



STAFF REPORT

DATE: April 26, 2021
TO: Sacramento Regional Transit Board of Directors
FROM: Brent Bernegger, VP, Finance/CFO
SUBJ: APPROVING A SOLE SOURCE PROCUREMENT AND SIXTH AMENDMENT TO THE CONTRACT FOR MOBILE AND ONLINE FARE APPLICATION WITH BYTEMARK, INC.

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

Approval of the attached Resolution will extend the term of the Contract with Bytemark, Inc. (Bytemark) for a mobile fare application through June 30, 2023 and add a new feature to the existing application.

FISCAL IMPACT

The proposed amendment will result in an increase in monthly fees of \$1,550 for the remainder of the original Contract term, as well as an onboarding fee of \$5,200 for each partner that will use the voucher code functionality. However, the amendment will eliminate the current \$.05 fee that is due for each voucher code generated from a Fare Vending Machine. The monthly fees for the extension term would be \$2,875 per month for the back-office support and hosting and \$1,900 per month for licensing and support for the voucher code software. The increased monthly costs and onboarding fees incurred will be offset by lower than anticipated transaction fees due to COVID-19 and therefore will not have an impact on budgeted operational costs in FY21. These fees have been included in their entirety in the proposed annual operating budget for FY22.

DISCUSSION

In June 2016, SacRT released a request for proposal for a mobile and online ticketing application. Six firms, including Bytemark submitted proposals. On March 9, 2017, SacRT executed a contract with Bytemark. The contract is currently set to expire on March 5, 2022. SacRT partnered with Bytemark in March 2017 to launch ZipPass, SacRT's first permanent Mobile Fare Application.

The proposed Sixth Amendment would add a new feature to the application and extend the existing Contract through June 30, 2023. This new feature will allow other entities that have transfer or pass agreements with SacRT to create a portal to provide voucher codes that will be redeemable in the mobile fare application for specified fare media,

which will improve and provide better payment and inter agency operability for the customer and SacRT.

ZipPass has been well received by SacRT's customers. Sales were consistently growing prior to the onset of COVID-19 and peaked at over \$156,000 during the month of January 2020.

In July 2019, the SacRT Board approved the Fifth Amendment to the Contract with Bytemark. This amendment added a feature that allowed passengers to pay with cash at SacRT's new Fare Vending Machines (FVMs) and obtain ZipPass voucher codes that are redeemable for tickets. This latest addition to the Bytemark application may have been the start to an exciting opportunity to expand the reach of ZipPass to thousands of new and existing customers.

Under the Fifth amendment to the Contract with Bytemark (current condition), SacRT pays an additional \$350 per month for the voucher code functionality, plus \$0.05 per voucher code generated by the FVMs. The Fifth Amendment also specified that SacRT would be able to issue complimentary voucher codes as part of marketing campaigns but did not provide for any other voucher code functionality.

The proposed Sixth Amendment includes a software licensing agreement that would allow SacRT to expand this voucher code feature. The proposal would require SacRT to pay a one-time fee of \$5,200 for each new implementation (no limit to number of implementations) and increase the monthly fee from \$350 to a flat \$1,900 regardless of the number of implementations that have been added. Additionally, Bytemark will waive the \$0.05 code generation fee that is part of the existing Fifth Amendment. The voucher software would allow SacRT to establish the types of fare media for which a third-party can generate voucher codes and provide records to SacRT of the voucher codes that have been generated by that entity, which could then be used for billing or reconciliation under the transfer or pass agreement.

On October 26, 2020, the Board approved the Agreement between Capitol Corridor Joint Powers Authority (CCJPA) and Sacramento Regional Transit District for Subsidized Transit Transfer Program, which assumed implementation of a voucher program. Execution of that agreement has been on hold pending resolution of a solution with Bytemark. CCJPA and Bytemark have worked together, independent of SacRT, on a proof of concept for using the voucher code feature in an online environment and found the results to be positive. Staff believes that, if approved, CCJPA passengers who wish to transfer to SacRT could take advantage of this feature as soon as May 1, 2021.

While the FVM implementation and potential addition of CCJPA are great for SacRT, they both will be limited in size due to reduced ridership from COVID-19. To better test this technology and take full advantage of the benefits that it could provide, Staff is looking to expand this feature for other uses.

