

SUMMARY STATEMENT

ITEM NO.: DRPA-16-125

**Authorization for DRPA to Participate
In New Jersey E-ZPass Group and
Execute First Addendum to NJ E-ZPass
Customer Service Center Services
Contract**

COMMITTEE:

Finance

COMMITTEE MEETING DATE:

November 2, 2016

BOARD ACTION DATE:

November 16, 2016

PROPOSAL:

That the Board authorizes staff to execute a Memorandum of Agreement (“MOA”), first proposed by the New Jersey Turnpike Authority (“NJTA”), which will establish a multi-agency group (the “New Jersey E-ZPass Group”) to effectively implement and administer the New Jersey E-ZPass Customer Service Center, Violations Processing, and Financial Back Office Professional Services Contract (“CSC Contract”) between the New Jersey E-ZPass Group and Xerox State and Local Solutions, Inc. (“Xerox”), as well as the First Addendum to the CSC Contract (“First Addendum”).

PURPOSE:

To Authorize the DRPA to Execute the MOA and First Addendum, which serve to clarify the rights and responsibilities of the members of the New Jersey E-ZPass Group with respect to the terms and conditions of the current CSC Contract, which expires on January 31, 2017, and the new CSC Contract, which shall be effective on February 1, 2017, including, but not limited to, each member’s rights to the assets of and electronic toll revenue collected by the New Jersey E-ZPass Group, as well as the member obligations for expenses and liabilities of the New Jersey E-ZPass Group.

BACKGROUND:

At the October 21, 2015 Board of Commissioners meeting, the Board authorized the Authority’s participation in the new CSC Contract with Xerox to provide: 1) a Customer Service Center (“CSC”); 2) Violations Processing; and 3) Financial Back Office services for the NJ EZ-Pass System (DRPA-15-120). The CSC Contract shall have a term of eight years from the "Cut-Over" date, with the option to extend for one two-year term. The Cut-Over date is the date on which Xerox will successfully complete the migration process from the existing CSC System to the new CSC System, as required by the Contract. The Cut-Over date is anticipated to occur at some point in 2017.

The NJTA is currently the Lead Agency of the New Jersey E-ZPass Group, and will continue in this role under the new CSC Contract. As Lead Agency, NJTA is entrusted with the power, often in its sole discretion, to coordinate, oversee and administer the operation of the New Jersey E-ZPass CSC, pursuant to the CSC Contracts, on behalf of the other Group members. Other Group members presently include: the South Jersey Transportation Authority (“SJTA”), the DRPA, the Delaware River and Bay Authority (“DRBA”), the Delaware River Joint Toll Bridge Commission (“DRJTBC”) and the Burlington County Bridge Commission (“BCBC”).

After the new CSC Contract was fully executed in or around October 2015, NJTA, acting in its capacity as Lead Agency, approached the other Group members and requested that they each execute a necessary MOA and First Addendum to the CSC Contract in order to formally establish additional rights and obligations of each of the Agencies as members of the New Jersey E-ZPass Group, as well as certain additional rights and obligations of each of the Agencies under the new CSC Contract.

Specifically, the MOA will formally establish a multi-agency group, the New Jersey E-ZPass Group, to effectively implement and administer the CSC Contract. Under the MOA, NJTA will be designated the "Lead Agency" of the New Jersey E-ZPass Group, with the responsibility to oversee and administer the operation of the CSC pursuant to the CSC Contract and any ancillary contracts. NJTA serves in this capacity under the existing CSC Contract. Thus, the MOA simply formalizes some of NJTA’s rights and duties as Lead Agency vis-à-vis the New Jersey E-ZPass Group and the new CSC Contract. Continued participation in the New Jersey E-ZPass Group may be conditioned on agreement to and execution of the MOA by the Group member Agencies.

The MOA further sets forth how certain non-toll revenues and expenses of the New Jersey E-ZPass Group incurred, in addition to those arising under the CSC Contract will be shared among the Agencies. Certain revenues and expenses, including negative balances, credit card fees and banking fees, will be shared among the Agencies in accordance with the Revenue Allocation; that is, the proportion of the amount of electronic toll revenue, violation toll revenue, and administrative fee revenue earned by each Agency to the total amount

of such revenue earned by the New Jersey E-ZPass Group. Other revenues and expenses, including “Procurement Costs” (e.g. legal and consulting costs), “Implementation Costs” (e.g. legal, consulting and equipment costs) and transponder purchases, will be shared among the Agencies in accordance with the Transaction Allocation; that is, the proportion of the number of electronic toll transactions at the toll facilities of each Agency to the total number of electronic toll transactions for the New Jersey E-ZPass Group.

The Authority's initial Revenue Allocation share is 12.3% and its Transaction Allocation share is 5.2%. These Allocations will result in an initial upfront payment of \$2,554,858 under the Revenue Allocation, which sum consists mostly of DRPA's pro-rata share of past negative balance accounts, and \$71,197.34 under the Transaction Allocation, which consists of DRPA's pro-rata share of the Procurement and Implementation Costs of the CSC Contract. Per the MOA, both the Revenue and the Transaction Allocations will be updated annually, beginning in 2018.

Upon information and belief, the other Group members, including NJTA, have each agreed to execute the MOA and pay their pro-rata share of fees and costs, including their pro-rata share of past negative account balances.

