The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution & Asset Management Transcript
June 30, 2016

[Board Chair J. Degnan] Today's meeting of the Committee on Capital Planning, Execution and Asset Management is being held in public session in its entirety. Karen, are there any recusals on the item on the agenda today?

[K. Eastman] I'll do the composition of the Committee, which is Commissioner Rechler as Chair, yourself as vice chair, Commissioners Fascitelli, Pocino, and Steiner are all Committee members. All Committee members are present with the exception of Commissioner Rechler. With regard to the item that...

[Board Chair J. Degnan] Excuse me- Pocino is on this Committee, right?

[K. Eastman] Pocino... Oh, oh, yes Sorry. Commissioners Rechler and Pocino. There's no recusals required on the action.

[Board Chair J. Degnan] Okay, great, thanks. Cedrick Fulton is gonna do a presentation on the Toll Collection Program

[C. Fulton] Good morning, Commissioners. Today, I'm going to be seeking authorization for a project to replace the Port Authority's toll collection system, at estimated cost of $170.1 million. The project was originally authorized by the Board in February 2010, at an estimated cost of $175 million. However, November, 2013, we terminated our contract with Electronic Transition Consultant Corporation for non-performance. In June of 2014, we notified the Board that we were advancing a project in the amount of $38.8 million, to invest in the current system until we had an opportunity to award a new contract to replace the current toll collection system. Next slide.

[Background on Integrated Toll Collection System(ITCS)] Okay, a little background on the current system. We put this system in place in 1997. It collects, in the neighborhood of $1.8 billion a year, handles almost 116 million transactions a year. This system fundamentally processes tolls electronically, it records cash transactions, it captures images of vehicles of the violators or people who use the facility, reports revenue and traffic data, controls in-lane operations, records what's happening with the equipment, and also interfaces with the New York Customer Service Center. It should be noted that the New York Customer Service Center is a separately run contract. And it's joint between the Port Authority, the MTA, NYSTA and the New York State Bridge Authority. Next slide.

[Toll Program Goals] So advancing this program will help us achieve three goals. First, it will help us prevent revenue loss, because this system is antiquated. Our system is 19 years' old and

most agencies have been changing out their system somewhere in 7-12-year range. Secondly, we'll add some functionality that will allow us to strengthen audit functions and will allow us to introduce AET capability, I'll talk a little bit about that later. It will also provide automatic license plate recognition and provide for system interoperability. And third, the new system will allow us to decrease operating cost. Primarily, by reducing the number of transactions that have to be handled manually in the back office, help us with ongoing maintenance issues given the age of the system and reduce the number of unplanned lane closures associated with the age of the system.

[Overview of Program] So, from a program perspective, there's three activities that are going on right now. First, we are investing the $38.8 million that I referenced earlier, in the current system, so that it is operational between now the time that we put the new system in. That work began in May, it will conclude in 2017. And it will hold us until 2020, when the new system is completely in. The topic of today is to replace the system, so this is the project we're seeking authorization on. That will certainly get rid of all of the aged equipment, give us new equipment, provide for enhanced functionality as I said. And also help us be prepared for what's happening amongst the industries providing for national tolling interoperability. Simply put, that means a tag that can be use anywhere in the United States. And then finally, the system will allow us to move to AET, as it stands right now, was slated to go to what we call... >> Explain what AET is. >> Sure, it's... We are calling it Tolls by Mail, that's the official name. And in essence, cash will no longer be accepted in lanes. And users of our facility, our customers, will receive invoices in the mail. And they will pay those invoices with a certain amount of time. And that's how the transaction will be carried out. To facilitate that, there are changes that need to be required operationally from equipment perspective, this project will allow us to do it. And there's also changes that have to happen in the back office, as they process. And again, right now, AET or Tolls by Mail is existing at the MTA's Henry Hudson and New York State Thruway's Tappan Zee Bridge. And importantly, we work with them, putting together the look and feel of the invoice, so that we... It's an integrated system. So a customer, travelling in a region with Tolls by Mail will be getting an invoice that doesn't confuse them. We worked really hard to make sure we take the confusion out of the process.

[Scope of Work - RTCS With Capability for All-Electronic Tolling] Okay, so as stated earlier, we are doing a strategic investment. But we really need to replace the system in its entirety. And so the scope of this includes replacing all of the equipment in 72 lanes, across 8 toll plazas. We're also gonna be replacing the civil, the electrical and structural infrastructure. And importantly, as part of this program, we are looking to put in place a maintenance contract, which will serve over the life of the system. Right now, we're planning to award a contract in August 2016, complete design, July 2018, begin construction in August 2018, and be in final testing in December of 2020.

[Requested Actions] So, Commissioners we are seeking to replace the current system, as earlier described, with a new system at estimated cost of $170.1 million. In particular, we're looking to award a contract to Kapsch TrafficCom IVHS Inc. at an estimated cost of $73.5 million. We will also be extending a contract with Atkins Architecture and Engineering for program management services until December 2021, at a cost of $7.5 million, and extending contract with Traffic

Technologies Incorporated for continued technical services until December 2021, four-year extension, $4.1 million. As a part of the post implementation maintenance contract, we're seeking to award or get authorization for $83.7 million. The $83.7 million will provide a six-year initial contract with Kapsch for $32.3 million. And then we would be looking for up to three two-year period options plus one 120-day period option. All toll for $41.4 million. And also included in it is $10 million to provide for the changes that we would need to make to support national interoperability as well as other changes that could come about associated with issue likes cyber-security. There are some key milestones also included in the contract

[Economic Impact] which are important.

