



METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

Agenda Item 2b

TO: Operations Committee

DATE: October 3, 2014

FR: Executive Director

W.I. 310-2700, 320-1221

RE: Clipper[®] Program Contract Actions

- i. Contract Change Order – Additional Platform Readers: Cubic Transportation Systems, Inc. (\$685,000)
- ii. Contract Change Order Amendment - Statement on Standards for Attestation Engagement No. 16 Report: Cubic Transportation Systems, Inc. (\$160,000)

Attachment 1 includes information about current Clipper[®] system operations.

Contract Actions

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

- i. **Contract Change Order – Additional Platform Readers: Cubic Transportation Systems, Inc. (\$685,000)**

The Sonoma Marin Area Rail Transit (SMART) system, which is expected to commence service in 2016, has chosen Clipper[®] as its exclusive fare collection system. To support this and other implementations, an additional quantity of Clipper[®] platform card readers and associated equipment will be needed. This change order is expected to secure sufficient quantities to address program needs for the remainder of the term of the Clipper[®] contract, through 2019. The original devices were supplied by ERG (now Vix Technology) as predecessor to Cubic Transportation Systems, Inc. (Cubic) under the Clipper[®] contract. MTC staff explored several options for procurement of additional platform devices. Ultimately, acquisition of the devices from Cubic under the Clipper[®] contract was determined to be the most cost-effective option as this will not require additional integration engineering.

Staff recommends that the Operations Committee authorize the Executive Director or his designee to negotiate and enter into a contract change order or change order amendment with Cubic in an amount not to exceed \$685,000 for the equipment described above.

ii. Contract Change Order Amendment - Statement on Standards for Attestation Engagement No. 16 Report: Cubic Transportation Systems, Inc. (\$160,000)

In May 2012, the Operations Committee approved a change order to Cubic to engage an independent audit firm to perform an assessment of Cubic's financial and system controls associated with fare processing, financial reconciliation, cardholder support services, card fulfillment, IT system operations and back end functionality.

The audit (the Statement on Standards for Attestation Engagement No. 16 Report, or SSAE 16 Audit) was completed in November 2013 by Moss Adams LLP and concluded that management controls were effectively meeting risk management objectives. Industry leading practices recommend conducting annual independent audits of vendor controls. Transit agency auditors require these reports, since a significant portion of transit agency revenue is managed through Clipper[®].

In January 2014 the Operations Committee approved an amendment to this change order to fund the SSAE 16 audits for FY 2013-14 and FY 2014-2015 in an amount not to exceed \$260,000. MTC executed a change order for the FY 2013-14 audit for the amount of \$129,148.

As staff negotiated the scope for the FY 2014-2015 audit with Cubic, it was agreed that the testing of cash management financial controls would enhance the value of the report for participating operators. The incremental cost of this scope change is relatively small.

This change order amendment will include the cost of adding the cash management financial controls to the scope of conducting the SSAE 16 Audit for FY 2014-15 and fund the FY 2015-2016 audit. Staff recommends that the Operations Committee authorize the Executive Director or his designee to negotiate and enter into a contract change order or change order amendment with Cubic in an amount not to exceed \$160,000 for the services described above.



Steve Heminger

SH: JW:bg

Table 1: Summary of System Usage

	Last Month August 2014	Prior Month July 2014	Prior Year August 2013
Transaction Volume			
Average Weekday Ridership ¹	719,221	705,808	669,267
Fee-Generating Transactions ²	19,807,644	19,823,738	18,750,720
Unique Cards Used	784,407	750,711	699,115
Active Card Accounts	1,483,302	1,466,323	1,308,529
Settled Transit Operator Revenue	\$39,826,884.75	\$40,224,875.25	\$36,204,720.80
Autoload Activity			
Percent of Registered Cards with Autoload	36%	37%	37%
Call Volume			
Customer Service Representative (CSR) Calls	32,972	28,687	31,787
CSR Calls per Unique Card Used	0.04	0.04	0.05
Website Traffic			
Unique Visitors - Standard	162,319	163,877	169,645
Unique Visitors - Mobile	40,773	58,549	26,350
Website Visits - Standard	231,793	226,114	243,900
Website Visits - Mobile	63,807	87,585	38,321
Website Visits per Unique Card Used	0.38	0.42	0.40

Notes on System Usage:

Fee-generating transactions dropped slightly in August (less than 1 percent) and remained below the 20-million mark, but average weekday ridership was up 2 percent, unique cards used increased 4.5 percent and active card accounts grew 1.2 percent. Settled transit operator revenue dropped 1 percent.

