



METROPOLITAN
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COMMISSION

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Memorandum

TO: TransLink[®] Management Group

DATE: April 14, 2010

FR: Jacob Avidon

RE: TransLink[®] Operating Rules and Policies: Suspension of \$5 Card Acquisition Fee, Changes to Operating Rules, and Approval of Additional Distribution Locations for Youth and Senior Cards

The TransLink[®] Operating Rules establish (a) a \$5 fee for acquisition of a TransLink[®] card, (b) policies for distribution of youth and senior TransLink[®] cards, and (c) policies regarding refunds. MTC recommends that the TransLink[®] Management Group (TMG) take the following actions:

1. Approve the temporary suspension of the \$5 card acquisition fee to support the transition of fare products to smart card-only availability and the change from TransLink[®] to ClipperSM;
2. Approve the permanent elimination of the \$5 card acquisition fee for customers acquiring youth and senior cards;
3. Approve changes to the Operating Rules to accommodate the strategy agreed on by operator staff for the distribution of youth and senior ClipperSM cards;
4. Approve changes to the Operating Rules eliminating refunds for cards used as part of a transit benefit program, which is consistent with Internal Revenue Code requirements; and
5. SFMTA request to establish additional locations for acceptance of applications for youth and senior cards.

MTC presented these recommendations to the TransLink[®] Marketing and Distribution Subcommittee on April 14, 2010 and the TransLink[®] Finance Committee on April 19, 2010. The Marketing and Distribution Subcommittee and the Finance Committee provided comments on the recommendations and indicated their support.

Background Concerning Cardholder Fees

Sections 9.3.2 and 18.6.3 of the Operating Rules already set criteria for waiving card fees for certain types of transactions or in certain situations including for promotional purposes. Since 2006, when the program started charging fees to customers, the Consortium has deposited all cardholder fee revenue in an account held by BART on behalf of the Consortium. This account is separate from the Float Account, which holds funds loaded to cards by customers as e-cash. The balance of the cardholder fee account is about \$280,000. MTC funds the procurement of cards through the program's capital budget; in other words, the program had not planned to use revenue from cardholder fees for future card procurement. (MTC has recently learned that

policies associated with the funding sources that support the program require that MTC apply these revenues to offset card procurement expenses.)

1. Temporary Suspension of \$5 Card Acquisition Fee

MTC recommends that the TMG approve temporarily suspending the \$5 card acquisition fee, as specified in Section 9.1 of the Operating Rules, for approximately three months beginning June 16, 2010. MTC recommends that the program make cards available at no charge to customers regardless of where the customer acquires the card, e.g., retailer, ClipperSM website, in-station promotion, etc., and regardless of whether the customer is acquiring a new or replacement card. MTC recommends setting no firm limit on the quantity of cards available at no charge to customers; however, as described below, MTC will assess the effectiveness of the fee waiver and may consider extending or shortening the promotion.

The objective of suspending the fee is to support the scheduled transition of transit operator fare products to smart card-only availability and the introduction of ClipperSM as the new program name. Lowering the price of the card will remove a potential barrier to adoption especially for lower-income customers. Other regions (Chicago, Atlanta, San Diego, Seattle) implementing programs similar to ClipperSM have reported positive results from promotions involving temporary suspensions of card acquisition fees at the inception of the programs and/or other key points in the programs' development, e.g., implementation of fare policies that favor adoption of the cards.

Once implemented, MTC will monitor card distribution and card use activity to assess whether the elimination of the fee is having a positive impact, e.g. rapid adoption by customers, and/or any negative impacts, e.g. customers treating the cards as disposable. Based on MTC's analysis, MTC may consider continuation of the fee waiver or an early end to the fee waiver. (Customer education materials will use terminology such as "for a limited time" to enable flexibility to either continue or conclude the fee waiver.)

2. Permanent Elimination of Card Acquisition Fee for Youth and Senior Cards

MTC recommends eliminating the \$5 fee for youth and senior ClipperSM cards (Section 9.1 of the Operating Rules) on a permanent basis for the following reasons:

- These patrons, unlike others, are currently asked to make a trip in-person to a transit agency ticket office or other designated acceptance location to apply for their cards, which imposes a cost of time as well as transit;
- Due to the limited availability of the cards and the requirement that all youth and senior customers register their cards, MTC expects few customers will carelessly dispose of the cards; and
- The design of the youth and senior card distribution system does not allow for the collection of funds through the ClipperSM settlement process.

3. Operating Rules Changes Regarding Distribution of Youth and Senior Cards

Based on discussions involving MTC, operators and the Contractor, MTC recommends the following amendments to the Operating Rules.

- Section 3.3 – Fraud Prevention: Change text both to more clearly state that transit agency staff may confiscate cards that staff believe are being used fraudulently and to specify that operators shall mail any confiscated cards should to the TransLink[®] Service Bureau for hotlisting.
- Section 4.4.2 – Availability of Registered Cards: Change text to enable operators to either distribute youth and senior cards directly to patrons (already covered by the Operating Rules) or to accept youth and senior card applications for processing and card fulfillment by the Service Bureau.
- Section 4.4.4 – Proof of Eligibility for Discount Fares: Remove the requirement for applicant to appear in person to submit application for youth or senior card. Change text to eliminate Military Identification Cards and Military Dependent Cards, because they do not have birth dates on them, and adds the San Francisco City ID card, which does have a birth date on it. Also added to this section is the process whereby a customer can submit an appeal if he/she does not have one of the accepted forms of identification.
- Section 4.4.6 – Card Registration and Personalization Matrix: This table describes attributes of unregistered, registered and personalized cards. The proposed change clarifies the availability of youth and senior cards.

4. Operating Rules Changes Regarding Elimination of Refunds for Customers Participating in Pre-Tax Benefit Programs

Currently, the Operating Rules allow for the refund of e-cash to a patron with a registered card and the refund of transit operator products at the discretion of the operator(s) on which the product(s) are valid, whether the card is registered or not.

The Operating Rules do not place any restriction on refunds for cards with regard to their association with a pre-tax transit benefit program. MTC and the TransLink[®] Contractor are in agreement that the Internal Revenue Code does not provide for the refunds of transit card value that was added to the card through a pre-tax employee transit benefit program.

MTC recommends amending Section 8.1.1, Exceptions to the General Refund Policy, to specify that cards that have ever been associated with an employee transit benefit program or received value through such a program are ineligible for refunds, even in the case where a customer also added value to his or her card from a personal funding source.

5. Consortium Approval of Additional Intake Locations for Youths and Seniors

The TransLink[®] Operating Rules state that senior and youth TransLink[®] cards may be made available at transit agency ticket offices as well as other locations approved by the Consortium (Section 4.4.2.4.2 and 4.4.2.4.3). The San Francisco Municipal Transportation Agency (SFMTA) has submitted a request for approval of additional locations, which would be used solely for the acceptance of applications for youth and senior cards.

MTC recommends approval of SFMTA's request to establish formal partnerships with the Department of Aging and Adult Services, Boys and Girls Clubs, selected schools and other relevant organizations to assist with the intake of youth and adult TransLink® card applications. Each entity will sign a memorandum of understanding with SFMTA that requires compliance with the rules and regulations of the Consortium's established youth and senior TransLink® card application acceptance policies and processes.

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