

Item X
File 10-0805

Department:
San Francisco Municipal Transportation Agency (SFMTA)

EXECUTIVE SUMMARY

Legislative Objective

- Resolution approving a Memorandum of Understanding (MOU) between the San Francisco Municipal Transportation Agency (SFMTA) and the Metropolitan Transportation Commission (MTC), six other Bay Area transit operators, and any other transit operators that implement the Clipper program and execute the MOU after its effective date for the future operation and maintenance of the Clipper program.

Key Points

- The Clipper program, which is the new name for the TransLink program, is a regional program to create a smart card-based fare collection system common to all transit operators serving the Bay Area, including the SFMTA.
- The Clipper program allows transit passengers to use a single form of payment for all participating transit operators.
- The proposed MOU is required to continue implementation of the Clipper program under the sole governance of the MTC.

Fiscal Impact

- Under the proposed MOU, the SFMTA estimates that it would incur \$43,809,908 in total expenditures consisting of payments to be made to the MTC from FY 2010-2011 through FY 2018-2019.
- The SFMTA further estimates that it would save \$17,222,500 in reduced expenditures as a result of the proposed MOU from FY 2010-2011 through FY 2018-2019, resulting in a net cost of \$26,587,408 from FY 2010-2011 through FY 2018-2019 (\$43,809,908 less \$17,222,500).
- The source of funding for the estimated net cost of \$26,587,408 would be the SFMTA Operating Fund.

Policy Consideration

- Should the Board of Supervisors choose to not approve the proposed MOU, the MTC would consider sanctions against the SFMTA, including the ineligibility of Federal and State grant funds that are disbursed by the MTC to the SFMTA and account for the majority of the SFMTA's Federal and State grant monies.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

Charter Section 9.118(c) requires the Board of Supervisors to approve City agreements that exceed \$10,000,000 or ten years. Under the proposed Memorandum of Understanding (MOU), the San Francisco Municipal Transportation Agency (SFMTA) would make total estimated payments of \$43,809,908 to the Metropolitan Transportation Commission (MTC), for costs incurred as a result of implementation of the Clipper program from FY 2010-2011 through FY 2018-2019. Therefore, because the proposed MOU would result in total payments that exceed \$10,000,000, the proposed resolution is subject to Board of Supervisors approval.

BACKGROUND

The Clipper program, which is the new name for the TransLink program, is a regional program to create a smart card-based fare collection system common to all transit systems serving the Bay Area, including the SFMTA. As the regional transportation and coordination agency for the Bay Area, the MTC, created by the California State Legislature in 1970, is the entity managing the implementation of the Clipper program.

The Clipper program allows transit passengers to use a single form of payment for all participating transit operators. Rather than having to purchase separate tickets for the SFMTA, the Bay Area Rapid Transit District (BART), Alameda-Contra Costa County Transit District (AC Transit), etc., passengers can use a single Clipper card for a seamless transfer from one transit operator to the next.

In 2003, the SFMTA entered into the TransLink Interagency Participation Agreement (IPA), which (a) established the TransLink Consortium, which was governed by the TransLink Management Group (TMG), and (b) managed the development of the TransLink payment system, which has now been fully implemented with five Bay Area transit operators - including AC Transit, Golden Gate Bridge Highway and Transportation District (GGBHTD), BART, the Peninsula Corridor Joint Powers Board (CalTrain), and SFMTA - that represent the majority of Bay Area transit passengers. The TransLink IPA is in effect until either (a) it is replaced by the proposed MOU or (b) the expiration of the MTC's contract with Cubic Transportation Systems (see Details of Proposed Legislation section below). The TMG was comprised of the general managers, or their designees, of AC Transit, GGBHTD, BART, the San Mateo County Transit District (SamTrans), the Santa Clara Valley Transportation Authority (VTA), and CalTrain, as well as the SFMTA.

According to Deputy City Attorney Robin Reitzes, the TransLink IPA was not subject to Board of Supervisors approval because such an agreement was not required to receive Board of Supervisors approval prior to the passage of voter-approved Proposition A in 2008.

According to Ms. Diana Hammons, SFMTA Senior Manager for Revenue Collections and Sales, the TransLink program is being renamed as the Clipper program to (a) make it more appealing to potential customers, (b) take away confusion with other local programs such as FasTrak and the SFMTA's Fast Pass, and (c) distinguish the Bay Area program from other programs around the world with the "TransLink" name.

