



Agenda Item No. (7)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of August 25, 2022

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

Subject: **AUTHORIZE EXECUTION OF THE 2022 AMENDED AND RESTATED
CLIPPER MEMORANDUM OF UNDERSTANDING**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors authorize the Golden Gate Bridge, Highway and Transportation District's (District) General Manager, or designee, to execute the 2022 Amended and Restated Clipper® Memorandum of Understanding with the Metropolitan Transportation Commission (MTC) and all other transit operators using the Clipper fare collection system.

This matter will be presented to the Board of Directors at its August 26, 2022, meeting for appropriate action.

Background

The Clipper automated fare payment system is currently used on 22 transit systems in the San Francisco Bay Area. MTC extended its contract with Cubic Transportation Systems, Inc. (Cubic) for the current Clipper card-based fare payment system through November 2, 2024, and entered into a separate contract in September 2018 with Cubic to design, develop, test, install, transition, operate, and maintain the Clipper Next Generation account-based fare payment system.

MTC has prepared a new amended and restated Memorandum of Understanding (2022 MOU) between MTC and transit operators to update the terms and conditions for participation in the Clipper system. It replaces the 2016 Amended and Restated Clipper Memorandum of Understanding (2016 MOU), and its subsequent amendments, in their entirety.

The 2022 MOU includes the following changes from the 2016 MOU:

- it incorporates Amendment 3 to the 2016 MOU, whereby MTC assumed administration of the Regional Transit Connection Discount Card Program;

- it clarifies Clipper Program goals and performance measures;

- it addresses contracts supporting the operation of the Clipper Next Generation System;
- and,
- it updates the regional cost-sharing methodologies and agreements between MTC and the 22 transit system operators (Operators), consistent with MTC's contracts with Cubic for operation of the Clipper Next Generation System.

Attention is directed to the following specific changes:

- A) O&M Cost Allocation: In coordination with MTC, a working group of the Operators' Clipper Liaisons have identified Clipper ridership as the key driver of Clipper Next Generation Operations and Maintenance (O&M) costs. Accordingly, the 2022 MOU will allocate O&M costs based on regional proportions of Clipper *ridership* whereas the 2016 MOU uses proportions of regional revenue-generating *transactions* and unique *cards* used. The Clipper Next Generation System will not track revenue-generating transactions, making the current cost allocation system infeasible.
- B) RTC Program Cost Allocation: Regional Transit Connection Discount Card (RTC) Program costs currently are allocated based on the actual number of cards *issued* by each Operator over an agreed-upon timeframe. However, in coordination with MTC, a working group of Clipper Liaisons and their associated Bay Area Partnership for Accessibility representatives have identified unique card *usage* as a more accurate driver of RTC Program Costs. Accordingly, under the 2022 MOU, RTC Program costs will be shared as follows: each Operator will start by assuming one percent of the monthly regional cost (accounting for 23% of the RTC Program costs). The remaining 77% of costs will be allocated proportionally based on each Operator's number of unique RTC cards used for payment on Operator services during a specified billing period.
- C) Mobile Ticketing Apps: A mobile payment option will be available through the Clipper Next Generation System. As a result, the 2022 MOU provides that individual Operators' mobile applications will need to be discontinued within six months of the Clipper Next Generation launch (planned for June 2023). The 2022 MOU provides that other than promotional, special event or limited audience, e.g., tourist, fares, no new non-Clipper prepaid fare products shall be created without MTC approval.
- D) Open Payment: The 2022 MOU requires that Clipper devices accept both Clipper Cards and major credit cards (open payments).

Fiscal Impact

Although the recommended revisions to the MOU will change the method by which the operating costs of the Clipper fare collection system are allocated to transit providers such as the District, those changes are not projected to have a material impact on the District's monthly or yearly expenses. Ridership has a much greater impact on District expenses. If ridership grows as the region moves forward from the current situation, then District expenses will increase accordingly. Each year the District will budget the estimated necessary expense in its Bus and Ferry Division operating Budgets.

