

AGENDA ITEM 1 F  
Consent Item

**MEMORANDUM**

**DATE:** March 2, 2017

**TO:** El Dorado County Transit Authority

**FROM:** Mindy Jackson, Executive Director

**SUBJECT:** Approve a Memorandum of Understanding for the Ongoing Operations of Connect Card, a regional tap card with interactivity between nine (9) transit operations

**REQUESTED ACTION:**  
**BY MOTION,**

**Adopt Resolution No. 17-12 to Approve the Memorandum of Understanding Regarding Governance of the Regional Connect Transit Card System On-Going Operations and Authorize the Executive Director as signatory to the Memorandum of Understanding and necessary to execute all associated documentation.**

**BACKGROUND**

The Connect Card is a regional, electronic transit fare system utilizing contactless smart cards. A contactless smart card is credit card-sized with an embedded microchip and antenna. Payment and validation of fare is performed by touching the card to a reader near the farebox. The cards have data storage capacity and processing power to electronically accommodate multiple fares across multiple transit agencies in the region.

Connect Card allows for seamless transfers between participating transit agencies and provides incentive for increased transit ridership across the region. Participating employers, benefits coordinators and/or colleges will have the ability to manage farecard accounts online eliminating the need to place monthly orders for printed passes and ticket books. As overall use of the Connect Card increases, the system will reduce the need for manual reconciliation of consignment fare sales, improve the recording of ridership data and provide an accurate basis for allocating revenue among operators. In addition, electronic fare media helps reduce revenue loss from the fraudulent use of expired or altered transfers, discounted identification cards and passes.

In February 2008, after accepting staff and Transit Advisory Committee (TAC) recommendations, the El Dorado Transit Board provided direction to participate with the Sacramento Council of Governments (SACOG), Sacramento Regional Transit (RT) and seven (7) other regional transit operators, in implementation of the regional fare card

program. The Connect Card project is included in the Western El Dorado County 2008 Short Range Transit Plan, June 18, 2008 and the Capital Plan approved March 4, 2010.

An early or “soft” launch is underway with nine (9) regional transit operators. In the near future, following several months of the “soft” launch where agencies and customers use the system to identify and resolve operational issues, the Connect Card will be publicly launched on/near June 2017.

The Memorandum of Understanding (MOU) submitted for consideration was reviewed and approved as to form by El Dorado Transit and other proposed member agencies legal counsel/representatives.

## **DISCUSSION**

The MOU for on-going operations establishes roles, responsibilities of transit operators, a regional customer service center (operated by RT with cost sharing among all participants to achieve economies of scale) and SACOG. The MOU also projects expenditures for on-going system operations and maintenance and develops a funding strategy for after the initial rollout.

The MOU protects the interests of El Dorado Transit by limiting the authority of the MOU to fare collection, while preserving fare policy and pricing authority to individual transit governing bodies. The MOU requires participants to comply with requirements and procedures detailed in the Connect Card Operating Rules, Version 2.0, December 21, 2016. El Dorado Transit staff participated in the development of these rules.

Adoption of Resolution No. 17-12 approves the MOU and authorizes the Executive Director to execute all documents necessary for implementation of the MOU. Any amendments to the MOU or subsequent MOUs regarding the Connect Card Project shall be approved by the Board.

## **FISCAL IMPACT**

El Dorado Transit initiated Connect Card on revenue fleet vehicles on January 25, 2017. The projected annual cost for El Dorado Transit is \$46,006 in operating and \$4,207 of capital expenses and is included in preliminary budget for Fiscal Year 2017/18.