Calls to customer service grew 14.9 percent. Usage of the desktop website didn't shift significantly, with total visits up 2.5 percent and unique visitors down 1 percent. However, traffic on the mobile website decrease significantly, with unique visitors down 30.4 percent and total visits down 27.1 percent.

¹ Includes average daily number of boardings, including transfers but excluding some Caltrain monthly pass trips (Caltrain only requires monthly pass customers to tag their cards once at the beginning of each month).

² Includes single-tag fare payments, BART and Caltrain exits, Golden Gate Transit entries, add-value transactions, opt-out purse refunds and pass use, including institutional passes. Does not include transfers or transactions where fee value is \$0 (e.g., issuance of free cards, zero-value tags in dual-tag systems, etc.).

Table 2: Monthly Market Penetration Rates³

	Monthly Clipper Boardings July 2014	Market Penetration Rate July 2014	Market Penetration Rate June 2014	Market Penetration Rate July 2013
AC Transit	1,574,629	36.9%	34.8%	29.6%
BART	5,945,333	51.5%	51.2%	48.3%
Caltrain ⁴	281,389	58.2%	56.5%	51.7%
Golden Gate Ferry	232,551	87.3%	86.9%	85.5%
Golden Gate Transit	214,093	41.3%	41.8%	37.7%
SamTrans	360,439	35.2%	34.0%	34.0%
SFMTA	8,515,311	44.6%	42.9%	46.5%
VTA	1,262,516	35.5%	34.7%	25.8%
San Francisco Bay Ferry	51,214	23.5%	24.9%	24.7%

³ In April, MTC transitioned the methodology for calculating market penetration from average weekday market penetration to monthly market penetration due to the availability of current ridership data. Monthly market penetration is now calculated using monthly ridership data from the National Transit Database (NTD). Because of the timeframe for receiving NTD data, this table does not reflect the most recent calendar month. The percentages have been recalculated using NTD data, so they may differ from previous Clipper Updates.

⁴ Calculation of Caltrain market penetration assumes that monthly pass holders board Caltrain 1.75 times a day per weekday. Caltrain sold 14,630 calendar passes during the June 2014 pass vending window.

Summary of Proposed Contract Change Order

Work Item No.: 310-2700

Contractor: Cubic Transportation Systems, Inc.
San Diego, CA

Project Title: Additional Platform Readers

Purpose of Change Order: Procurement of additional platform Clipper[®] card reader devices (CID2a) and associated equipment for future implementations.

Brief Scope of Work: Contractor shall provide up to 150 additional CID2a devices and associated equipment.

Project Cost Not to Exceed: \$685,000 (this Change Order)
Total capital contract value including Change Orders before this Change Order = \$139,852,243
Total authorized capital contract amount with this Change Order = \$140,537,243 (this total does not include other October 10 contract approval actions).

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

Fiscal Impact: Funding is included in the FY 2014-15 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 or Change Order Amendments with Cubic Transportation Systems, Inc., for the purposes described herein and in the Executive Director's October 3, 2014 memorandum, and the Chief Financial Officer is authorized to set aside \$685,000 for such Contract Change Orders or Change Order Amendments.

Operations Committee:

Jake Mackenzie, Chair

Approved:

Date: October 10, 2014

Summary of Proposed Contract Change Order Amendment

Work Item No.: 310-2700, 320-1221

Contractor: Cubic Transportation Systems, Inc. (Cubic)
San Diego, CA

Project Title: Statement on Standards for Attestation Engagement No. 16
(SSAE 16) Report

Purpose of Change Order: Conduct reoccurring annual SSAE 16 audits for FY 2013-14 and FY 2014-2015.

Brief Scope of Work: Assess Cubic's financial and system controls associated with fare processing, financial reconciliation, cardholder support services, card fulfillment, IT system operations, and back end functionality for FY 2014-15. Includes testing of cash management financial controls for FY 2013-14 and FY 2014-15.

Project Cost Not to Exceed: \$160,000 (this Change Order)
Total capital contract value including Change Orders before this Change Order Amendment = \$139,852,243
Total authorized capital contract amount with this Change Order Amendment = \$140,012,243 (this total does not include other October 10 contract approval actions).

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

Fiscal Impact: Funding is included in the FY 2014-15 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 or Change Order Amendments with Cubic Transportation Systems, Inc., for the purposes described herein and in the Executive Director's October 3, 2014 memorandum, and the Chief Financial Officer is authorized to set aside \$160,000 for such Contract Change Orders or Change Order Amendments.

Operations Committee:

Jake Mackenzie, Chair

Approved: Date: October 10, 2014