”) and Metro-North Railroad (“MNR”), collectively (“the Railroads”). This contract will provide continued MTA TrainTime enablement through Masabi’s Justride mobile software development kit (“SDK”) with new unified fares, improve TrainTime experience for railroad riders, and provide integration of railroad ticketing with MTA’s new One Metro New York (“OMNY”) program. This is a seven-year contract in the amount of \$59,744,659. Included is one 5-year Option in the estimated amount of \$37,325,000, for an overall estimated contract value of \$97,069,659. The Board is also requested to authorize the Presidents of LIRR and MNR or designee to approve the exercise of the five-year Option.

In April 2014, the MTA Board approved the award of a competitively negotiated miscellaneous service contract (15590) to Masabi for the development and implementation of a mobile ticketing program that enables railroad customers to purchase and download tickets on their mobile devices for conductors to scan and validate. In June 2016, e-Tix, now called TrainTime, was launched. The application provided tremendous growth and enhanced customer service with convenient ticket-purchasing options. The technology facilitates onboard train ticket inspection and validation to maximize revenue collection and minimize cash and ticket handling to encourage a more efficient and sanitary environment for both the conductors and the riders. Contract 15590, in the aggregate value of \$47,966,389, scheduled to expire in February 2026, will be subsumed by the award of this Contract 16022.

The New Fare Payment System approved by the Board in 2020 for the Railroads was targeted to replace the mobile ticketing program by mid-2025. The current schedule shows the installation of the New Fare Payment System from Cubic will not be completed until 2027. The lack of schedule certainty for mobile ticketing and cost estimates to preserve mobile ticketing in the interim period, combined with the organic adoption and success of TrainTime mobile ticketing, caused the critical need to find an alternative path forward for the benefit of the MTA and customers. In April 2024, the MTA Chief Administrative Officer, the LIRR President, and the MNR president approved the declaration of an Immediate Operating Need in accordance with the MTA All-Agency Procurement Guidelines to allow a new noncompetitive longer-term agreement for Masabi to continuously administer, maintain, and enhance the mobile ticketing program for the Railroads with integration to the new OMNY experience. Conducting a separate competitive procurement will cause extensive delays and a huge detriment to the MTA’s fare collection programs. Strategically contracting with an established incumbent vendor, Masabi will achieve desired updates and improvements while greatly mitigating risk of delivery and quality with MTA’s OMNY program. This presents a viable option to overcome critical delivery challenges and will expedite implementation, which aligns with MTA’s objectives of delivering cost-effective, customer-centric, and technically sound solutions within a favorable timeline. The Masabi mobile ticketing application is proprietary to Masabi and can only be maintained, supported, and enhanced by Masabi. Given the importance of mobile ticketing to the Railroad’s fare collection, the MTA has a critical need to eliminate risk from any changes to mobile ticketing, support continuity in operations, and maintain the mobile ticketing experience expected by the ridership.

Under this contract, Masabi will continue to provide (1) core platform services that are currently deployed and in use; (2) new platform capabilities that support OMNY fare media for payment; and (3) new platform capabilities that support the potential for joint (Railroad and NYC Transit) ticket sales. Additionally, Masabi will create an SDK that allows the MTA to (1) build a new onboard sales and validation device for inspection and tap-and-go onboard sales; (2) provide customer discounts based on ride history; and (3) provide one-MTA login (Single Sign-On) for customers.

Since the 2016 launch of mobile ticketing, Masabi's software has become critical to Railroad fare collection operations. Today, 70 percent of MNR and LIRR's revenue is generated from mobile ticketing. The Railroads expect that number to increase over the next two years. Customer reports show that MTA's commuter railroad mobile ticketing application powered by Masabi is one of the greatest drivers of customer satisfaction, rating a 4.9/5-star rating in the app store.

Years 1–2 of negotiated pricing with Masabi (2024–2026) covers the assumption of the remaining years from Contract 15590 and are at same level of estimated annual spend that was established under the previous contract. However, this new contract will now include a 0.55 percent transaction fee, reduced from 1.25 percent under the prior contract; a \$7.5 million annual fee for the platform license; a \$5.1 million one-time fee for up-front development costs, which include interoperability support with OMNY for ticket purchasing, fare validity services to support potential fare policy changes and backend data integration services; and a \$200,000 annual allocation for engineering services, which may be applied toward the one-time fee for up-front development costs to support OMNY integration, utilizing the same labor rates established in 2020.

For Years 3–7 (2026–2031), there is no transaction fee if the annual fare revenue is below \$800 million. A 1 percent fee applies only to the value of the sales that exceed the \$800 million threshold. Also included are \$4.8 million for the platform license fee for 2026 (a \$2.7 million reduction from the prior year), which increases by 2.5 percent annually for each outer year. The platform license fee and transaction fees are capped and will not exceed \$5.25 million, \$5.52 million, \$5.8 million, \$6.08 million, and \$6.365 million respectively in Years 3–7. Finally, the contract continues to allocate \$200,000 annually for as-needed engineering services utilizing the established labor rates with escalation provisions applied every two years starting in Year 3. The escalation rate shall be the lesser of the consumer price index or the Employment Cost Index as published by the US Bureau of Labor Statistics for that particular year. Due to these caps, the MTA is projected to save approximately \$13 million for Years 3–7, based on the Office of Management and Budget revenue estimates. By utilizing this newly negotiated contract rate, it is estimated that the MTA's cost for Masabi's services is reduced by \$35.6 million over the next seven years (compared to the previous contract rate). The projected total cost of the base is estimated at \$59,744,659.

