

THIS PRINT COVERS CALENDAR ITEM NO. :

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance & Information Technology

BRIEF DESCRIPTION:

Authorizing the Director of Transportation to execute the Amended and Restated Clipper[®] Memorandum of Understanding with the Metropolitan Transportation Commission and Bay Area transit operators to clarify their respective roles and responsibilities, define roles and responsibilities for a newly defined Contracting Agency, establish a Clipper[®] Executive Board, establish a Clipper[®] Executive Director, and revise the cost allocation formula to ensure the successful operation and maintenance of Clipper[®].

SUMMARY:

- Clipper[®] is the automated fare payment system for intra- and inter-Operator transit trips in the San Francisco Bay Area that has been implemented and is currently being operated on 20 transit systems.
- The Metropolitan Transportation Commission (MTC) entered into a contract (the "Clipper[®] Contract") with Cubic Transportation Systems, Inc. to implement, operate and maintain the Clipper[®] fare payment system through November 2, 2019.
- In November 2011, a Memorandum of Understanding Regarding Operations and Maintenance of Clipper[®] Fare Collection System was adopted by participating operators and MTC to delineate the responsibilities of MTC and the transit operators using Clipper[®].
- The Parties have examined the successes and challenges of the program to date and have identified certain areas in which existing arrangements should be modified or clarified.
- The changes include clarifying and defining roles and responsibilities, establishing a Clipper[®] Executive Board and a Clipper[®] Executive Director, stating goals for the next generation system, and modifying the existing Cost Allocation Formula.

ENCLOSURES:

1. SFMTAB Resolution
2. Amended and Restated Memorandum of Understanding

APPROVALS:

DATE

DIRECTOR _____

SECRETARY _____

ASSIGNED SFMTAB CALENDAR DATE: August 18, 2015

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PURPOSE

Authorizing the Director of Transportation to execute the Amended and Restated Clipper® Memorandum of Understanding with the Metropolitan Transportation Commission and Bay Area transit operators (Operators) to clarify their respective roles and responsibilities, define roles and responsibilities for a newly defined Contracting Agency, establish a Clipper® Executive Board, establish a Clipper® Executive Director, and revise the cost allocation formula to ensure the successful operation and maintenance of Clipper®.

GOAL

This item supports all of the Strategic Plan Goals.

Goal 1: Create a safer transportation experience for everyone

Goal 2: Make transit, walking, bicycling, taxi, ridesharing and carsharing the most attractive and preferred means of travel

Goal 3: Improve the environment and quality of life in San Francisco

Goal 4: Create a workplace that delivers outstanding service

DESCRIPTION

Clipper® is the automated regional fare payment system for intra- and inter-Operator transit trips in the San Francisco Bay Area that has been implemented and is currently being operated on 20 transit systems. More than 20 million trips and 43 million dollars in revenue are processed per month on the Clipper® system. The program is managed by MTC, which has contracted with Cubic Transportation Systems, Inc. to implement, operate and maintain the Clipper fare payment system through November 2, 2019.

On November 10, 2011, participating transit agencies entered into a Memorandum of Understanding Regarding Operations and Maintenance of Clipper® Fare Collection System (the "2011 MOU"). The 2011 MOU delineated, among other things, MTC's responsibilities, including as contracting agency, the Operators' responsibilities, a consultation process for amending the Clipper® Operating Rules, allocation of operating expenses among the Operators and MTC, and a dispute resolution process.

The participating agencies have examined the successes and challenges of the program to date and have identified certain areas in which existing arrangements should be modified or clarified to maximize the benefits to the transit agencies and Bay Area transit riders for the continued expansion, modification, operation and maintenance of the Clipper® program. The primary goal of the Amended and Restated MOU is to create a formal structure whereby transit agencies have a role in planning and policy decisions related to the regional fare payment system. The current MOU delegates this authority solely to MTC.