	<u>Budget</u>
Connect Card Operations	
Fiscal Year 2017/18	\$46,006
Connect Card Capital	
Fiscal Year 2017/18	\$ 4,207

Attachments:

- A. Resolution No. 17-12 with Memorandum of Understanding
- B. Connect Card Regional Operating Rules, December 21, 2016
- C. Connect Card RSC FY2018 Budget 1/6/2017
- D. Connect Card Regional Service Center FY2018 Operating Budget Detail (Proposed)
- E. Formula for Determining Allocation of Operating Expenses and Capital replacement Reserve Expenses
- F. Share of Operating Expenses and Capital Reserve by Transit Agency

**EL DORADO COUNTY TRANSIT AUTHORITY  
RESOLUTION NO. 17-12**

RESOLUTION OF THE EL DORADO COUNTY TRANSIT AUTHORITY APPROVAL OF MEMORANDUM OF UNDERSTANDING FOR THE GOVERNANCE OF THE REGIONAL CONNECT TRANSIT CARD SYSTEM ON-GOING OPERATIONS AND AUTHORIZE THE EXECUTIVE DIRECTOR OR HIS/HER DESIGNEE TO EXECUTE THE MEMORANDUM OF UNDERSTANDING

**WHEREAS**, the El Dorado County Transit Authority (El Dorado Transit) desires to continue participating in the regional Connect Card System; and

**WHEREAS**, Governance of the Regional Connect Card System is through a Memorandum of Understanding incorporated as Exhibit A to this resolution includes the following members:

Sacramento Area Council of Governments  
Sacramento Regional Transit  
City of Elk Grove  
City of Folsom  
City of Roseville

County of Placer  
County of Sacramento  
El Dorado County Transit Authority  
Yolo County Transportation District  
Yuba-Sutter Transit Authority

**WHEREAS**, the Memorandum of Understanding outlines the roles and responsibilities of transit agency members and future members, and

**NOW, THEREFORE BE IT RESOLVED**, that the El Dorado County Transit Authority hereby approves the Memorandum of Understanding Regarding Governance of the regional Connect Transit Card System On-Going Operations (MOU) incorporated as Exhibit A, and

**BE IT FURTHER RESOLVED**, that the Board of Directors authorized the Executive Director to sign and accept any and all agreements and amendments, subject to minor non-material alterations as determined necessary by El Dorado County Transit Authority staff and Legal Counsel.

**PASSED AND ADOPTED BY THE GOVERNING BOARD OF EL DORADO TRANSIT** at a regular meeting of said Board held on the 2<sup>nd</sup> day of March 2017 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Patty Borelli, Chairperson

ATTEST:

\_\_\_\_\_  
Megan Wilcher, Secretary to the Board

**MEMORANDUM OF UNDERSTANDING REGARDING  
GOVERNANCE OF THE  
REGIONAL CONNECT TRANSIT CARD SYSTEM  
ON-GOING OPERATIONS**

THIS MEMORANDUM OF UNDERSTANDING REGARDING THE GOVERNANCE OF THE REGIONAL CONNECT TRANSIT CARD SYSTEM (“MOU”) is effective as of the \_\_\_\_<sup>th</sup> day of **January 2017**, by and among the **SACRAMENTO AREA COUNCIL OF GOVERNMENTS**, a California joint powers agency (“SACOG”), the **SACRAMENTO REGIONAL TRANSIT DISTRICT**, a regional transit district duly organized and existing under the laws of the State of California (“RT”), the **CITY OF ELK GROVE**, a municipal corporation duly organized and existing under the laws of the State of California (“Elk Grove”), the **CITY OF FOLSOM**, a charter city duly organized and existing under the laws of the State of California (“Folsom”), the **CITY OF ROSEVILLE** a charter city duly organized and existing under the laws of the State of California (“Roseville”), **COUNTY OF PLACER**, a political subdivision of the State of California (“Placer County”), **COUNTY OF SACRAMENTO**, a political subdivision of the State of California (“Sacramento County”), the **EL DORADO COUNTY TRANSIT AUTHORITY**, a California joint powers agency (“ED Transit”), the **YOLO COUNTY TRANSPORTATION DISTRICT**, a transportation district duly organized and existing under the laws of the State of California (“YCTD”), and **YUBA-SUTTER TRANSIT AUTHORITY**, a California joint powers agency (“YST”), with each party individually referred to as a “Member,” and collectively known as “the Members” in this MOU.