For the five-year option (2031–2036), the pricing structure for Years 3–7 (base period) will continue to apply for option Years 8–12. The overall cost to the MTA will be capped between \$6.8 and \$8 million annually in the Option years. This yields a projected total estimated cost of the Option to be \$37,325,000.

Effective negotiations with Masabi resulted in higher discounts than previous contracts and annual "not-to-exceed" caps that resulted in annual costs of \$5.45–\$6.56 million, compared to the previous contract spend of approximately \$12 million per year. LIRR and MNR project leads, and MTA Procurement have deemed pricing provided by Masabi to be fair and reasonable.

This contract has been evaluated to determine the necessity and appropriate scope, if any, of cybersecurity requirements, including any requirements under federal, state, and local law and regulations. Any applicable cybersecurity requirements, to the extent required, will be included in the contract terms and conditions.

Masabi has certified pursuant to EO16 that it is not doing business in Russia.

#### **M/W/DBE Information**

Due to the lack of subcontracting opportunities and the emergency nature of this procurement, MBE/WBE/SDVOB goals were established at zero percent.

#### **Impact on Funding**

Funding is provided by both the MTACD Capital Budget and Operating Budgets from the Railroads; and will not exceed limits approved by the Board.

## Schedule G: Miscellaneous Service Contracts

**Item Number:**

<b>Vendor Name (Location)</b> Scheidt & Bachmann USA (Lowell, Massachusetts)	<b>Contract Number</b> 900000000004653	<b>Renewal?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Description</b> Fare Collection System for LIRR and MNR	<b>Total Estimated Amount:</b> \$134,134,782	
<b>Contract Term (including Options, if any):</b> May 30, 2024–December 31, 2039 5.5-year base + two 5-year Options	<b>Funding Source</b> <input checked="" type="checkbox"/> Operating <input checked="" type="checkbox"/> Capital <input type="checkbox"/> Federal <input type="checkbox"/> Other:	
<b>Option(s) included in Total Amount?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> n/a	<b>Requesting Department:</b> Robert Free, President, LIRR Catherine Rinaldi, President, Metro-North	
<b>Procurement Type</b> <input type="checkbox"/> Competitive <input checked="" type="checkbox"/> Noncompetitive (Sole-Source)	<b>Contract Manager:</b> Danny Yong, MTAHQ Procurement	
<b>Solicitation Type</b> <input type="checkbox"/> RFP <input type="checkbox"/> Bid <input checked="" type="checkbox"/> Other: Negotiation		

**Discussion:**

MTA Headquarters is seeking Board approval to award a noncompetitive miscellaneous service contract to Scheidt & Bachmann USA (“S&B”) in the estimated amount of \$70,664,492 for a base period of 5.5 years and \$63,470,290 for two 5-year Options to replace and upgrade the fare collection solution for Long Island Railroad (“LIRR”) and Metro-North Railroad (“MNR”), collectively (“the Railroads”). S&B will install new state-of-the-art Ticket Vending Machines/Ticket Office Machines (TVMs/TOMs), upgrade back-office software for device management and compliance to Payment Card Industry Data Security Standards (“PCI DSS”) and cybersecurity requirements, decommission and remove old machines, and provide life cycle maintenance. The Board is also requested to authorize the Agency Presidents for LIRR and MNR or designee to approve the exercise of the two 5-year Options.

The current fare collection TVMs/TOMs were first installed by S&B in year 2000. Over time, hardware components have been refurbished and upgraded multiple times to keep these obsolete ticketing machines operational and maintained in a state-of-good-repair. By year 2025, S&B will be unable to maintain the same level of support. The risk of service disruption will therefore increase as more critical replacement parts become no longer available. TVMs/TOMs represent 30 percent of the Railroads’ ticket sales with 99 percent availability. This disproportionately impacts customers without mobile devices, may increase on-board sales, slow down train crews, and potentially increase fare evasion.

Additionally, S&B TVMs/TOMs and fare collection system software can no longer be updated to comply with the newly mandated PCI DSS standards. Failure to comply with PCI DSS risks significant fines imposed by payment processors and credit card companies, and possibly prohibits the use of payment cards at the ticketing machines. PCI DSS is the standard security framework that includes a set of policies and procedures to optimize the security of credit, debit, and cash transactions, and protect cardholders against misuse of their personal information. Any disruption of credit card uses and transactions results in unsatisfactory customer service.