Attachment: Overview of Proposed Clipper MOU

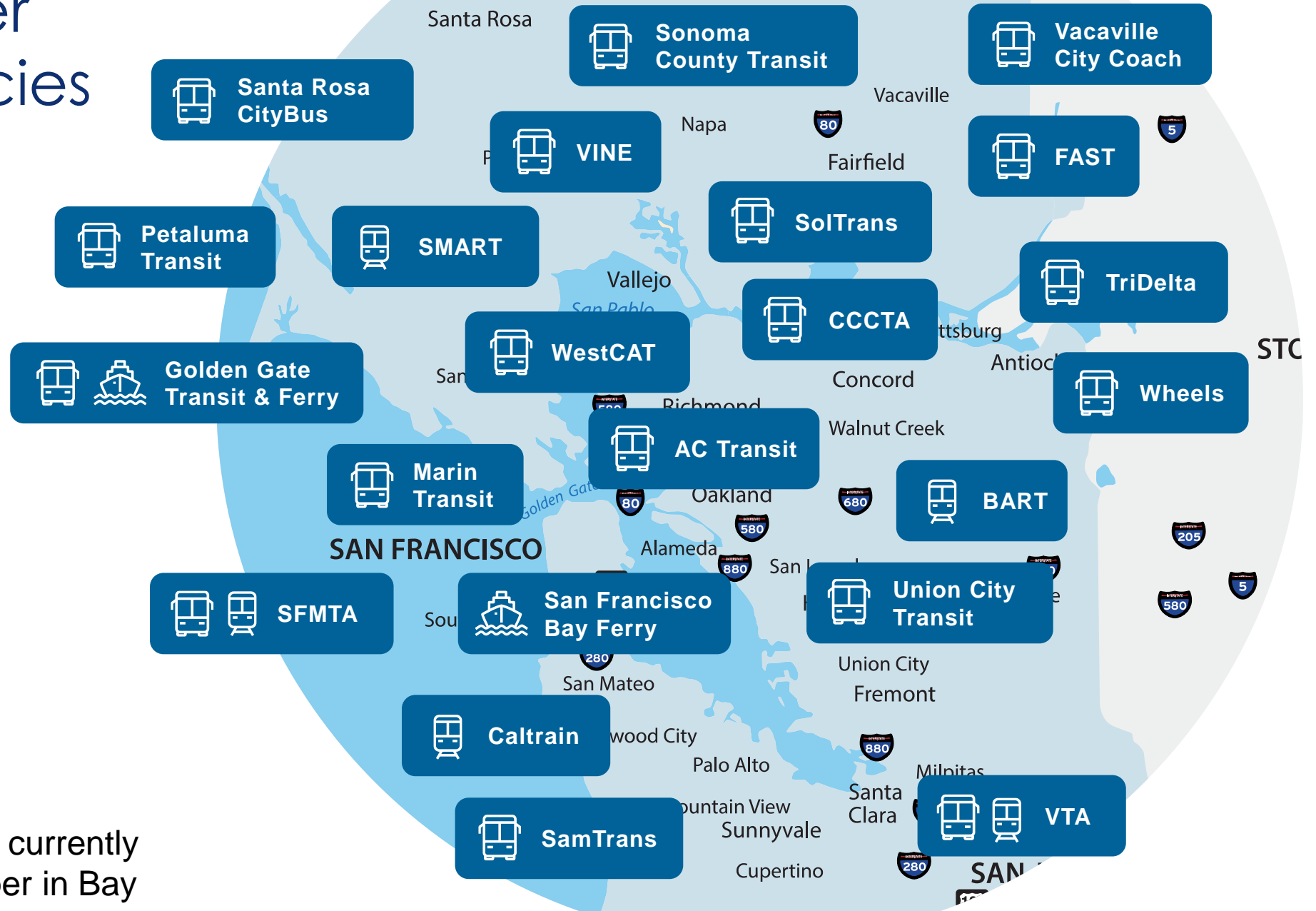


Proposed Clipper[®] Memorandum of Understanding (MOU) to Support the Next Generation Clipper System

