

Date: March 21, 2008

Committee Meeting Date: March 20, 2008

Board Meeting Date: April 3, 2008

**BOARD MEMORANDUM**

**ACTION ITEM**

**TO:** Santa Clara Valley Transportation Authority  
Board of Directors

**THROUGH:** Michael T. Burns  
General Manager

**FROM:** Bill Lopez  
Chief Administrative Officer

**SUBJECT:** Contract to Replace and Upgrade Ticket Vending Machines Components to Support TransLink®

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**Policy-Related Action: No**

**Government Code Section 84308 Applies: Yes**

**RECOMMENDATION:**

1. Authorize the General Manager to execute a sole-source procurement agreement with VenTek Transit, the original equipment manufacturer of VTA's Ticket Vending Machines (TVMs), in an amount not to exceed \$4,500,000 to replace and upgrade components of 269 TVMs used by VTA and CalTrain to support Translink®.
2. Authorize the General Manager to execute a fund transfer agreement with the Metropolitan Transportation Commission (MTC) to receive grant funding for the TVM Upgrade Project.

**BACKGROUND:**

In February 1998 VTA awarded a \$7,400,000 contract to VenTek International to provide TVM equipment for the Tasman West Light Rail Project and replacement TVMs for the Guadalupe Corridor. The contract also contained TVM purchase options for Tasman East, Capitol, and Vasona Light Rail Projects.

On April 3, 2003 the Board authorized the General Manager to execute a sole source agreement with VenTek International in an amount not to exceed \$2,650,000 for the purchase and installation of 34 Ticket Vending Machines (TVMs) for the Vasona, Capitol, and Tasman East Light Rail Projects.

On November 3, 2005 the Board authorized the General Manager to execute a cooperative agreement with the Peninsula Corridor Joint Powers Board (JPB) specifying the funding arrangements and project management responsibilities of each agency for adding TransLink® add-value capabilities to VTA and CalTrain TVMs.

On January 3, 2008 the Board authorized VTA staff to request an allocation of \$6,882,201 from the Metropolitan Transportation Commission (MTC) for design and construction work to be performed for the TransLink® TVM Integration project. This allocation has been tentatively awarded by the MTC.

**DISCUSSION:**

VTA recommends negotiating a non-competitive procurement agreement with VenTek Transit to upgrade the 269 TVMs. VTA will maintain strict compliance with Federal procurement regulations including preparation of a Cost Analysis "verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profit", to assure that the cost is fair and reasonable.

The current TVM machines have VenTek copyrighted and customized software and hardware, therefore they are uniquely compatible with successor VenTek services and products. Staff recommends against procuring hardware and software separately and independently as this could lead to problems with hardware/software integration with no clear accountability. It would be in the best interest of VTA and CalTrain to hold VenTek solely accountable for the functionality and reliability of the TVMs.

In taking the recommended action, the Board will be finding that pursuant to the California Public Contract Code sSection 20304, VenTek is a single source supplier for the purpose of replacing TVM equipment components currently in use by the VTA.

**ALTERNATIVES:**

VTA could purchase new TVMs at a much higher cost to VTA or contract with another supplier to reverse-engineer the VenTek TVMs. Staff analysis concludes that these two alternatives would be impractical, uncertain and unduly expensive. The Board could choose to purchase TVM components and software for the TransLink® Project through bid contract procurements, however this would require additional design costs for preparation of new contract specification, and would leave VTA responsible to integrate the components and warrant the upgraded TVMs. If the low bidder were other than VenTek, VTA would have to provide storage space for a second set of spare parts, additional test and repair equipment, additional equipment for loading and unloading of the money modules and additional project management costs would be incurred to ensure the new vendor was providing components and software compatible with our existing system.

**FISCAL IMPACT:**

Appropriations for the TVM Integration project is included in the approved Fiscal Year 2008 VTA Enterprise Capital Budget. Project expenditures will be reimbursed by MTC through a combination of RM2 and Congestion Mitigation and Air Quality (CMAQ) funds.

**SMALL BUSINESS ENTERPRISE (SBE) PARTICIPATION:**

Based on the limited scope of work, no specific goal was established for this contract due to the lack of SBE firms available to perform the scope of work. Contractor is encouraged to make a reasonable effort to utilize SBEs in its procurement of ancillary services and products associated with the performance of this contract.

## **STANDING COMMITTEE DISCUSSION/RECOMMENDATION**

The Administration & Finance Committee considered this item on March 20, 2008 and made the following comments:

- Expressed support for the staff recommendation to authorize a sole source procurement with VenTek Transit and a fund transfer agreement with the Metropolitan Transportation Commission.
- Board Member Casas asked staff to conduct a quantitative analysis of savings resulting from a Sole Source procurement versus an open RFP process and that this information be provided to the Board prior to the April 3, 2008 Board Meeting.
- Board Member Casas asked about possible problems with VenTek Transit's financial viability and suggested that staff investigate and report back to the Board with their findings. Staff's investigation has concluded the following:
  - VenTek Transit Inc. was incorporated on August 26, 2004 by former employees of VenTek International, which had experienced financial problems. The new company, VenTek Transit, purchased the assets relating to the Transit Operations from VenTek International. Staff has requested and evaluated VenTek Transit's financial statements, and based on this review found no issues of concern. Staff will continue to evaluate and monitor the financial viability of VenTek Transit.

The Committee unanimously recommended that the Board approve this item as recommended by staff but with the condition that staff investigate the concerns cited by Member Casas regarding VenTek Transit's financial viability and report back to the Board. The summary above is staff's report on the resulting investigation.

Prepared by Dale Halterman

**ATTACHMENT – Prime and Subcontractor List  
Ticket Vending Machines**

| <b>Contractor Firm</b> | <b>Contractor Role</b> | <b>Name</b> | <b>Location</b> |
|------------------------|------------------------|-------------|-----------------|
| Ventek Transit, Inc.   | Principal/President    | Sonny Hogg  | Petaluma, CA    |
| Ventek Transit, Inc.   | Vice President         | Bill Ellis  | Petaluma, CA    |