**RECITALS**

- A. The Regional Connect Transit Card System (“Connect Card”) is a smart card program in the greater Sacramento region developed as a cooperative effort amongst the Members providing for the electronic payment of fares by passengers on Member buses and/or railcars.
- B. The administrative functions of the Connect Card, as well as a customer call center, third party vendor network and on-line support portal, are managed by the Regional Service Center (“RSC”) on behalf of all Members.
- C. RT is the agency responsible for the daily operations of the RSC (“RSC Provider”), and is also a Member of Connect Card.
- D. The rules for participation in the Connect Card are outlined in the Connect Card Regional Operating Rules (“Regional Operating Rules”), which, among other things sets forth the standard operating procedures for the RSC services, the Connect Card privacy policy, the Connect Transit Card Brand Style Guide, and the financial positions and settlement process. Should conflicts occur between the Regional Operating Rules and this MOU, the MOU takes precedence and all other components of the Regional Operating Rules remain in effect.

Building on the success of cooperative work to develop and launch the Connect Card, Members wish to (1) provide for governance and policy decisions necessary for on-going operations of the Connect Card, (2) establish the roles and responsibilities of each Member for on-going operations and maintenance of the Connect Card; and (3) establish the cost responsibility for each Member for operations and maintenance.

## **AGREEMENT**

NOW THEREFORE, the Members intending to be legally bound hereto agree as follows:

### **A. GOVERNING ON-GOING OPERATIONS OF THE CONNECT CARD**

The Connect Card System will be governed by the Governance Committee (“Committee”). All Members except SACOG (the “Voting Members”) will appoint representatives (“Voting Representatives”) pursuant to Section A.1. SACOG will appoint a representative (the “Nonvoting Representative”) pursuant to Section A.2.

- 1) **Voting Representatives.** The following individuals, or their respective designees and alternates, will be appointed by the Voting Members to serve on the Committee: RT’s General Manager; Elk Grove’s City Manager; Folsom’s City Manager; Roseville’s City Manager; Placer County Transit’s General Manager; Sacramento County’s Director of Transportation; ED Transit’s Executive Director; YCTD’s Executive Director; and YST’s Transit Manager. The appointed individual from each Voting Member must provide the name, title and contact information of the designee and alternate to the Committee and the RSC before the designee or alternate may represent his or her agency in any Connect Card business.
  - a) New Members: Any new Voting Member added pursuant to execution of this MOU, will appoint its chief executive officer, or equivalent, or his/her designee and alternate, to serve as the Voting Representative on the Committee.
  - b) Each Voting Representative will receive notice of all meetings, will have the right to participate in Committee discussions, will have the right to place matters on the agenda, and will have the right to vote in accordance with Section A.1, below.
  - c) Alternates have the right to exercise his or her agency’s vote when the Voting Representative or designee is otherwise unavailable to participate.
- 2) **Non-Voting Representatives.** In addition to the Voting Representatives described above, the Chief Executive Officer of SACOG (or his designee) will serve as a Non-Voting Representative on the Committee.
  - a) Non-Voting Representatives will receive notice of all meetings, and will have the right to participate in Committee discussions, and have the right to place matters on the agenda, but will have no vote.

- 3) **Voting.** The Committee will strive to reach consensus on all decisions. However, if consensus cannot be reached, approval by a combination of RT, plus additional smaller Members is required to approve the action under consideration. The intent of this voting construct is to safeguard both large and small interests in Connect Card by requiring collaboration among large and small interests to ratify an action or proposal. RT is the single largest interest in Connect Card, responsible for approximately 70% to 80% of the riders, fare revenue, regional capital costs and regional operating costs. While RT does comprise both a majority and a supermajority on its own under an interest-based or proportional voting system, additional smaller Member votes have been added for ratification to ensure collaboration among large and small interests. The number of affirmative votes to ratify an action or proposal varies by the size of the Voting Member pool, as set forth below:

- a) A quorum is required to call for a vote on the decision items reserved for the Committee (Section A.3), as defined below.