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Changes to the basic provisions of the existing MOU are as follows (the provisions of the current MOU are contained in the italicized bullet):

1. *Clipper[®] Executive Board*

- Establishes a nine-member Executive Board comprised of one representative from SFMTA, BART, Caltrain/SamTrans, AC Transit, Santa Clara Valley Transportation Agency (VTA), the Golden Gate Bridge District, and MTC, and two representatives selected to represent all other participating agencies.
- The Executive Board will be responsible for developing and evaluating performance goals, adopting a detailed biennial work plan and budget, designating the “Contracting Agency,” and approval of all business matters expected to have a substantial fiscal or operating impact.
- *Under the current MOU, MTC maintains sole authority for these actions.*

2. *Contracting Agency*

- Establishes a Contracting Agency to procure, award, manage and carry out the duties and responsibilities of the Clipper[®] program necessary for the expansion, modification, modernization, operation, maintenance, marketing and customer service.
- The Contracting Agency will be responsible for holding and managing the Clipper[®] bank accounts and act as an agency in trust for the funds deposited by the cardholders for the ultimate use with the Operators, and for the benefit of the Operators for funds due.
- Provide adequate staffing to support the Clipper[®] program.
- *The role of the Contracting Agency is currently held by MTC, however, this MOU would allow this role to be assigned to a transit agency, upon approval of the Executive Board and the governing bodies of the participating agencies.*

3. *Clipper Executive Director*

- The Clipper[®] Executive Director shall be responsible for regional coordination of the program among the Agencies, oversight of consultants and contractors retained for the design, operation and maintenance of the program, and effectuation of the goals and work plan adopted by the Executive Board in accordance with the budget.
- The Clipper[®] Executive Director will be selected and appointed by the Contracting Agency following consultation with the Executive Board. The initial Clipper[®] Executive Director will be Carol Kuester, an employee of MTC.
- *Currently, there is no Executive Director.*

4. *Cost and Revenue Allocation Formula*

- *The current allocation of Clipper[®] operating costs was developed prior to wide scale implementation of the program and is based on a formula of 2/3 transactions and 1/3 revenue.*
- Credit card fees for agencies operating ticket vending or add-value machines outside of the Clipper[®] gateway are absorbed by those agencies and currently exceed two million dollars per year.

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- Agencies have determined that the current allocation formula is not equitable and have developed a revised formula, outlined in Appendix B of the MOU, that aligns actual cost drivers and usage of the system with the allocation amounts.
- As the proposed change will result in increased costs to most agencies, it is proposed that the increases be phased in, with the addition of agency credit card fees effective July 1, 2016 and the implementation of the new model effective January 1, 2017.

5. *Performance Standards*

- The MOU includes Performance Standard Requirements intended to guide the development and ongoing operations of Clipper[®].
- Goals include expanding electronic payment to all modes of transportation, enhanced access for customers to load value, establishing consistent fare categories and discounts, and improving the operation and integration options for the system.
- *The current MOU does not contain performance standards.*

6. *Extend the Term of the MOU*

- The MOU is effective on the date when all parties have signed the MOU and will terminate on June 30, 2025, unless otherwise terminated by the parties.
- *The current MOU terminates on November 2, 2019, but will be superseded by this MOU.*

PUBLIC OUTREACH

None.

ALTERNATIVES CONSIDERED

A variety of governance models including a Joint Powers Authority and consortium models were discussed.

FUNDING IMPACT

Changes to the Cost Allocation Formula will result in an estimated additional cost of \$730,000 over the approximately \$6.6 million in annual Clipper[®] operating costs that SFMTA will expend beginning in Fiscal Year 2017 and each year thereafter until the expiration of the Clipper[®] Contract in November 2019. If approved by the SFMTA Board of Directors, these additional expenses will be included in the FY17 operating budget.

ENVIRONMENTAL REVIEW

The San Francisco Planning Department concurs with the SFMTA's determination that approval of this MOU is not a "project" for purposes of environmental review under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Section 15060(c). The Planning Department's concurrence is on file with the Secretary to the SFMTA Board of Directors.

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OTHER APPROVALS RECEIVED OR STILL REQUIRED

The Board of Supervisors must approve this MOU under Charter Section 9.118. That section provides that all contracts in excess of ten years or \$10 million dollars, and amendments to those contracts with an impact of over \$500,000, must be approved by the Board of Supervisors.

This MOU must be approved by the governing boards of all participating agencies.

The City Attorney has reviewed this calendar item.

RECOMMENDATION

Approve the Amended and Restated Clipper® Memorandum of Understanding.