Los Rios and Sacramento State have both expressed a desire to discontinue use of the pass stickers and paper sleeves that are distributed to their respective students each semester. The onset of COVID-19 has made distribution of fare media especially difficult. While there were previous discussions regarding a transition to Connect Card, each campus has previously expressed a preference for a mobile solution. The new

Bytemark feature provides an opportunity for SacRT to offer ZipPass as a potential solution for Los Rios and Sacramento State students.

Staff has had preliminary discussions with Los Rios about the idea of using the voucher code feature and received very positive feedback. Staff also plans to discuss this option with Sacramento State soon. However, SacRT's current agreement with Bytemark is set to expire on March 5, 2022. While a Fall 2021 semester implementation is possible, Staff believes that it would not in the best interest of SacRT or the college students to pursue an implementation for a single semester. Extending the agreement to cover an additional two semesters would provide an opportunity for a robust test of this implementation. The information from the expanded voucher program will help shape the criteria and structure for the future of SacRT's mobile fare application(s) and pass programs.

Under the terms of the existing Contract, SacRT pays Bytemark \$2,850 per month for back-office hosting and support, an amount that was increased by the Fifth Amendment from the original 2017 amount of \$2,500. Under the Bytemark proposal, the back-office hosting and support fee would be reduced back to \$2,500 until June 30, 2022 and a \$1,900 per month fee would be added for the voucher software licensing and support. The monthly back-office hosting and support fee would increase to \$2,875 per month effective July 1, 2022 (increase of \$4,500 annually). The monthly fee increase in FY23 is only a 1% increase above what SacRT is paying in monthly fees currently (\$2,850) if the contract were simply extended on the current terms. Staff performed an analysis and found that if Los Rios, Sacramento State and CCJPA passengers transition to ZipPass as anticipated and ridership returns to 50% of pre-Covid levels, SacRT will be paying approximately \$0.03 per ride to use the voucher code feature for these user groups. Staff has determined the new fee structure to be fair and reasonable.

Therefore, given the opportunity that the voucher code feature from Bytemark presents for SacRT to expand the reach of its mobile application into new areas, Staff believes that it is in SacRT's the best to approve the Sixth Amendment to the Contract with Bytemark to extend the term until June 30, 2023 and incorporate additional fees for the voucher code functionality.

RESOLUTION NO. 21-04-0039

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

April 26, 2021

APPROVING A SOLE SOURCE PROCUREMENT AND SIXTH AMENDMENT TO THE CONTRACT FOR MOBILE AND ONLINE FARE APPLICATION WITH BYTEMARK, INC.

WHEREAS, in March 2017, SacRT and Bytemark, Inc. entered into the Contract for Mobile and Online Fare Application (“Contract”) for an initial term of three years; and

WHEREAS, in July 2019, the parties entered into the Fifth Amendment to the Contract to exercise the two option years and to provide for implementation of voucher code technology for SacRT’s new fare vending machines and complimentary ticket distribution; and

WHEREAS, SacRT desires to expand the voucher code technology to be used by transfer agreement and transit pass partners; and

WHEREAS, the remaining time in the Contract term is insufficient to justify the effort required to implement the expanded voucher code functionality; and

WHEREAS, the parties desire to extend the term to June 30, 2023 to provide sufficient time for a robust trial of the voucher code functionality.

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, pursuant to Section 1.405.B.2 of the Procurement Ordinance, it is in the best interest of SacRT to extend the Contract on a sole source basis for an additional 16 months, to June 30, 2023, to allow for a trial of the voucher code functionality for transfer and transit pass partners; and

THAT, the Sixth Amendment to the Contract between Sacramento Regional Transit District, therein referred to as “SacRT” and Bytemark, Inc. wherein the term is extended to June 30, 2023, the monthly back office hosting and support fee is increased for the extended contract term, a monthly fee is added for voucher code software licensing and support, a fixed fee is added for voucher code onboarding, and the total consideration is increased by \$109,900, from \$302,560 to \$412,460 for fixed costs, plus additional costs for transaction fees, is hereby approved.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute said Sixth Amendment.

STEVE MILLER, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary