



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item No. 3
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Memorandum

TO: Operations Committee

DATE: May 6, 2011

FR: Deputy Executive Director, Operations

105-1221, 310-2700,
W.I. 310-2741

RE: ClipperSM Program Contract Actions

- (i-iii) Contract Change Orders: Cubic Transportation Systems, Inc.
- (iv) Contract Amendment: Nematode Holdings, LLC
- (v) Contract Amendment: Booz Allen Hamilton, Inc.
- (vi) Purchase Order: AT&T

ClipperSM Program Status Report

For the week ending April 15th, average weekday transaction volume was 448,000, a 14% growth from last month. The primary driver of this recent growth is the transition of SFMTA's Muni-Only monthly pass to ClipperSM, which was effective April 1. Since the start of 2011, ClipperSM weekday transaction volume has increased 43%. Other recent developments are: patrons can add e-cash to their ClipperSM cards at all BART ticket vending machines, and ClipperSM ticket vending machines are now in operation at three locations for Golden Gate Ferry customers. Extensive outreach efforts to Caltrain's customers in March and early April paid off somewhat, with the estimated percentage of calls to the ClipperSM customer service center from those customers dropping by about half.

Contract Actions

Staff recommends that the Operations Committee authorize the Executive Director or his designee to negotiate and enter into the following contract actions:

Contract Change Orders: Cubic Transportation Systems, Inc. (Cubic)

i) Employer Program Sales Commission (\$500,000)

Prior to ClipperSM, third party transit benefit programs mailed paper tickets to customers; most transit agencies paid a commission to the third party transit benefit programs for these sales. ClipperSM now offers several options for customers to load pre-tax transit benefits to their cards. Customers can:

- Load value through the Cubic-managed *ClipperSM Direct* program,
- Redeem a *Commuter Check or other voucher*,
- Use a *special debit card* loaded with pre-tax transit value, or
- Add value through a *website operated by a third party transit benefit program*, e.g. Commuter Check or WageWorks. When a customer adds value through a transit benefit program's website, the benefit program's website controls the customer's interface for adding

ClipperSM value. The ClipperSM Contractor (Cubic) supports the benefit provider by directly loading the value to the customer's card.

Transit benefit distribution is expected to dramatically change as more transit patrons transition from paper tickets to ClipperSM-- the business arrangements must necessarily evolve as well. So in order to maintain the service provided by the transit benefit programs, but adapt the model to ClipperSM, Cubic has reached the following agreement with the transit benefit providers:

- The ClipperSM Program will offer a similar 1% commission to transit benefit programs for ClipperSM sales. The transit agencies will fund this commission.
- Cubic may charge the transit benefit programs for the services Cubic provides in fulfilling the ClipperSM value to customers. These services include automated delivery, settlement and customer support. Cubic has proposed a fee of \$2 per customer per month.

Two of the major transit benefit providers have agreed to the fee under the condition that they be able to pass such a fee on to employers and/or cardholders. MTC staff initially rejected an arrangement where cardholders might face additional charges for using an automated channel for adding value to ClipperSM cards, but ultimately agreed to a compromise that such an arrangement would be acceptable under the condition *the fees would not be assessed to any cardholder unless the customer affirmatively agrees ("opts in") to such a fee*. MTC agreed to compromise for several reasons:

1. Provides compensation to Cubic for services rendered and lets the market, i.e. employers and employees, determine whether the automated service provides incremental value in exchange for the servicing fee;
2. Ensures continuation of a convenient automated add value option for cardholders;
3. Ensure that all employees have an opportunity for this service. For example, some employers require employee contributions in order to participate in a transit benefit program. If Cubic were to not allow the fee to be passed onto the employees, some participants would be denied the opportunity to have an automatic load; and
4. MTC has limited influence over the pricing established by third party transit benefit programs, which have always charged fees for their services and sometimes established different pricing depending on the options provided to a given employer.

Under the planned arrangement, some employers may elect to absorb the additional monthly fees for automated services so there will be no impact to cardholders. In the event the employer elects to pass on the fee, the cardholder will have the option to receive either a voucher or a debit card redeemable for ClipperSM value where the cardholder does not want to pay an additional fee for automated adding of value to his/her ClipperSM card.

In February 2011, about 20,000 ClipperSM customers were taking advantage of the automated add value services through third party transit benefit programs, which means this new fee, which take effect in June 2011, would impact a maximum of about 4% of ClipperSM customers. The proposed change order will establish the 1% commission and initial term of two years. MTC and Cubic may renegotiate the arrangement after two years if the arrangement proves unsuccessful or unsustainable.

ii) Handheld Card Readers for Caltrain (\$85,000)

Under this Change Order, Caltrain will receive approximately eight handheld card readers, configured especially for Caltrain, that can also accept fare payment. The devices will be used to support collection of fares at special events such as football games at Stanford and baseball games in San Francisco.

iii) Improve Wireless Coverage at SFMTA Yards (\$90,000)

Under this Change Order, Cubic will add wireless data access points and reconfigure the wireless network to provide more consistent coverage in the SFMTA bus yards, so SFMTA vehicles will be better able to upload and download ClipperSM data on a regular basis.

iv) Contract Amendment – Transportation Information Kiosk at the Embarcadero BART Station: Nematode Holdings, LLC (\$73,000)

Since October 2009, MTC has contracted with Nematode Holdings, LLC to manage and operate the Transportation Information Kiosk at the Embarcadero BART/Muni Metro station through June 30, 2012. In September 2010, MTC expanded the scope of this location to become an in-person ClipperSM customer service center. Thus, in January 2011 the kiosk began offering expanded ClipperSM customer services, such as immediate Senior and Youth card issuance, and ClipperSM card replacement and card registration. The current contract authority includes \$289,200 for the provision of services at the kiosk in Fiscal Year 2011/12. This contract amendment will increase that contract authority by \$73,000 to provide increased staffing for the delivery of ClipperSM customer services in FY 2011-12.

v) Contract Amendment – Technical Advisor: Booz Allen Hamilton, Inc. (\$2,550,000)

In December 2008, the Operations Committee approved a multi-year contract with Booz Allen Hamilton to provide technical oversight of the ClipperSM Contractor and coordination with the transit operators and other consultants. The proposed work scope includes review of design submittals, testing and inspection services, operations support and general project oversight. Staff recommends amending this contract to provide \$1,350,000 for operational, system enhancement, and on-site program management support, and ClipperSM Contractor oversight during Fy 2011-12. Additionally, staff recommends amending this contract to provide \$1,200,000 in MTC funding for project implementation oversight for the SFMTA-ClipperSM ticket machine and fare gate project, which SFMTA will fund.

vi) Purchase Order – ClipperSM Network Services: AT&T (\$280,000)

MTC utilizes AT&T for networking services for the ClipperSM program, connecting card readers and other devices with data servers and the ClipperSM Central System. The FY 2011-12 Purchase Order for \$280,000 will cover network operations and installation--\$11,500 for installation of new lines, and \$242,000 for service on all lines and 10% contingency funding.



Andrew B. Fremier

REQUEST FOR COMMITTEE APPROVAL

Summary of Proposed Contract Change Order

Work Item No.: 105-1221

Contractor: Cubic Transportation Systems
San Diego, CA

Project Title: ClipperSM Employer Program Sales Commission

Purpose of Project: Establish commission for sales of ClipperSM value through third party transit benefits providers

Brief Scope of Work: Provide a 1% commission for all ClipperSM value sold by companies that administer transit benefit programs. In exchange, the providers will establish the option of loading value directly to a ClipperSM card on their websites.

Project Cost Not to Exceed: \$500,000 for FY 2011-12 (this change order)

Approved contract plus change order prior to today's action: \$118,556,883

Funding Source: Transit Operator Funds

Fiscal Impact: Funds subject to adoption of FY 2011-12 agency budget and execution of an amendment to the ClipperSM Memorandum of Understanding

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into one or more contract change orders implement a sales commission for third party transit benefits providers subject to agreement by the operators to fund such change order(s) and the Chief Financial Officer is authorized to set aside funds up to \$500,000 for such a contract change order, subject to the agency budget approval process.

Operations Committee:

Jake Mackenzie, Chair

Approved:

Date: May 13, 2011

Summary of Proposed Contract Change Order

Work Item No.: 310-2700

Contractor: Cubic Transportation Systems
San Diego, CA

Project Title: Handheld Card Readers for Caltrain

Purpose of Project: Implement handheld card readers that can accept fare payment at Caltrain.

Brief Scope of Work: Provide handheld card readers that can accept fare payment at Caltrain to support collection of fares at special events.

Project Cost Not to Exceed: \$85,000 (this change order)
Approved contract plus change orders prior to today's actions: \$118,556,883

Funding Source: CMAQ, STA, STP Exchange, Regional Measure 2 Capital and Regional Measure 2 Operating

Fiscal Impact: Funds subject to adoption of FY 2011-12 agency budget

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into one or more contract change orders for implementation of handheld card readers at Caltrain and the Chief Financial Officer is authorized to set aside funds up to \$85,000 for such a contract change order, subject to the FY 2011-12 agency budget approval process.

Operations Committee:

Jake Mackenzie, Chair

Approved: Date: May 13, 2011

Summary of Proposed Contract Change Order

Work Item No.: 310-2700

Contractor: Cubic Transportation Systems
San Diego, CA

Project Title: Improve Wireless Coverage at San Francisco Municipal Transportation Authority (SFMTA) Yards

Purpose of Project: Increase wireless network coverage at SFMTA yards to improve upload and download of ClipperSM data on a regular basis.