[Requested Actions] And these milestones and penalties occur both in the design and development phase, which are very important to us. They're also liquidated damages that will be applied during the performance period. And an important element that I neglected to mention earlier was that, as part of this procurement process, we did something different than we did last time, we actually provided for field demonstrations. So the proposers actually set up mock systems in the field, staff had an opportunity to observe how the systems perform. They also had an opportunity to watch how the teams work together. It was very, very informative and helped the team come to the final selection process.

[Economic Impact] The project supports 740 job-years, $44 million in wages, and $255 million in economic activity.

[Project Cost/Schedule] So, in summary, Commissioners, we're seeking the authorization to advance this project. The... For $170.1 million, this cost is exclusive of some write-offs that we had because of issues earlier in the program. Construction is scheduled to start in the third quarter of 2018. And during the fourth quarter of 2020, the total maintenance expenses come in at $83.7 million and that will cover us for the 12-year period, including options. So, Commissioners, I thank you for consideration.

[Board Chair J. Degnan] Couple of question, Cedrick.

[C. Fulton] Yes, sir.

[Board Chair J. Degnan] The $83.7 million of maintenance expenses is on the top of the $170 billion we're authorizing for... >> It's included in the 170. >> It's included in the 170.

[C. Fulton] No, it's on top of them, sorry. Yeah. The project itself is 170, the maintenance is on top of it.

[Board Chair J. Degnan] The maintenance is on... In addition to the $170 million. >> Correct >> You mentioned the procurement process, I just want to confirm, The award of the contract to Kapsch, both for the design and implementation and for maintenance was done pursuant to an RFP?

[C. Fulton] Yes, sir. They came in as the highest rated technical firm with the least cost.

[Board Chair J. Degnan] Highest rated technical firm with the least cost, okay. The extension, last question, the extension and increased contract for the other two entities were not subject to an RFP.

[C. Fulton] They were not. They were continuations based on the relationships that we had working on building up to the point in time of putting together the RFP, for the solicitation...

[Board Chair J. Degnan] Yes, Commissioner Steiner.

[Comm. D. Steiner] By putting this automated system in, what's the labor savings gonna be annually to us?

[Board Chair J. Degnan] Well, we would have...

[Comm. D. Steiner] The purpose is to eliminate having, we have people there and all that, is there a cash savings to us or does it cost us more?

[C. Fulton] At the Bayonne Bridge, we're going to realize savings... with a staff reduction of toll collectors and toll supervisors. So there will be a savings. I don't have the exact number for your, Commissioner, but there will be a savings there. We shall also realize a savings because of the elimination of the infrastructure, the tolling infrastructure that's at the Bayonne Bridge. Again, that's a number that I don't have on top on my head, but I can get back to you.

[Comm. D. Steiner] I'd like you to find out for us, because we're gonna spend this money. I like to make sure that this is saving that we're not just transferring dollars and putting people out of work, and not saving any money for it.

[Board Chair J. Degnan] You asked a great question and I think, Cedrick, you need to provide that answer. We should bear in mind that we're only installing this system at the Bayonne Bridge at the moment.

[Comm. D. Steiner] Oh, is that all?

[Board Chair J. Degnan] Yeah, otherwise we're installing the capability to use automatic electronic tolling at other Trans-Hudson crossings in the future, depending in part of the results of the Bayonne Bridge experience.

[Comm. D. Steiner] Okay.

[Board Chair J. Degnan] Okay. But we still need those numbers. Commissioner Lynford, did you have a question? I'm sorry, anybody else?

[Comm. T. James] Yeah.

(Public CPEAM Meeting Transcripts 6/30/16)

[Board Chair J. Degnan] Commissioner James.

[Comm. T. James] How long is the new system projected to last?

[C. Fulton] I would say 10 years. Technology changes rapidly. Included in the maintenance cost are dollars that will allow us to do a refresh at some reasonable interval... So that we don't end up where we are right now with the systems as approaching 20 years old.

[Comm. T. James] Okay, and does the new system have a capability for dynamic pricing if we ever want to do it where, the cost of the toll would change by volume or day, or time of day, or some other thing?

[C. Fulton] Not as programmed here. Not as configured. So changes to pricing will be done easier... Through the back office than they can happen today. The dynamic pricing, if I understand what you are describing is a bit more sophisticated, so we require some more programming. But the system, the way the system will be designed In both equipment and lanes, and the servers would allow for that programming to be done easier than it could be with the current system. We couldn't do with the current system. And depending on how sophisticated we would want to get, we may need to look at signs. There may... We may need different signs to be able to communicate, type of dynamic, some of things that you see around the country. 'Cause other places are starting to play with that and I wouldn't want to put a system in that's supposed to last till the 2030s and not have the capability.

[Board Chair J. Degnan] Any other questions or comments from Commissioners? Is there a motion from a Committee member who's not recused to move the item forward to the full Board? >> So moved. Second? >> Second. >> No objections. The motion is passed and moves on to the full Board. That concludes today's Committee meeting on Capital Planning, Execution and Asset Management...