

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 4/22/2026

Staff Report No. 26-203

TO: AC Transit Board of Directors
FROM: Salvador Llamas, General Manager/Chief Executive Officer
SUBJECT: Update on the Implementation of Next Generation Clipper

BRIEFING ITEM

AGENDA PLANNING REQUEST:

RECOMMENDED ACTION(S):

Considering receiving a report on the Next Generation Clipper implementation

Staff Contact:

Ahsan Baig, Chief Information Officer

Claudia Burgos, Executive Director of External Affairs & Customer Experience

STRATEGIC IMPORTANCE:

Goal - Convenient and Reliable Service

Initiative - Infrastructure Modernization

The Next Generation Clipper® (NGC) program has modernized the Clipper payment system to allow transit riders to manage their Clipper accounts on-line, get immediate access to added value on their Clipper accounts, and enable contactless payments and mobile payment options.

BUDGETARY/FISCAL IMPACT:

The fiscal impact on District budget is uncertain due to ongoing delays in the launch of NGC, and requirements to keep the legacy Clipper system operational. Metropolitan Transportation Commission (MTC) staff provided a draft Clipper Operating Budget to the Clipper Executive Board (CEB) at their meeting on March 30, 2026 to inform transit agencies of a possible significant increase in operational costs for fiscal year 2026-27. The draft cost increase to all transit agencies was 82% over the prior estimate. For AC Transit this would mean an increase from \$1.6 million to \$3.0 million.

Clipper staff have formed a cost allocation working group in collaboration with transit agencies to review the formulas for distribution of charges to agencies. The cost to the agency can vary both on the overall cost of the specific function and how that cost is distributed amongst agencies. For example, credit card charges are distributed based on formulas that consider transaction counts and dollar amounts. Staff is incorporating the increased cost into the coming year budget and will adjust as necessary based on the continuing cost allocation discussion.

BACKGROUND/RATIONALE:

The NGC system was launched on December 10, 2025. Since then, Cubic, the regional provider of the NGC system and MTC, have experienced significant technical and administrative challenges in its deployment.

The rollout of the NGC system has encountered significant challenges that are affecting system performance, financial operations, and customer experience across participating transit agencies. Persistent issues with system stability, capacity, and scalability have resulted in intermittent outages and degraded performance, particularly during peak periods. At the same time, the coexistence of the legacy Clipper system and NGC platforms have introduced data inconsistencies and added complexity to financial reconciliation, leading to delays, reduced transparency, and increased administrative burden on operators. These challenges are further compounded by unreliable customer-facing applications and periodic unavailability of digital channels, negatively impacting the rider experience and the overall Clipper brand. Collectively, these issues are placing an unanticipated fiscal and operational strain on transit agencies and underscore the urgent need for system stabilization, improved governance, and stronger accountability to ensure the program meets its regional objectives.

NGC Implementation in the Region

There are an estimated 17 million Clipper cards in the region, and bulk migration (the transition of existing Clipper cards from legacy to NGC) has yet to occur. As such, NGC functionality has been limited primarily to those customers who have manually transitioned their existing cards, or those who have received NGC cards through the Clipper customer service process. Most Clipper cardholders will receive NGC benefits after the bulk card migration has been implemented. Approximately 1,281,000 existing Clipper cards have been migrated to NGC. This includes 7,000 cards migrated since March 1, 2026. This improvement resulted from a cleanup of address migration errors such as passes, including institutional passes, failing to load.

Technical and Financial Challenges for Customers

The implementation of NGC has encountered significant, widespread technical failures across system software, hardware, and infrastructure. Several critical challenges emerged that prevented a full rollout as originally planned by Cubic and MTC. These issues included software and hardware failures, as well as broader infrastructure limitations that affected system stability and functionality which notably impacts the customer experience.

The MTC Clipper team has been working closely with Cubic to resolve issues. They hold daily meetings with agency leaders, a weekly meeting of transit agency executives, a bi-weekly Transit Liaison Committee meeting and a monthly Clipper Executive Board meeting to stay current on any critical post operational issues. The District, along with the other Clipper partner agencies, receive daily updates via email regarding the following high priority issues: 1) system performance; 2) customer account management; 3) customer service terminals; 4) fare inspection devices; 5) ticket vending machines; and 6) financial settlement and data reporting.

As of this report, Cubic is working to resolve intermittent system outages. These outages affect transit agencies differently based on their NGC equipment and Customer usage. Fare inspection devices and Muni's

ticket vending machines are also receiving software updates. Customers have reported increasing frustration with long wait times when contacting Clipper support, and in some cases, being redirected to in-person service locations for assistance, like the AC Transit Customer Service Center (CSC). At the CSC, the legacy Clipper Ticket Office Terminals (TOT's) have been replaced with new Customer Service Terminals (CSTs), to support NGC cards.

The CSTs have experienced myriad issues, including Clipper card replacement functionality, Clipper card issuance, challenges with issuing youth discount Clipper cards, payment processing, payment receipt inaccuracies, and full credit/debit processing capabilities. While several issues have since been resolved, key functions such as transaction reversals and refunds remain unavailable and will require future software updates to be fully operational. To mitigate these challenges, CSC staff began distributing Clipper cards with transitional passes on February 23, providing customers with one week of free travel upon first use. While this has offered temporary relief, it underscores the need for continued system stabilization and improved customer support.

To assist Clipper member agencies, MTC has recently introduced video training modules to bolster written documentation, and Cubic engineers have visited the CSC to provide real-time assistance with Clipper hardware and software issues; the engineering team will return in April.

NGC Costs

The extended transition period and other issues described in this report have resulted in increased costs to fully launch and run the system. The FY 26-27 Operating Budget Cost Drivers for the full Clipper program (C1 and NGC) (as presented at the March 30, 2026 Clipper Executive Board) is shown in Attachment 1. MTC provides direct funding for a part of Clipper operating costs, and the rest is allocated to the transit agencies. Specific functions are divided between MTC and the agencies in different ways. For example, the Customer Service Center is paid for by MTC funding, and the increase in that budget would stay within MTC funds. Other items such as payment services are primarily funded by the agencies.

Unlike the legacy Clipper system, in which credit card charges came from loading value and passes onto Clipper cards, and the payments were routed through Clipper's payment processor, new open payment transactions are routed directly to credit card companies and incur higher fees and thus increased budget for this line item. While this situation was known going into the NGC launch, the total processing fees are now expected to be much higher than estimated.

Credit card processing costs are increasing under the regular Clipper value loading scenario with the advent of fare capping. Previously, riders would purchase passes up front in one larger transaction. With fare capping, riders may make multiple smaller transactions as they accumulate single ride costs until they hit the pass price cap. The transit agency responsibilities for these processing fees are also being discussed in the MTC budget working group.

NGC Transactions

NGC transactions in the Bay Area region increased from approximately 194,000 in January 2026 to 265,000 in February 2026, including 42,234 and 45,911 Tap-and-Ride transactions respectively, but that represents only

about 13% of all Clipper usage. While Tap-and-Ride usage grew by about 30 percent month-over-month, legacy Clipper usage remained the primary payment method, with approximately 2.07 million transactions in February 2026.

In Progress

The Clipper Executive Board approved a \$900,000 supplemental funding agreement with BART during their February 23, 2026 meeting. This agreement will fund the integration of the East Bay Paratransit (EBPT) mobile application with NGC to allow EBPT riders to purchase (i.e. load) EBPT fares using the NGC mobile application.

Title VI

On November 19, 2025, the Board of Directors approved implementation of the NGC Tap-and-Ride feature as a pilot program and directed staff to conduct the required Title VI fare equity analysis, including public engagement. A key component of the analysis would require sufficient and statistically reliable NGC data reflecting Tap-and-Ride usage patterns. Since the NGC system launch the rider adoption has been slower than anticipated, the current volume and reliability of NGC data is insufficient to support a defensible Title VI fare equity analysis within the originally anticipated six-month period ending June 10, 2026.

Recent transaction data further indicate a slow customer migration to NGC. And as previously mentioned, the Tap-n-Ride transactions represent about 13% of all NGC usage. Staff expects that sufficient Clipper data will be available by fall 2026, after the bulk card migration has been completed. Accordingly, completion of the Title VI fare equity analysis and associated public engagement should be deferred until comprehensive, reliable data can be obtained and validated. Once valid data is available, staff expect to complete the analysis, including public engagement, within approximately four to six months. Staff will continue to monitor Clipper data accumulation to support timely completion of the analysis.

Staff will notify the Federal Transit Administration (FTA) of this delay and the District's commitment to complete the analysis when sufficient data becomes available.

Looking Forward and Next Steps

Staff will continue tracking the status of the card migrations. Ordering new NGC cards has not been an issue, although card quantities are limited. The overall system stability remains a concern although the MTC regular reporting on fixing the system has been thorough.

The District will not see the benefits of the NGC Institutional Pass Portal, including the ability to track customer data, until the card migration has been completed. Staff will also review the customer data provided by the MTC as the card migration continues.

The Scheduling Department will continue to provide bus service route numbering and scheduling data each quarter to ensure that the integration with the onboard Clipper system and the Clever Devices computer-aided dispatch (CAD/AVL) system is happening as designed. This integration ensures that NGC boardings have an associated route, and timestamp as required for reporting and analysis.

ADVANTAGES/DISADVANTAGES:

This is an information report with no advantages or disadvantages.

ALTERNATIVES ANALYSIS:

There are no alternatives to the obligation of providing information updates to the board.

PRIOR RELEVANT BOARD ACTION/POLICIES:

1. 25-527 Update on Next Generation Clipper Implementation
2. 25-266 Next Generation Clipper (Clipper 2) Update
3. 24-444 Update on Clipper 2 Next Generation Program
4. 24-481 Clipper START Program Promotion Review
5. 23-467 Next Generation Clipper (C2) Program Implementation

ATTACHMENTS:

1. Clipper FY 26-27 Operating Budget Cost Drivers table from March 30, 2026 Clipper Executive Board

Prepared by:

Patricia Broadbent, Senior Project Manager

In Collaboration with:

Nichele Laynes, Director of Marketing and Communications

Sue Lee, Director of Revenue

Dr. Manjit Sooch, Director of Enterprise Software

Tas Jalali, Head of Cybersecurity and Project Management Office

David Wilkins, Director of Regulatory Programs

Approved/Reviewed by:

Ahsan Baig, Chief Information Officer

Chris Andrichak, Chief Financial Officer

Claudia Burgos, Executive Director of External Affairs & Customer Experience