



Agenda Item No. (6)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of September 24, 2020

From: Jennifer Mennucci, Director of Budget and Electronic Revenue
Joseph M. Wire, Auditor-Controller
Denis J. Mulligan, General Manager

Subject: **AUTHORIZE EXECUTION OF AMENDMENT NO. 2 TO THE AMENDED
AND RESTATED CLIPPER® MEMORANDUM OF UNDERSTANDING**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors authorize the General Manager to Execute Amendment No. 2 of the Amended and Restated Clipper® Memorandum of Understanding (MOU).

This matter will be presented to the Board of Directors at the September 25, 2020 meeting for appropriate actions.

Summary

Clipper is the regional automated fare payment system for public transit operators and passengers in the San Francisco Bay Area. The MOU is an agreement by and among the Metropolitan Transportation Commission (MTC) and the 22 transit operators participating in the Clipper program (collectively, "Operators") that provides the framework for the joint oversight and operation of the system. MTC and seven transit agencies entered into the MOU effective November 10, 2011, under which MTC manages the Clipper electronic fare payment system. The MOU was amended and restated on February 19, 2016 to restructure the parties' roles and responsibilities. Amendment No. 1 was approved in 2017.

MTC's original 1999 Clipper contract, issued to ERG, Ltd., was set to expire on November 2, 2019. The contract was assigned to Cubic Transportation Systems, Inc. in 2009, when Cubic purchased the Clipper-related assets of ERG. The contract was extended by two years to allow MTC to let a new contract for Clipper Next Generation. In September 2018, the Clipper Next Generation contract was awarded to Cubic.

Amendment No. 2 extends the term of the MOU through February 2026 and updates the regional cost-sharing agreement between MTC and the Operators for Clipper Operations and Maintenance (O&M) consistent with MTC's contracts with Cubic for the remaining years of the current Clipper card system, and for the development and operation of a new account-based Clipper system,

known as Clipper Next Generation. Clipper Next Generation is expected to launch in 2023, with certain features, such as a mobile application, rolling out in late 2020 (Accelerated Deployment).

While MTC bears the capital costs of the current and Next Generation Clipper program, MTC and the Operators share responsibility for O&M costs based on a formula set forth in the MOU.

Amendment No. 2 adds new formulas for cost-sharing:

- during the third through the fifth years of the current extension of the MTC-Cubic contract for the card-based Clipper system (starting November 2021)
- when MTC issues a notice-to-proceed for launch of the Clipper mobile app; and
- when MTC issues a notice-to-proceed for Cubic to procure and install equipment for Clipper Next Generation.

Under the new formulas, MTC will pay for 50 percent of its share of O&M costs and the Operators will pay for the other half. Each Operator's share will be based 50 percent on its percentage of unique cards used and 50 percent on its percentage of fee-generating transactions.

O&M costs for Next Generation Clipper equipment will be split in largely the same fashion, except that BART's fee-generating transactions will be excluded from the total count as BART will not receive the same equipment upgrades as the other Operators.

Additionally, Amendment No. 2 provides that Operators will bear a portion of the fees associated with the use of the virtual Clipper cards, based on each Operator's percentage of unique virtual cards used.

Fiscal Impact

Assuming that the market penetration of Clipper fare payment is similar to pre-COVID-19 levels, the District will spend an estimated additional \$3,000 a month for Bus and \$3,000 a month for Ferry for a total of \$72,000 annually on O&M costs for the Clipper mobile application, Clipper Next Generation equipment, and fees associated with the use of virtual cards. These expenses will be included in the Fiscal Year 2021 and future operating budgets.