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Memorandum

TO: BATA Oversight Committee

DATE: March 4, 2015

FR: Executive Director

W. I. 1252

RE: Program Update – FasTrak® Regional Customer Service Center Performance and Toll Collection Costs

This item provides an update on the FasTrak® Regional Customer Service Center (CSC) performance, the role of Jacobs Engineering Group, Inc. (Jacobs) as the program's technical advisor, and a discussion of toll collection costs.

Last month, staff presented the performance to date of the FasTrak® CSC operated by Xerox. Xerox's contract includes \$8.9 million for development of an upgraded toll processing and account management system and \$108.5 million for five years of operations. Since the new system was deployed in November 2014, performance has been extremely poor, primarily due to errors in the transition to the new system, delays clearing a correspondence backlog, deployment of incorrect business rules, insufficient staff training on the new system, and other errors. Xerox is making headway on resolving these issues, however, at a slower pace than expected by BATA. Xerox has provided a corrective action plan and expects to meet contract-required performance standards by the end of March. BATA has assessed Xerox over \$330,000 in penalties for not meeting performance standards in November and December 2014, and penalties for January and February 2015 are estimated at an additional \$230,000. An overview of the CSC call answering performance to date is included in Attachment A.

Role of Jacobs Engineering, Inc. in Delivering the Regional Customer Service Center

At last month's meeting, the Committee approved a \$250,000 contract amendment with Jacobs to provide a greater level of oversight of Xerox's performance. Jacobs has provided long-term support for this project since 2011, providing valuable technical and operational expertise and acting as an extension of BATA staff. Jacobs staff has played an integral part in all stages of the project, including planning, development of the request for proposal (RFP) and functional performance requirements, procurement assistance, review of system design, oversight of testing, and support for the start-up of operations.

Jacobs' staff has deep expertise and experience in the tolling industry and specific knowledge in CSC operations. During Xerox's development and testing phases, Jacobs' technical assistance provided support to and augmentation of BATA staff for review of software design documents, policy and procedures manuals, website design, automated phone scripts, customer correspondence templates, reports templates and test plans submitted by Xerox. Timely review of submittals was required to maintain the project schedule. In addition, Jacobs provided onsite technical resources to validate Xerox's internal testing in Germantown, MD, as well as to verify equipment setup at the server facility prior to launch of the new system in November. Jacobs also provided additional resources with

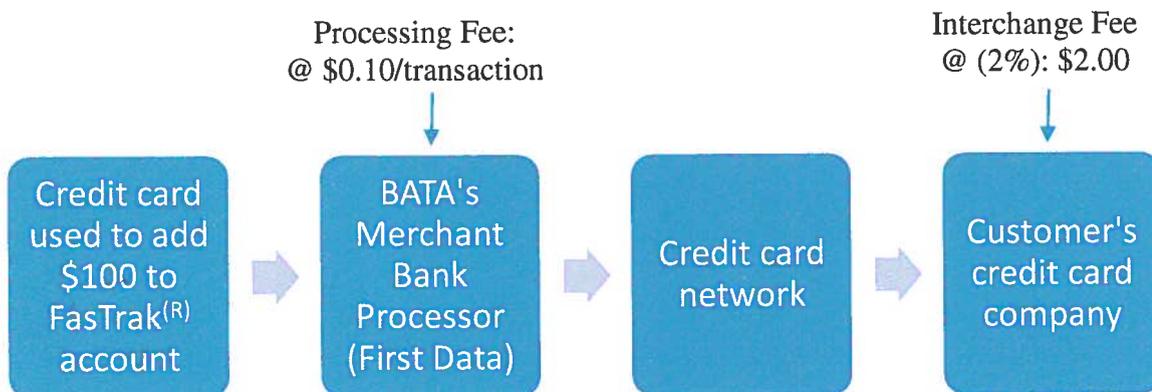
financial knowledge to review and provide recommendations on financial procedures and reporting performed by Xerox. Jacobs also provided oversight for several weeks of factory acceptance testing and user acceptance testing that was performed by Xerox to demonstrate readiness of the system.

In 2014, Jacobs helped shepherd the CSC's move to their current location, including the relocation of servers to Xerox's facility in Germantown, MD. Additionally, they recommended the stringent contract KPIs that are currently in effect.

With assistance from Jacobs, staff will continue to work with Xerox to ensure corrective actions are deployed and monitor data to ensure issues are identified and addressed quickly. Resources from Jacobs allows for more on-site presence and oversight at the CSC facility. If Xerox's performance does not improve, BATA has reviewed the remedy options available under the contract to address non-performance. Staff will bring potential remedies to the FasTrak[®] Management Group for direction and report back to this Committee.

Credit Card Processing Fees and Cost of Toll Collection

At its January meeting, this Committee also requested clarification about credit card processing fees for the FasTrak[®] program as well as overall operating costs associated with toll collection. Most FasTrak[®] accounts are pre-paid accounts replenished on a monthly basis by credit card. Replenishment amounts are automatically calculated based on past usage. When a credit card is used to load value to a FasTrak[®] account, the FasTrak[®] program pays a processing fee of about \$0.10 per credit card transaction and an interchange fee of about 2% of the credit card transaction amount, for a total of about 2.1% of credit sales. For comparison, the Clipper[®] program pays fees of about 2.2% of credit sales. The example below illustrates how credit card fees are assessed.



