

To: Board of Directors

Date: January 10, 2014

From: Rick Ramacier
General Manager

Subject: Clipper implementation Update

Summary

Clipper is the regional automated fare payment system currently operating with many of the larger transit systems in the Bay Area. It is a chip based card system. The project is overseen by the Metropolitan Transportation Commission (MTC) with much input from the participating transit systems. The overriding policy priority is to have one fare instrument that is good on all of the transit systems in the region for customer convenience.

The project is organized into phases. Phases One and Two are nearly complete. These phases implemented the first generation of Clipper on BART, AC Transit, SF Muni, Golden Gate Bridge Ferry and Transit, SamTrans and Caltrain in San Mateo County, and the Valley Transit Authority (VTA) in Santa Clara County. It has taken the region over ten years to get to this point. Phase Three is about getting the smaller operators – including the East Bay Suburban bus operators on board with Clipper.

The current MTC staff projection to have Clipper installed at County Connection is for late 2015 or early 2016. The estimated budget for this is \$9 million. Federal Surface Transportation Program (STP) funds and Congestion Management Air Quality (CMAQ) funds have been identified by MTC to support the costs of bringing Clipper to the East Bay Suburban bus operators.

In recent months, inquires and requests for Clipper to be accepted on County Connection buses by both customers and select locally elected officials has increased noticeably. It can be said that there is a rising interest in Clipper being installed on County Connection buses.

Background

Implementing Clipper has faced a number of challenges. These include technological challenges, funding challenges, as well as challenges in having all the participants reach agreement on how to proceed at various stages. The current technology used with Clipper is from the 1990s. This older technology has struggled to incorporate the over 1,200 fare points that exist among the Bay Area transit systems.

When Phase One of Clipper was launched in 1999, the state of California was funding public transit at a much higher level through Proposition 42 and a more robust State Transit Assistance (STA) program. Much of the expected funding for the Clipper project was to be from these sources. However, the state repeatedly raided these programs year after year and eventually eliminated Proposition 42 and eliminated much of the funding sources that went into the STA program. The Clipper program had to find replacement funding. Some of that has been achieved through the use of federal sources.

The lack of funding from the state raids led to delays in completing Phase One and Phase Two of the project. Moreover, Phase Three (County Connection et. al.) was delayed until other funding sources could be identified.

Very few of the individual transit operators have been willing or able to add their own direct funding to the project.

This brought us to 2011 when MTC was able to identify enough federal funds to at least get moving with Phase Three. It was also about this time that Phases One and Two were determined to be successful. After a slow start, the public has warmed up to using Clipper. From the customer's perspective, Clipper work as intended and is well liked. However, because the public was slower to use Clipper than projected, this had cost and funding implications as well. This is because Clipper is in part being paid for through transaction fees. Less Clipper usage meant that fewer fees were generated.

Current Status of Clipper as Implemented

Where Clipper has been implemented, it works well for the customer. However, the existing Clipper operators still struggle somewhat with the current technology. It is somewhat difficult and costly to maintain, replacement parts are hard to come by, and the technology is "old". For example, it cannot work with smart phone technology. Thus, the existing Clipper operators want to move to the next generation of Clipper sooner rather than later. This is putting a demand on the region as the region works to bring Clipper to those operators that don't yet have it.

Clipper Timelines

Moving the existing Clipper operators to the next generation of Clipper will require a lengthy and detailed procurement to take place. This procurement will have to consider and anticipate technological advances as best it can. In addition, the current Clipper operators are looking to see if they can all streamline their fare structures and fare types and move toward a regional fare system. This has been a common approach in other parts of the world that have a universal automated fare payment system. Also, the identified possible vendors all say that reducing the number of fare points would greatly enhance the efficiency and effectiveness of Clipper. As you know, we have been working with our neighboring suburban bus systems towards fare commonality in anticipation of implementing Clipper.

The projected timelines for bringing the next generation of Clipper to the existing Clipper operators takes us through 2019. At the same time, the region is working on bringing Clipper to the East Bay suburban operators in late 2015 or early 2016. The East Bay operators will receive Clipper hardware and software from a change order with the existing Clipper vendor. However, it will not be the same equipment that is on the existing Clipper systems.

Equipment to be Installed on East Bay Suburban Bus Operators

MTC staff states that they are seeking Clipper hardware that will work with the existing Clipper system as well as the next generation of Clipper hardware (meaning it would be smart phone compatible, etc.). However, a software change would be necessary to make everything forward compatible. This has become a priority of everyone involved in the Clipper project.

Financial Considerations

MTC staff is asking the Commission to program \$9 million in federal STP/CMAQ funds to pay for the installation of Clipper on buses of the East Bay Suburban systems. This is expected to be approved in March.

At this time, we have no estimate of the ongoing operation or maintenance costs to having Clipper installed on County Connection buses. The existing Clipper operators are just now starting to understand their own costs which seem to be dynamic. Part of the challenge is that Clipper is a transaction based system from a financial point of view. Accurately projecting transactions has been a challenge. Also, individual operators can control

their own Clipper costs by taking greater advantage of different Clipper feature. These are things that we have yet to look at with respect to County Connection.

As you may recall, MTC adopted Resolution No. 3866 in the fall of 2011 requiring all operators to participate in Clipper to remain eligible for their respective share of the region's STA funding. County Connection is due to receive just over \$3 million in STA funding in FY14. It is very unlikely that our annual costs to operate and maintain Clipper will be anywhere near \$3 million. Furthermore, MTC is hopeful that additional long term operational funding for Clipper can be secured for the region's operators.

Long Term Options

Realistically, our long term options are few. Given the STA funding at stake as well as the public demand for Clipper, County Connection should stay committed to the regional Clipper program. However, given that we will not have it until late 2015 or early 2016 at the earliest, a few short or interim term options could be worth discussing.

Short Term Options

BART Plus

BART Plus is a BART ticket that is flashed when boarding a bus. Just a few years ago, it was well used by people combining bus and BART travel. However, it has fully supplanted with Clipper with those who ride Clipper systems. County Connection remains the only operator with a major interest.

The BART Plus instrument has seen its usage and sales drop to nothing. The other historical BART Plus participants, AC Transit, SF MNUJ, etc. no longer have customer buying BART Plus passes. And, they no longer help us support the cost of processing that instrument. Our own sales of the BART Plus pass have dropped from total sales of 9,267 tickets sold between September and December of 2012 to 602 tickets sold between January and March of 2013! This is directly tied to a similar increase in Clipper usage. Yet, we are still paying processing fees for BART Plus.

Interim Replacement BART Plus Instrument

Exploring a local technological solution to the seemingly long timeframe to gain Clipper on the East Bay Suburban buses has come up in conversation with staff at the Contra Costa Transportation Authority (CCTA). However, no actual work has been done to see if or how viable this would be. County Connection staff, CCTA staff, and MTC staff will be meeting soon to discuss this further.

Another non-technical idea has been raised with BART staff. This involves subsidized fares for County Connection patrons using BART in the same trip. This could make the transfer between BART and County Connection easier and smoother until Clipper is implemented at County Connection. This idea has been well received by BART staff and will be the subject of further discussion.

Action Requested

Staff is recommending that County Connection remain committed to the Clipper project. Thus, no direct action is necessary. However, staff would like to review the status of the Clipper project with you and receive your feedback and possible direction.