

Clipper® Executive Board Fare Integration Task Force

August 28, 2023

Agenda Item 5a

Clipper® BayPass Pilot Phase 2 Next Steps

Subject:

Proposed terms and principles for a Clipper® BayPass Pilot Participation Agreement and update on the next steps to launch Phase 2 of the Clipper BayPass Pilot.

Background:

In November 2021, the Fare Integration Task Force adopted the Fare Policy Vision Statement directing staff to pilot a regional institutional pass product. In August 2022, the first phase of the Clipper® BayPass pilot was launched to pilot an unlimited-use product at four higher education institutions – the University of California, Berkeley, San Francisco State University, San Jose State University, and Santa Rosa Junior College. A second phase of the pilot has been scoped to include up to 10 employers or institutions, whereby the Clipper BayPass product would be sold to employers or institutions at a revenue-neutral/positive price via one-year contracts for a maximum of a two-year Phase 2 pilot program.

The launch of Phase 2 will require the execution of a Participation Agreement with transit operators and MTC. This Participation Agreement will detail guiding principles for the pilot, describe program mechanics, including revenue distribution strategies, and codify consent to participate in the pilot. The project team has developed Attachment A to this item in close consultation with transit operator staff. It sets out key terms and principles for a Clipper BayPass Pilot Program Participation Agreement. This document is intended to guide the final development of a Participation Agreement for execution by transit operators by October 31, 2023, allowing the Phase 2 pilot program to launch in January 2024.

Issues:

None identified.

Recommendations:

Task Force endorsement of the Key Terms and Principles for a Clipper® BayPass Pilot Program Participation Agreement as described in Attachment A and to provide direction to the project management team to develop a Participation Agreement for transit operators and MTC approval.

Attachments:

- Attachment A: Key Terms and Principles for a Clipper® BayPass Pilot Program Participation Agreement
- Attachment B: PowerPoint

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Michael Eiseman, Co-Project Manager, BART

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William Bacon, Co-Project Manager, MTC

Key Terms and Principles for a Clipper BayPass Pilot Program Participation Agreement

Outline of the general terms and principles for a Clipper BayPass Pilot Program Participation Agreement, which will establish the parameters for the sale of an “all you can ride” regional transit pass to up to ten (10) employers or institutions with up to 20,000 total individual participants. The Participation Agreement is intended to be signed by and among MTC and all Transit Operators that accept Clipper.

1. Guiding Principles

- Clipper BayPass program should be designed with a goal of generating new riders and new revenue sources for transit operators, and to broaden access to institutional pass programs.
- As of January 1, 2023 several Transit Operators offer their own employer/institutional pass products, such as AC Transit’s EasyPass Program, Caltrain’s GO Pass Program, SamTrans’ Way2Go Program, and VTA’s SmartPass Program, collectively referred to as “Preexisting Institutional Pass Products”.
- Phase 2 of the Clipper BayPass Pilot Program should be designed in a manner that protects existing transit operator revenues, especially for operators with Preexisting Institutional Pass Products.
- Phase 2 of the Clipper BayPass Pilot Program is expected launch no later than December 31, 2023 and to conclude no later than June 30, 2026.
- The Fare Integration Task Force, or any designated successor body, will provide oversight of the Clipper BayPass Pilot Program and will be consulted on a regular basis about the status of the program.

2. Aligning with Preexisting Institutional Pass Products

- Existing customers refers to any employer that was a customer of a pre-existing institutional program as of January 1, 2020 or at the time of the launch of Phase 2.
- For existing customers of a Preexisting Institutional Pass Product Clipper BayPass will only be offered as an upgrade in addition to their Preexisting Institutional Pass Product and corresponding contractual relationship with a Transit Operator.

- Clipper BayPass project management team and Transit Operator staff will aim to align operational processes between the Clipper BayPass and the Preexisting Institutional Pass programs to ensure a pilot program that appeals to institutional customers and is administratively feasible.
- Clipper BayPass will not be offered at a price that undercuts the cost of any Preexisting Institutional Pass Product. The cost of Clipper BayPass to any employer will be above the cost of any Preexisting Institutional Pass Product for operators that serve the employer's physical location. Service is defined as a rail station or bus stop within three miles of an employer's physical location.
- During Phase 2 of the Clipper BayPass Pilot Program in San Mateo County and Santa Clara County, Clipper BayPass will only be offered to Preexisting Institutional Pass Product customers of Caltrain's GoPass Program within three miles of a Caltrain rail station or VTA's SmartPass Program outside of three miles of a Caltrain rail station.

3. Program Revenues

- Operators will be reimbursed for trips based on actual passenger usage (at a rate equal to a regular adult Clipper fare).
- \$5 million will be available to address funding gaps if necessary, including: \$1 million already budgeted through Transit Transformation Action Plan and \$4 million additional funds will be requested through the MTC Commission in September 2023.
- Any excess revenues from the sales of the Clipper BayPass pilot product up to a limit of \$1 million or whatever costs were incurred by MTC to establish the Phase 2 program, whichever is less, shall be available to reimburse MTC for the operation and management of the Clipper BayPass Pilot. All additional excess revenues, beyond the limit described above, will be allocated to transit operators based on each operator's share of overall Phase 2 ridership.

- Employers will be offered one-year contracts. Contracts may be renewed with updated pricing terms as needed to ensure a revenue neutral or revenue positive program.

4. Evaluation and Next Steps

- Clipper BayPass project management team will engage with Transit Operator staff and the Fare Integration Task Force, or any designated successor body, to share pilot findings, project updates, and to collect feedback from Transit Operators about the program.
- The Fare Integration Task Force, or any designated successor body will be consulted and provide consent and direction before any potential post-pilot Clipper BayPass program were to be advanced.
- Pilot pricing and revenue distribution terms do not establish a precedent for pricing or revenue distribution in any post-pilot Clipper BayPass program that might be established in the future.
- The terms of any future post-pilot program is subject to later negotiation. Any Transit Operator will have the discretion to participate or not participate in any future post-pilot Clipper BayPass program that may be established.