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Jeffrey Tumlin, Director of Transportation

October 13, 2022

The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102

Subject: Request for Approval – Next Generation Clipper Memorandum of Understanding

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors authorize the Director of Transportation to execute the Next Generation Clipper® System Memorandum of Understanding with the Metropolitan Transportation Commission and Bay Area transit operators, including the allocation of operating and maintenance costs for the participating agencies.

BACKGROUND

The Clipper¹ regional fare payment system, originally named "TransLink," was implemented in 2002 by the Metropolitan Transportation Commission (MTC). Currently 24 transit operators in the Bay Area participate in the program. In Fiscal Year 2019, an average of 23 million trips and \$53 million in revenue was processed through the system per month.

On December 12, 2003, MTC and six Bay Area transit operators entered into an interagency participation agreement (IPA) to create a forum for joint agency decision-to work towards the successful implementation of the TransLink® automated fare payment system. The IPA was superseded and replaced by a Memorandum of Understanding Regarding Operations and Maintenance of Clipper® Fare Collection System dated November 10, 2011, by and among MTC and, initially, seven of the operators (the 2011 MOU). The 2011 MOU delineated, among other things, MTC's responsibilities, including as contracting agency, the transit operators' responsibilities, a consultation process for amending the Clipper Operating Rules, allocation of operating expenses among the transit operators and MTC, and a dispute resolution process. In 2016, the parties approved an amended and restated MOU to clarify their respective roles and responsibilities, define roles and responsibilities for a newly defined "Contracting Agency," establish a "Clipper Executive Board," and establish a Clipper Executive Director. This MOU was amended in 2017 and 2019.



MTC entered into a contract with Cubic Transportation Systems, Inc. (Cubic) to implement, operate and maintain the Clipper fare payment system through November 2, 2019. In September 2018, MTC entered into a system integrator contract with Cubic Transportation Systems, Inc. (Cubic) to design, implement, operate, and maintain the Next Generation Clipper System.

This 2022 Memorandum of Understanding (MOU) will replace the existing 2016 MOU (as amended). The document outlines the responsibilities of the transit operators and MTC, the Clipper Executive Board, and the Clipper Executive Director in support of the program. In addition, the MOU establishes the agreement between MTC and the transit operators for the allocation of Clipper costs between MTC and the transit operators.

Cost Allocation

As explained below, the Cubic contract includes a flat fee operation and maintenance structure, replacing the current combination structure of variable transaction-based and flat fees. Separate contracts will be issued through a competitive procurement for customer service operations and fare media. The allocation of these fees will also be based on Clipper usage by operator and the estimated costs are included in the fiscal impact provided. MTC has committed to funding 50% of the operating and 100% of mobile card fee costs (under the Cubic contract). Credit card fees will be allocated based on the percentage of revenue processed by an agency. Participating transit operators have agreed to allocate the remaining fees based on the percentage of total trips taken by customers using the Clipper system. We expect the SFMTA's share of these costs to be approximately 35%, with an average annual cost of approximately \$7.6 million over the 10 years of this MOU. As a comparison, the annual fees in Fiscal Years 2018 and 2019 were approximately \$8.5 million per year.

System Improvements

The functionality of the Next Generation Clipper System will greatly improve the access and functionality of fare payment in the Bay Area and will address the most important concerns that customers have voiced through extensive public outreach conducted annually by MTC, as well as public feedback received directly from the SFMTA.



The system will be “account-based,” similar to a credit card where transactions are sent in real-time and processed in a back-end system. Currently, all transaction and account information is stored on the card itself and must be downloaded to every individual card reader or ticket vending machine. This process can often lead to delays in passes and cash values being downloaded to the individual Clipper card. Moving to an account-based system provides for a great degree of flexibility by reduced development and testing requirements for even minor changes.

Prior to the full system launch in Fall 2024, customers will begin seeing incremental improvements to their experience. The first of these improvements, implemented in May 2021, is the ability for customers to transfer or set-up a virtual Clipper card on a smart phone, replacing the plastic card. The next phase of improvements, including testing and implementation of new card reader equipment, has begun on Muni vehicles, with completion estimated by the end of 2022. This new equipment will be connected in real-time using wi-fi technology, eliminating the frustration of having to wait up to five days for value or products purchased online to be available for use. In addition, the readers will be connected to the on-board vehicle communications system, providing improved data at the route level for service planning.

Access to in-person locations for purchasing products and loading value using cash, a long-standing frustration for Muni customers, will be expanded under the current contract requirements, including a focus on areas with a higher percentage of people of color and low incomes. In addition, new retail equipment will eliminate the archaic requirement for vendors to maintain a separate hard-wired phone line to process transactions, which is a significant barrier for participation in the current system.

In addition, the new system will finally allow the SFMTA to provide access to existing fare products not on the current Clipper system, such as the Lifeline monthly pass for people with low-incomes, and the one-day Muni pass. In addition, the system will enable the ability to implement fare-capping, allowing customers to pay as they go until they spend an amount equivalent to a monthly pass, after which all remaining travel for that month will be free. Special fares for late-night or non-peak travel time/days and other promotional fares will also be configurable under the Next Generation Clipper System, eliminating the historically lengthy and costly development costs under the current system. Chip-enabled credit cards will be accepted for payment; however, the initial implementation will be limited to full-fare single rides (no transfers or discounts). The system will also provide for approved third-party integration to allow payments, with priority given to paratransit fares and parking



on transit properties. Additional opportunities to extend the technology to bike sharing and other shared mobility services will be evaluated.

FUNDING IMPACT

The estimated SFMTA share of the Clipper program fees range from \$6.5 million in year one of the contract to \$8.5 million in year 10 and will continue to be budgeted in the Finance and Information Technology budget.

ESTIMATED CLIPPER FEES

YEAR	Operating & Maintenance	Credit/Debit Fees	Annual Total*	SFMTA Share**
1	957,638	600,000	18,691,652	6,542,078
2	1,059,581	615,000	20,094,966	7,033,238
3	1,091,165	630,375	20,658,482	7,230,469
4	1,113,764	646,134	21,118,776	7,391,572
5	1,124,874	662,288	21,445,938	7,506,078
6	1,151,873	678,845	21,968,621	7,689,017
7	1,179,543	695,816	22,504,303	7,876,506
8	1,207,898	713,211	23,053,309	8,068,658
9	1,236,956	731,042	23,615,973	8,265,591
10	1,266,735	749,318	24,192,635	8,467,422
TOTAL	11,390,025	6,722,029	217,344,654	76,070,629

**Assumes 5% annual escalation*

***Assumes 35% SFMTA share*

SFMTA BOARD ACTION

On September 6, 2022, the SFMTA Board of Directors approved Resolution No. 220906-079, authorizing the Director of Transportation to execute the Next Generation Clipper® System Memorandum of Understanding with the Metropolitan Transportation Commission and participating Bay Area transit operators, and forward the Memorandum of Understanding to the Board of Supervisors for approval.

REQUEST FOR APPROVAL

The SFMTA respectfully requests that the Board of Supervisors authorize the Director of Transportation to execute the Next Generation Clipper® System Memorandum of



Understanding with the Metropolitan Transportation Commission and participating Bay Area transit operators.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jeffrey P. Tumlin'.

Jeffrey P. Tumlin
Director of Transportation