Golden Gate Bridge

August 25, 2022

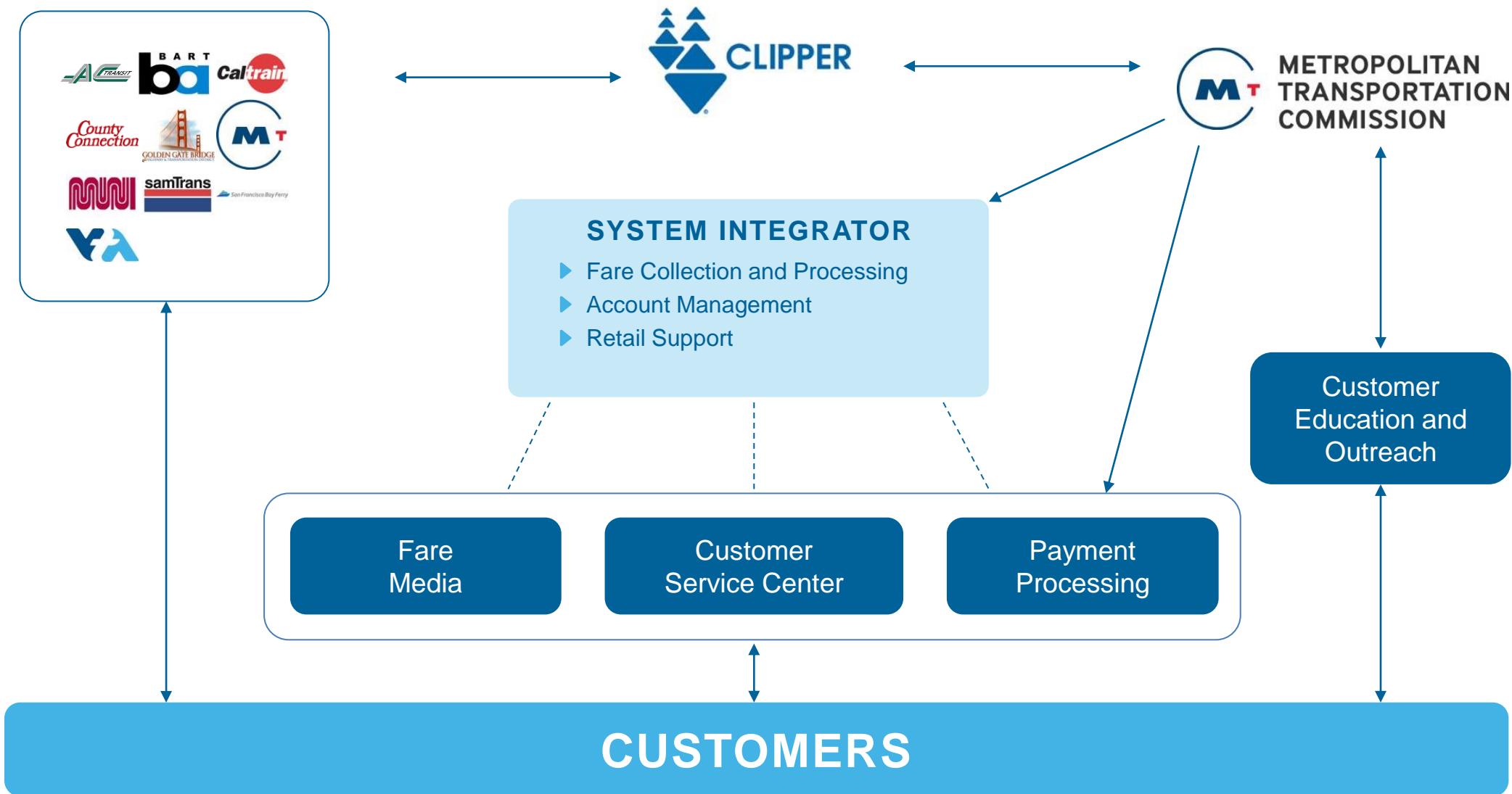
Clipper Agencies



22 agencies currently accept Clipper in Bay Area



Clipper is delivered by Transit Operators and MTC



The Purpose of the Clipper MOU

The MOU documents:

- Operator, MTC and Contracting Agency responsibilities in support of the Clipper Program
- The role and responsibilities of the Clipper Executive Board and Clipper Executive Director
- The terms for adding new operator or affiliated participants
- The approach to allocating Clipper and RTC Program costs between MTC and the operators, as well as among the operators
- Clipper Program goals and performance measures



Clipper MOU History

- On February 19, 2016, MTC and the Operators executed an Amended and Restated Clipper MOU (replacing a previous MOU)
 - The 2016 MOU established the Clipper Executive Board to make policy on behalf of all the participating transit operators, while MTC acts as the Contracting Agency
- Effective September 1, 2021, an amendment to the 2016 MOU transferred oversight and administration of the Regional Transit Connection Discount Card Program (RTC Program), which provides people with disabilities access to discounts on transit, to the Clipper Executive Board and MTC
- A new MOU needs to be executed to reflect program changes driven by the Next Generation Clipper system, including revised cost-sharing formulas for multiple contracts



How is the New MOU Different from the 2016 MOU?

- Most of the language / terms remain unchanged
- Includes references to the additional contracts needed to support the Next Generation Clipper System
- Documents new cost-sharing agreements for the Next Generation Clipper contracts and the RTC Program (Appendix B)
- Adds language to clarify and expand Program Goals and Performance Measures for the Clipper Program (Appendix C)
 - Notes opportunity for new Clipper regional functionality, including mobile application and open payment capability



Benefits of the Next Generation Clipper System

- More Options
 - Mobile Clipper cards on your phone
 - Contactless credit / debit cards
 - Mobile ticketing and promotional fares
- Added Features
 - Instant value from online and phone orders
 - Support for fare capping, new fare categories (means-based), transfers, and products (i.e. summer youth pass, etc.)
 - Improved online account management and customer service channels
- Integration Opportunities
 - Paratransit and transit parking
 - Bike sharing and lockers



Timeline