Total Number of Voting Members Party to MOU	Quorum
8-10 Voting Members	5 or more
11-12 Voting Members	6 or more
13-14 Voting Members	7 or more

- b) All Voting Representatives will have one vote per Member agency.

- c) Actions requiring a vote of the Committee (except actions for which a supermajority vote is required) must be ratified by the affirmative vote of RT, as the largest interest, plus additional smaller interests, as set forth below.

Total Number of Voting Members Party to MOU	Ratifying Vote Requirement
8-10 Voting Members	RT plus at least 3 other members
11-12 Voting Members	RT plus at least 4 other members
13-14 Voting Members	RT plus at least 5 other members

- d) Decisions reserved for the Committee and requiring a ratifying vote for authorization are:
- The addition or subtraction of a Member (excepting a Member may opt out with a 90-day notice period) to this MOU and the Committee, as set forth in Section D of this MOU.
  - The annual RSC operating budget, scope of services and cost responsibility (cost shares) as well as amendments and changes in excess of five (5) percent (cumulative across the fiscal year) of the annual approved RSC budget. Note that while budgetary variances of five (5) percent or less do not require a vote for approval, they must be reported to the Committee in a timely manner.

- iii) The multi-year RSC regional capital plan (including cost, schedule and items to be purchased) for system upgrades, investment requirements and participant shares of upgrade/replacement costs, after accounting for any regional funding that may be available. Investments outside the approved plan likewise require approval by the Committee.
  - iv) Changes to the Regional Service Center (RSC) Provider, excepting that the current Provider can opt out with 180 days of notice pursuant to section B.2 of this MOU.
  - v) Legal actions and suits involving the Connect Card, including both the design and development project, and the Regional Service Center operations.
  - vi) Amendments proposed to this MOU and Committee recommendations on a proposed amendment to each Member's governing body.
  - vii) Adoption of the Connect Card Regional Operating Rules, along with significant updates and/or changes thereto when such update or change has a reasonable expectation of adverse impact to one or more Members. Minor updates and procedural changes that do not have a reasonable expectation of adverse impact to any Member do not require approval, but must be communicated to Members.
- e) Notwithstanding the provisions of Section A.3, the following actions by the Committee will require a supermajority defined as the affirmative vote of at least 75% (and must include RT) of the Voting Representatives present at the meeting in which a vote is taken:
  - i) Termination of the MOU pursuant to Section E.5; or
  - ii) Removal of a noncompliant Member pursuant to Section E.8.
- 4) **Vote Notification and Procedures.** Committee Members will receive notification of an item for consideration reserved for Committee approval in section A.3 above at least (10) ten calendar days in advance of the meeting. Meetings, and voting, will be conducted in accordance with Roberts Rules of Orders, provided that in the event of a conflict, such rules will be superseded by this MOU.
- 5) **Committee Costs.** The Members will be responsible for the ordinary and usual costs incurred as a result of Committee participation, including but not limited to, mileage expenses and personnel time associated with attending and staffing the Committee meetings.
- 6) **Mediation.** If ratification requirements cannot be met by the Committee, the Members may choose voluntary mediation to resolve the impasse. The mediator and the process of mediation may be any that is acceptable to all affected parties.



## B. ROLES AND RESPONSIBILITIES

- 1) **Member Roles and Responsibilities.** Each Member acknowledges and agrees to the following terms and conditions at all times during its participation in the regional Connect Card.
  - a. Member will abide by the latest approved Connect Card Regional Operating Rules (“Regional Operating Rules”), which will be posted on a web site accessible to all Members.
  - b. Member must purchase or lease, and maintain in good working order, all local equipment and systems required to participate in the Connect Card, including on board equipment, curbside sales machines (as appropriate), equipment to communicate Connect Card and account transactions to the RSC, and computers to review reports.
  - c. Member must comply with the financial positions and settlement process by timely making and accepting payments as required and set forth in the Regional Operating Rules, to include paying its share of operating costs and capital reserves.
  - d. Member acknowledges and agrees that RT, as set forth in the Regional Operating Rules, is (i) the entity responsible for the daily operations of the RSC; (ii) the owner and distributor of any application that resides on the Connect Card; and (iii) the owner of the software and data stored on the Connect Card and devices that are used for transit fare collection purposes within the system.
  - e. Member has the authority to adopt and change its own fare policy, structure and pricing, to include entering into joint fare agreements with other transit operators, and agrees to notify other Members and the RSC of any planned or proposed fare change at least 60 days in advance of the effective date.
  - f. Member will follow the latest version of the Connect Transit Card Brand Style Guide in all local marketing materials related to the Connect Card System.
  - g. Member will protect and secure the Connect Card hardware, software and proprietary security key. Member will maintain an accurate inventory of all locally owned Connect Card devices. If a Member disposes of equipment including a Connect Card read/write device, said Member will work with the RSC to remove any proprietary software and applications before disposal or sale and update the inventory.

- h. One or more of the Members may, at their own expense, audit the performance of the RSC under this Agreement. Upon reasonable notice, during normal working hours, the RSC Provider will provide access to, and facilities for, copying or electronic transfer of the financial records of the Connect Card.
- i. Member will cooperate with RSC auditors in the conduct of annual Connect Card audits, to include providing access to data and records of Connect Card transactions.
- j. Member will not hold the RSC Provider responsible for any funds deemed uncollectible, after reasonable attempts to collect said funds, by third party vendors, on-line transactions or telephone transactions with the customer service center.

2) **Regional Service Center (RSC) Roles and Responsibilities.** The RSC Provider acknowledges and agrees to the following terms and conditions at all times during its participation in the regional Connect Card.

- a. RSC shall abide by the latest approved Regional Operating Rules. The RSC is also responsible for the regular updating of the rules, to include sharing updates with the Committee and seeking approval consistent with Section A.3 of this MOU.
- b. RSC will manage and perform all of the functions set forth in the Regional Operating Rules to include the customer service call center, on-line customer self-service portal, account management, materials management, system accounting and auditing, positions reporting and settlement process, administrative functions and regulatory compliance.
- c. The RSC Provider will own or lease equipment necessary to support the customer service call center, on-line portal and third party vendor network, as well as all software, applications and data stored on Connect Card and devices system wide.
- d. RSC will make Member fare instruments available for sale/load through the on-line portal, customer service call center and the third-party vendor network.
- e. RSC will develop and report the annual operating budget, multi-year capital reserve plan and budget, and respective Member shares, as well as changes thereto, consistent with the Regional Operating Rules. The RSC will seek budgetary approvals consistent with Section A.3 of this MOU.
- f. RSC will provide Members regular reports, data and annual audit results on regional Connect Card fare revenues and expenses, to include Member shares. Progress against the approved capital investment plan will likewise be reported.

- g. The RSC Provider has the authority to contract for RSC services in part or whole, following its own procurement and personnel policies and consistent with the Regional Operating Rules. That said, the RSC shall share information with the Committee on significant contracting efforts not included in the annual budget and afford the opportunity for comment and input by the Committee.
  - h. Should the RSC Provider decide to terminate its responsibility for RSC operations, it shall provide a minimum of 180 days of notice to the Committee and assist in the transition.
- 3) **SACOG Roles and Responsibilities.** SACOG served as the lead agency in the development, design and implementation of the Connect Card system, providing significant value to Members and the region. Several ongoing roles, in addition to non-voting member, are expected of SACOG.
- a. SACOG holds the contract with INIT, the hardware, software and Connect Card system vendor, and is expected to continue in the role of active contract management to ensure full and complete delivery of an operational and performing smart card system.
  - b. As the contracting entity for the Connect Card system, SACOG will help Members submit and resolve warranty claims to the vendor.
  - c. SACOG funded the vast majority of the development of the Connect Card costs through state and federal grants, and is expected to continue the role of pursuing funding for the ongoing operations and capital investment needs of Connect Card.
  - d. SACOG will endeavor to transfer title of local and regional Connect Card hardware, software and applications consistent with the Regional Operating Rules and this MOU.
  - e. SACOG will be reimbursed for reasonable expenses incurred in support of Connect Card operations. Costs eligible for reimbursement must be detailed in terms of scope and cost in the annual RSC budget, reviewed and approved by the Committee, and costs within the approved budget invoiced to the RSC in a timely manner.