Brief Scope of Work: Contractor will add wireless data access points and reconfigure the wireless network to provide more consistent coverage in the SFMTA bus yards.

Project Cost Not to Exceed: \$90,000 (this change order)

Approved contract plus change orders prior to today's actions: \$118,556,883

Funding Source: CMAQ, STA, STP Exchange, Regional Measure 2 Capital and Regional Measure 2 Operating

Fiscal Impact: Funds included in FY 2010-11 agency budget

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into one or more contract change orders for improvements to the wireless network at SFMTA yards and the Chief Financial Officer is authorized to set aside funds up to \$90,000 for such a contract change order.

Operations Committee:

Jake Mackenzie, Chair

Approved: Date: May 13, 2011

REQUEST FOR COMMITTEE APPROVAL

Summary of Proposed Contract Amendment(s)

Work Item No.: 105-1221

Contractor: Nematode Holdings, LLC
San Francisco, CA

Project Title: Transportation Information Kiosk at Embarcadero BART Station

Purpose of Project: Provide in-person ClipperSM customer service, such as card replacement and issuance of Senior and Youth cards, in addition to selling FasTrak[®] transponders, paper transit fare media and operate 511 Departure Times displays.

Brief Scope of Work: Contractor shall provide trained staff to support a range of ClipperSM customer services using ClipperSM equipment and backend systems through FY 2011-12.

Project Cost Not to Exceed: \$73,000 (this amendment)
Approved Contract plus Amendments = \$894,300

Funding Source: CMAQ, STA, STP Exchange, Regional Measure 2 Capital and Regional Measure 2 Operating

Fiscal Impact: Funds dependent on the approval of Regional Measure 2 Operating and Marketing funds in the FY 2011-12 agency budget as well as adoption of FY 2011-12 agency budget

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into one or more contract amendments with Nematode Holdings for the purposes described herein and the Chief Financial Officer is authorized to set aside funds up to \$73,000 for such amendments, subject to the availability of funds and the annual budget approval process.

Operations Committee:

Jake Mackenzie, Chair

Approved: Date: May 13, 2011

REQUEST FOR COMMITTEE APPROVAL

Summary of Proposed Contract Amendment(s)

Work Item No.: 105-1221, 310-2700, 310-2741

Contractor: Booz Allen Hamilton Inc.
San Francisco, CA

Project Title: ClipperSM Technical Advisor

Purpose of Project: Provide continued technical oversight of the ClipperSM Contractor and coordination with the transit operators and other consultants.

Brief Scope of Work: Provide support of ClipperSM Contract administration, project oversight, project coordination, business assistance, operations support and deployment oversight during FY 2011-12. Extend support to SFMTA for implementation of its new ClipperSM ticket machines.

Project Cost Not to Exceed: \$2,550,000 (this amendment)
Approved contract plus amendments: \$5,719,773

Funding Source: CMAQ, STA, STP Exchange, Regional Measure 2 Capital and Regional Measure 2 Operating: \$1,350,000
SFMTA funding through the Grant and Cooperative Agreement between MTC and SFMTA, effective August 24, 2009: \$1,200,000

Fiscal Impact: Funds subject to adoption of FY 2011-12 agency budget

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into one or more contract amendments with Booz Allen Hamilton for the purposes described herein and the Chief Financial Officer is authorized to set aside funds up to \$2,550,000 for such amendment(s), subject to the annual budget approval process.

Operations Committee:

Jake Mackenzie, Chair

Approved:

Date: May 13, 2011

REQUEST FOR COMMITTEE APPROVAL

Summary of Proposed Purchase Order

Work Item No.: 310-2700 and 105-1221

Contractor: AT&T
Sacramento, CA

Project Title: ClipperSM Networking Services

Purpose of Project: Provide a communications network for the TransLink[®] program during FY 2011-12.

Brief Scope of Work: Service fees and capital costs for network, frame relay and dial-up services connecting ClipperSM devices to computer servers and the central clearinghouse.

Project Cost Not to Exceed: \$280,000

Funding Source: For transit operators still eligible for ClipperSM incentive funding, CMAQ, STA, STP Exchange, Regional Measure 2 Capital and Regional Measure 2 Operating; per the ClipperSM Memorandum of Understanding, all other transit agencies reimburse MTC for this cost.

Fiscal Impact: ClipperSM incentive funding is subject to adoption of FY 2011-12 agency budget

Motion by Committee: That the Executive Director or his designee is authorized to issue a purchase order for communications network services from AT&T and the Chief Financial Officer is authorized to set aside funds up to \$280,000 for such a purchase order, subject to the annual agency budget approval process.

Operations
Committee:

Jake Mackenzie, Chair

Approved: Date: May 13, 2011