According to Ms. Hammons, in November of 2009 the MTC gave formal notice that it would withdraw from the TransLink Consortium and instead take over sole governance of the new Clipper program. Deputy City Attorney Robin Reitzes advises that although other forms of governance of the new Clipper program were discussed by the TMG, they eventually agreed that the MTC would take over sole governance of the program.

Ms. Hammons advises that the proposed MOU is required to continue implementation of the Clipper program under the sole governance of the MTC. In addition, because the SFMTA would make an estimated \$43,809,908 in total payments to the MTC for costs incurred as a result of implementation of the Clipper program, the proposed MOU is subject to Board of Supervisors approval.

In August of 2009, the Board of Supervisors approved a resolution authorizing the execution of Federal and State grants and a cooperative agreement between the SFMTA and the MTC in the amount of \$29,150,000, for the purchase and installation of equipment under the TransLink program. (File No. 09-0918, adopted on August 18, 2009 by the Board of Supervisors). Ms Hammons advises that since the Board of Supervisors approval of this grant and cooperative agreement, the MTC has been purchasing and installing equipment (including Clipper-only fare gates) at SFMTA stations, and the SFMTA has been utilizing the previously authorized Federal and State grant monies to reimburse the MTC for SFMTA's share of such costs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an MOU between the SFMTA and the MTC for the future operation and maintenance of the Clipper program for approximately nine years, from the date on which all parties to the MOU have signed the MOU until November 2, 2019. Other parties to the proposed MOU between the SFMTA and the MTC include the following Bay Area transit operators: (a) AC Transit District, (b) GGBHTD, (c) BART, (d) SamTrans, (e) VTA, (f) CalTrain, and (g) any other transit operators that implement the Clipper program and execute the MOU after its effective date.

Under the proposed MOU, MTC, as the contracting agency for the Clipper program, will continue to contract with Cubic Transportation Systems, Inc. (Cubic), to oversee and administer the Clipper program until November 2, 2019. Once approved, the proposed MOU would replace the TransLink Interagency Participation Agreement (IPA) that was approved by the SFMTA in 2003. As noted above, the IPA was not subject to Board of Supervisors approval.

FISCAL ANALYSIS

Under the proposed MOU, the SFMTA estimates making \$43,809,908 in total payments to the MTC for the SFMTA's share of costs, as shown in the following Table 1. According to Ms. Hammons, these payments constitute the SFMTA's share of the Clipper program operating and maintenance costs, including: (a) cardholder support and customer service, (b) third-party vendor sales and network support, (c) transaction fees, and (d) credit/debit and website transaction processor fees. Ms. Hammons advises that the source of funds for all Clipper program costs, as shown in the following Table 1, would be the SFMTA Operating Fund.

Attachment No. 1 to this report, provided by Ms. Hammons, provides greater detail for how the SFMTA's share of \$43,809,908 has been calculated.

Table 1: Estimated payments to be paid by the SFMTA to the MTC under the proposed MOU for the Clipper program

FY 2010-2011	\$1,311,312
FY 2011-2012	\$3,816,826
FY 2012-2013	\$5,138,476
FY 2013-2014	\$5,307,191
FY 2014-2015	\$5,362,289
FY 2015-2016	\$5,490,827
FY 2016-2017	\$5,623,924
FY 2017-2018	\$5,792,642
FY 2018-2019	\$5,966,421
TOTAL	\$43,809,908

According to Ms. Hammons, the annual payments shown in Table 1 above represent SFMTA's estimated share of the total Clipper program operations and maintenance costs based on the formula included in the proposed MOU. The SFMTA's estimated annual payment of \$1,311,312 in FY 2010-2011 is net of the \$1,352,224 Federal grant incentive funds that the MTC is allocating to participating transit operators to partially defray the Clipper program's participation costs. Without the \$1,352,224 Federal incentive funds, the MTA's FY 2010-2011 payment would be \$2,663,536.