The New Fare Payment System approved by the Board in 2020 for the Railroads was targeted to replace the S&B fare collection system. The current schedule shows the installation of the New Fare Payment System from Cubic will not be completed until 2027. To avoid interruption, the New Fare Payment System would need to be fully installed by mid-2025. This schedule uncertainty created the critical and urgent need to find an alternative to the planned New Fare Payment System. An Immediate Operating Need, approved by both LIRR and MNR presidents on April 3, 2024, and by the MTA Chief Procurement Officer authorized urgent procurement actions to address a critical need to negotiate with S&B a full replacement of proprietary ticketing machines, related software license, and maintenance and support that can only be performed by S&B. S&B’s ticketing hardware and software has provided and supported the Railroads’ fare collection system to for over 24 years. S&B’s performance has demonstrated that it fully understands the Railroads’ ticketing operations and is uniquely qualified to deliver its next generation fare collection system within a timeline that meets the Railroads’ requirements for uninterrupted service. Conducting a separate competitive procurement for full replacement of TVMs/TOMs will cause detriment and extensive delays to the MTA’s fare collection systems. Strategically replacing hardware and software with an established incumbent vendor such as S&B will achieve desired updates and improvements while greatly mitigating risk of delivery. Contracting with current railroad fare collection vendors presents a viable option to overcome critical delivery challenges and will expedite implementation that aligns with the MTA’s objectives of delivering cost-effective, customer-centric, and technically sound solutions within a favorable timeline.



## Schedule G: Miscellaneous Service Contracts

The S&B project timeline is to deliver 471 TVMs and 114 TOMs; installation will begin in 2025. The majority of the ticketing machines will be installed by the end of November 2025, and the balance by the first half of 2026. Removal of machines not being replaced will take place in 2026. This timeline critical path includes system design specification/review/approval, software development and integration, testing, acceptance, manufacturing, delivery, installation, maintenance, and removal.

The updated software to support MTA back-office operations will provide (1) an optimized and improved user interface; (2) streamlined distribution to user workstations; and (3) better and more configurable security features. The updated software for PCI DSS compliance will provide a mechanism for tokenizing credit and debit card numbers that will allow for integration to refund claims and chargeback systems without the overhead of PCI compliance risk.

The total negotiated price for the full contract term with Options is \$134,134,782. Negotiations yielded a 13.6 percent or about \$7 million price reduction in equipment and parts from 2023 pricing. S&B confirmed that because this is a modernization of the fare collection systems for the MTA and not a new implementation, S&B has afforded the MTA an additional reduction of 6 percent compared to their other government customers related to installation, design, testing, and manufacturing of equipment. S&B also held the same maintenance fees and 1.5 percent annual escalation fee as established in the previous contract, negotiated in 1998. This escalation rate remains fixed as long as the inflation/consumer price index rate remains at 2.5 percent or lower. If inflation is higher than 2.5 percent, the incremental amount (above 2.5 percent) in inflation will be added to the pricing from the previous year. If in the next year, inflation is below 2.5 percent, the annual escalation reverts to the 1.5 percent rate. This is a unique benefit to MTA as S&B's other customers apply actual inflation indexation changes each year without a threshold. S&B has confirmed that MTA has been provided with the best discounts offered compared to any of their other government customers. The optional years follow the same pricing structure.

Pricing is broken down as follows:

<b>Purchase of Equipment and Parts (Delivery within years 2024–2026 and payable based on agreed-upon payment schedule)</b>	
Ticket Vending Machines	\$ 26,847,000
Ticket Office Machines	\$ 1,881,000
Spare Parts	\$ 3,734,650
Installation	\$ 2,099,100
Software	\$ 3,277,802
Removals of 96 TVMs and 6 TOMs (without replacing new)	\$ 155,940
Management, support, and maintenance of dual back end (FareGo Data and P2PE related services)	\$ 1,000,000
Allocation for project management, design specification, documentation, training, hardware development, QA, SW Development, SW QA.	\$ 5,000,000
Performance Bond	\$ 253,500
	<b>\$ 44,248,992</b>
<b>Maintenance and Support (2025–2029)</b>	
HW Maintenance	\$ 15,485,970
SW Maintenance	\$ 4,662,040
P2PE Payment Gateway	\$ 2,353,320
Cybersecurity Related Maintenance & Services	\$ 2,892,560
Life Cycle Maintenance & Replacement	\$ 521,610
Allocation for Out-of-Scope Work	\$ 500,000
	<b>\$ 26,415,500</b>
<b>Estimated 5.5-Year Contract Value</b>	
	<b>\$ 70,664,492</b>
First 5 Year Options (2030–2034)	\$ 30,575,830
Second 5 Year Options (2035–2039)	\$ 32,894,460
<b>Total Contract Value with Options</b>	<b>\$134,134,782</b>

## Schedule G: Miscellaneous Service Contracts

This contract is being evaluated to determine the necessity and appropriate scope, if any, of cybersecurity requirements, including any requirements under federal, state, and local law regulations. Any applicable cybersecurity requirements, to the extent required, will be included in the contract terms and conditions.

S&B has certified that pursuant to EO 16, it is not doing business in Russia.

### **Impact on Funding**

Funding for this modification is provided by MTACD Capital budget and Operating budget from the Railroads.

### **Alternatives**

None. The Railroads do not have the in-house expertise or resources to build, program, and maintain this complex system.