The First Addendum to the CSC Contract incorporates the applicable provisions of the MOA, including the application of the Revenue and Transaction allocations to certain revenue and expenses, into the fully executed, but not yet implemented, new CSC Contract. Under the existing CSC Contract, only the Transaction Allocation was used and, upon information and belief, was not updated on an annual (or any) basis. Thus, NJTA believes that the Addendum is necessary to clarify the Allocation and other processes, including the invoicing process, under the new CSC Contract.

Specifically, as set forth in the Addendum, Xerox will invoice each Agency, including the Authority directly, on a monthly basis, for the variable fees due under the contract for all toll transactions occurring at that Agency's facilities, as well as for the percentage due to Xerox of the administrative fees collected by Xerox for violations arising at that Agency's toll facilities. The fixed fees due to Xerox under the Contract shall be allocated among the Agencies in accordance with the

Transaction Allocation; that is, the proportion of the number of electronic toll transactions at the toll facilities of each Agency to the total number of electronic toll transactions for the New Jersey E-ZPass Group. The Authority's initial Transaction Allocation share is 5.2%. Other fees, such as Monthly Variable Fees for Negative Balance E-ZPass Accounts and Change Orders which benefit all of the Agencies, shall be allocated in accordance with the Revenue Allocation; that is, the proportion of the amount of electronic toll revenue, violation toll revenue, and administrative fee revenue earned by each Agency to the total amount of such revenue earned by the New Jersey E-ZPass Group. The Authority's initial Revenue Allocation share is 12.3%. Per the Addendum, both the Revenue and the Transaction Allocations will be updated annually, beginning in 2018.

According to NJTA, in its capacity as Lead Agency, no additional funds are required for the Addendum, as it will not increase the cost of the CSC Contract as approved under Resolution DRPA-15-120. Upon information and belief, the other Group members, including NJTA, have each agreed to execute the First Addendum to the new CSC Contract.

Accordingly, it is recommended that the Board of Commissioners authorize the Authority to execute the MOA with NJTA, SJTA, DRBA, DRJBTC and BCBC to create the New Jersey E-ZPass Group in accordance with the terms set forth above. It is further recommended that the Commissioners authorize the Authority to execute the First Addendum to the CSC Contract.

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Finance 11/2/2016

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in New Jersey E-ZPass Group and
Execute First Addendum to NJ E-ZPass
Customer Service Center Services
Contract**

SUMMARY:	Amount:	\$2,626,055.34 in 2017; TBD for Remaining years of CSC Contract Revenue Fund, General Fund
	Source of Funds:	Revenue Fund, General Fund
	Capital Project #:	N/A
	Operating Budget:	Customer Service Center Operating Budget
	Master Plan Status:	N/A
	Other Fund Sources:	N/A
	Duration of Contract:	8 year initial term + two-year Extension term option
	Other Parties Involved:	New Jersey Turnpike Authority; South Jersey Transportation Authority; Delaware River and Bay Authority; Delaware River Joint Toll Bridge Commission; Burlington County Bridge Commission

DRPA-16-125
Finance Committee: November 2, 2016
Board Date: November 16, 2016
Authorization for DRPA to Participate in New
Jersey E-ZPass Group and Execute First
Addendum to NJ E-ZPass Customer Service
Center Services Contract

RESOLUTION

- RESOLVED:** That the Board authorizes staff to execute a Memorandum of Agreement, proposed by the New Jersey Turnpike Authority, which will establish a multi-agency group (the “New Jersey E-ZPass Group”) to effectively implement and administer the New Jersey E-ZPass Customer Service Center, Violations Processing, and Financial Back Office Professional Services Contract (“CSC Contract”) between the New Jersey E-ZPass Group and Xerox State and Local Solutions, Inc. (“Xerox”), as well as a necessary First Addendum to the CSC Contract; and
- RESOLVED:** That the Chair, Vice Chair and Chief Executive Officer, with the advice and counsel of the Authority’s Chief Financial Officer/Treasurer, General Counsel and appropriate staff, must approve and are hereby authorized to approve and execute any and all necessary schedules, agreements, instruments, certificates, contracts or other documents on behalf of the Authority necessary or required in connection with the CSC Contract. If such schedules, agreements, certificates, contracts or other documents have been approved by the Chair, Vice Chair or Chief Executive Officer and if, thereafter, the Chair, Vice Chair or Chief Executive Officer is absent or unavailable, and it is necessary to execute said document(s) while the Chair, Vice Chair or Chief Executive Officer is absent or unavailable, the Chief Financial Officer/Treasurer may execute said document(s) on behalf of the Authority; and
- RESOLVED:** That Authority staff are hereby authorized to take all other necessary and convenient actions, subject in each case to review and advice of the Chief Executive Officer, Chief Financial Officer/Treasurer and General Counsel, in order to undertake and effectuate on behalf of the DRPA the Authority’s continued participation in the New Jersey E-ZPass Group, all in accordance and consistent with the Compact and Bylaws.

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	Capital Project #:	N/A
	Operating Budget:	Customer Service Center Operating Budget
	Master Plan Status:	N/A
	Other Fund Sources:	N/A
	Duration of Contract:	8 year initial term + two-year Extension term option
	Other Parties Involved:	New Jersey Turnpike Authority; South Jersey Transportation Authority; Delaware River and Bay Authority; Delaware River Joint Toll Bridge Commission; Burlington County Bridge Commission