As shown in Table 2 below, Ms. Hammons advises that, under the proposed MOU, the SFMTA would realize total estimated savings of \$17,222,500 from FY 2010-2011 through FY 2018-2019 in reduced expenditures for (a) production of fare media, which includes printed single-use tickets, passports, and monthly passes; (b) distribution of fare media, which includes commissions paid to third-party vendors for their distribution primarily of monthly passes; and (c) reduced fraud. As stated in Attachment No. II provided by Ms. Hammons, "In a recent fare evasion study, the SFMTA found fraudulent use of monthly passes and passports account for approximately \$1.9 million in lost revenue annually." Ms. Hammons advises that the SFMTA's fare media, such as the monthly fast pass, is more susceptible to fraud than the Clipper card; therefore, the SFMTA estimates a reduction in lost revenue resulting from reduced fraud under

the Clipper program. According to Ms. Hammons, as a result of the Clipper program the SFMTA would realize up to an estimated total annual savings of \$2,075,000 beginning in FY 2012-2013, including (a) \$775,000 for reductions in production of tickets, passports, and monthly passes, or “fare media;” (b) \$900,000 for elimination of vendor commissions, which, as stated in Attachment II, are paid to third-party vendors at a rate of \$0.50 per fare media item sold; and (c) \$400,000 of lost revenues from fraudulent fare media. While these estimated annual savings would not be fully realized until FY 2012-2013, the SFMTA would realize a portion of these savings in FY 2010-2011 and FY 2011-2012, as shown in the following Table 2.

Attachment No. II explains in greater detail how the \$17,222,500 in estimated reduced expenditures was calculated from FY 2010-2011 through FY 2018-2019.

Table 2: Estimated savings to be realized by the SFMTA under the proposed MOU for the Clipper program

FY 2010-2011	\$1,037,500
FY 2011-2012	\$1,660,000
FY 2012-2013	\$2,075,000
FY 2013-2014	\$2,075,000
FY 2014-2015	\$2,075,000
FY 2015-2016	\$2,075,000
FY 2016-2017	\$2,075,000
FY 2017-2018	\$2,075,000
FY 2018-2019	\$2,075,000
TOTAL	\$17,222,500

As shown in Table 3 below, the net estimated cost to the SFMTA under the Clipper program from FY 2010-2011 through FY 2018-2019 will be \$26,587,408.

Table 3: Net increase in SFMTA expenditures as a result of the proposed MOU

	Payments (see Table 1)	Savings (see Table 2)	Net Cost to the SFMTA
FY 2010-2011	\$1,311,312	\$1,037,500	\$273,812
FY 2011-2012	\$3,816,826	\$1,660,000	\$2,156,826
FY 2012-2013	\$5,138,476	\$2,075,000	\$3,063,476
FY 2013-2014	\$5,307,191	\$2,075,000	\$3,232,191
FY 2014-2015	\$5,362,289	\$2,075,000	\$3,287,289
FY 2015-2016	\$5,490,827	\$2,075,000	\$3,415,827
FY 2016-2017	\$5,623,924	\$2,075,000	\$3,548,924
FY 2017-2018	\$5,792,642	\$2,075,000	\$3,717,642
FY 2018-2019	\$5,966,421	\$2,075,000	\$3,891,421
TOTAL	\$43,809,908	\$17,222,500	\$26,587,408

As stated previously, Ms. Hammons advises that the source for the above increase in net costs incurred by the SFMTA would be the SFMTA’s Operating Fund.

According to Ms. Hammons, the SFMTA has not incurred any operating expenditures to implement the Clipper program to date, because the SFMTA utilized \$975,279 in Federal grant incentive funds for Clipper program expenses incurred to date. The \$975,279 in Federal grant incentive funds were in addition to the \$1,352,224 in incentive funds which the SFMTA intends to utilize in FY 2010-2011 to defray Clipper program operating and maintenance expenditures, which is a total of \$2,327,503 in incentive funds that have been allocated to the SFMTA by the MTC, according to the terms of both the existing TransLink IPA and the proposed MOU.

POLICY CONSIDERATION

The MTC has approved a resolution (Resolution No. 3866) that specifies sanctions, including the ineligibility for Federal and State grant monies that are disbursed by the MTC to the SFMTA, in the event that the SFMTA did not enter into the proposed MOU. As stated in the MTC's resolution: "The sanction of withholding, restricting or reprogramming funds to enforce cooperation will be exercised by MTC..." in order to ensure that all transit operators fully participate in the implementation of the Clipper program. Ms. Hammons advises that the majority of the SFMTA's Federal and State grant monies are disbursed to the SFMTA by the MTC, which means that disapproval of the proposed MOU could result in the SFMTA being ineligible for the majority of future Federal and State grant monies.

RECOMMENDATION

Approve the proposed resolution.