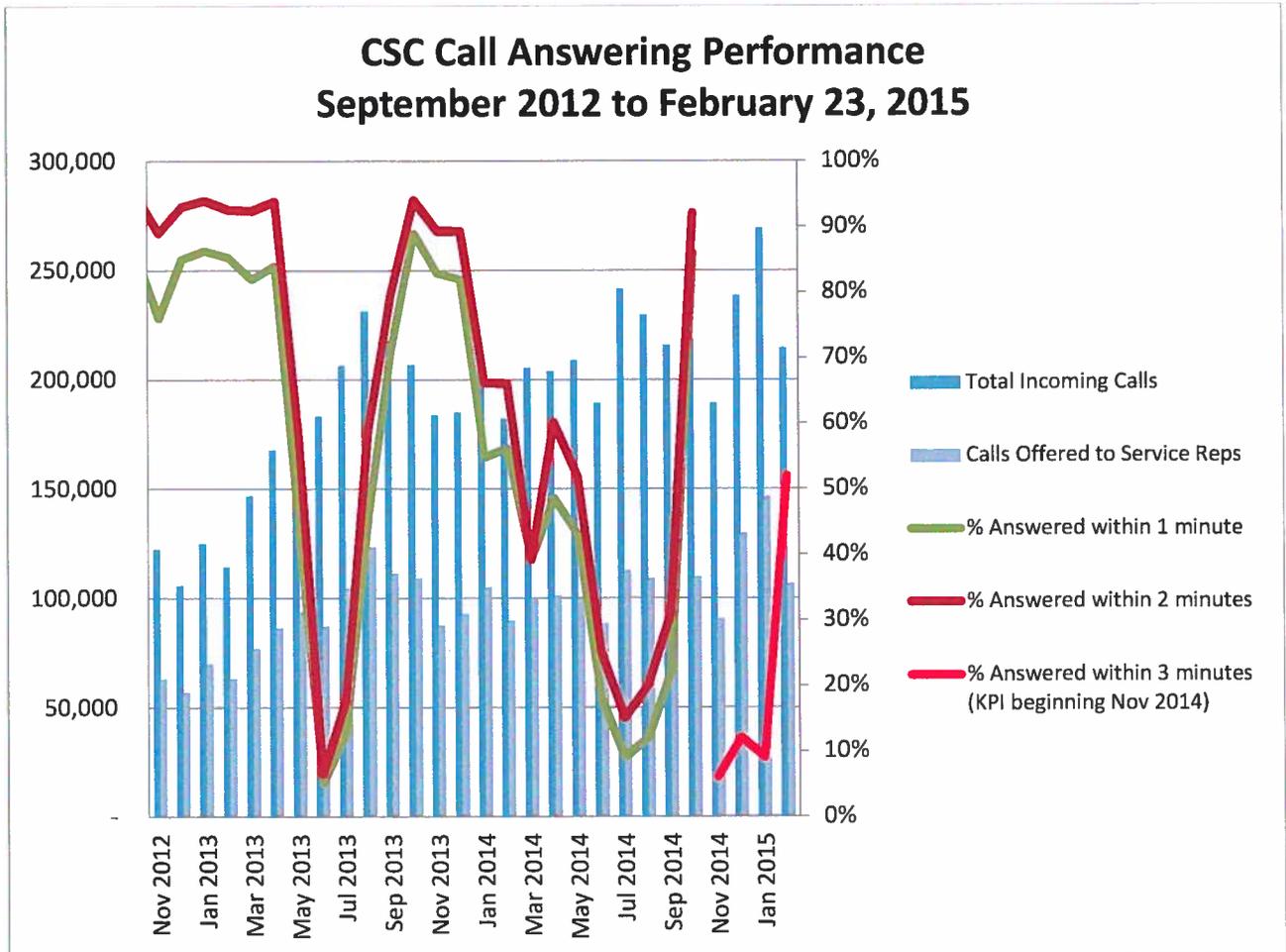
Attachment B shows the breakdown of costs for operating the bridges and collecting tolls. The cost to collect a cash toll is approximately \$0.68 compared to a cost of \$0.60 using FasTrak[®]. The largest cost component for cash collection is Caltrans operations and maintenance. The largest cost components for FasTrak[®] are operations of the FasTrak[®] CSC and electronic banking/credit card processing fees. The structure of the new FasTrak[®] CSC contract has resulted in lower monthly costs, at least in the initial months of operations. For banking/credit card processing fees, BATA has limited options for reducing these fees; however in the future, combined government bids may help to control these costs.



Steve Heminger

SH:bz

Attachment A



Attachment B: Cost to Collect Tolls

	FY 13/14 Actual Cost	Percent of Cost	FasTrak®	Cash
Caltrans operations & maintenance	\$28,465,973	36%	\$3,957,265	\$24,508,708
FasTrak customer service center operations	\$23,239,289	29%	\$23,239,289	\$0
Lane maintenance	\$3,781,447	5%	\$2,420,126	\$1,361,321
Banking - electronic	\$10,265,526	13%	\$10,265,526	\$0
Banking - vault	\$1,000,000	1%	\$0	\$1,000,000
Collections, DMV (FasTrak)	\$1,692,472	2%	\$1,692,472	\$0
BATA administration	<u>\$11,093,526</u>	14%	<u>\$7,099,857</u>	<u>\$3,993,669</u>
Total	<u>\$79,538,233</u>		<u>\$48,674,535</u>	<u>\$30,863,698</u>
Total transactions	126,281,000		80,819,840	45,461,160
Cost per transaction	\$0.63		\$0.60	\$0.68