## **C. COST RESPONSIBILITY**

- 1) **Connect Card Regional Operating Rules.** The Regional Operating Rules shall specify the high-level process and responsibilities for developing and approving annual regional Connect Card budgets, cost sharing methodology, multi-year capital

investment plan, unclaimed revenues and the monthly financial clearing transactions. The RSC is responsible for updating the Regional Operating Rules. Changes with a reasonable expectation for adverse impact to one or more Members require Committee approval pursuant to Section A.3 prior to implementation. Changes to any cost responsibility element (e.g., operating cost, unclaimed revenue, capital cost share methodologies) may be approved by ratifying vote of the Committee through a change in the Regional Operating Rules without amending this MOU.

- 2) **Cost Share Method.** Each Member will be responsible for all of their local costs to participate in the Connect Card System, as well as their share of regional costs from RSC managed services. Initially, regional cost shares will be determined based on each Member's verified share of regional annual unlinked passenger trips and fare revenue collected (weighted equally) for those services participating in Connect Card. After Members build experience and reliable data on actual card use, it is anticipated that the cost sharing methodology may be changed. Such a change requires a ratifying vote by the Committee and an update to the Regional Operating Rules, and does not require amendment to this MOU.
- 3) **Capital Costs.** Members will create a capital reserve for the local cost share (assuming state and federal grants cover part of the cost) of regional hardware and software replacement, upgrades and enhancement. A capital reserve is intended to smooth out costs charged to Members over time, increase predictability of costs, and allow planned and approved investment to occur in a timely manner. The Regional Operating Rules will provide specifics guiding regional capital plan development and cost sharing requirements. The multi-year capital investment plan, and associated cost shares, must be approved by the Committee.
- 4) **Unclaimed Revenues.** As with any stored value transit card system, some cards with a cash balance will become and remain inactive. The Regional Operating Rules will provide details on how and when inactive cards will have balances swept, how said balances are to be shared among Members, and the rules for adding swept funds back on customer request, if applicable. Unclaimed revenues will be reported as fare revenue in RSC reports along with specific shares for each Member.
- 5) **Single Monthly Clearing Transaction.** In the interest of efficiency and effectiveness, a single monthly clearing transaction is required of every Member (i.e., either receiving or sending funds) encompassing fare loads on cards, revenue collected from customer travel, operating cost responsibility, capital reserve cost share, unclaimed revenues, uncollectible payments (if any), and adjustments as may be needed. While the RSC will report all revenue collected and earned by each operator monthly, payments will be constrained by cash flow. Some revenues will be paid to the RSC in arrears (e.g., third party network sales, corporate accounts), and said revenues will be distributed once received. Monthly reports will detail each category of cost and revenue allocated to each Member, to include any balances carried forward.

#### **D. NEW MEMBERS**

- 1) **Committee Review.** The Committee will review any application for membership and will determine terms and conditions of membership, as well as any funding contribution required for membership, as set forth below in section D.2. The applying agency or entity will submit to the Committee a resolution adopted by its governing body, accepting the recommended term, cost responsibility and conditions of membership. If the application is approved by the Committee, the agency or entity will become a Member upon its execution of this MOU.
- 2) **Funding Contribution.** Upon the acceptance of a new Member to this MOU, the new Member will be assessed a funding contribution consisting of a prorated cost share of operations, prorated share of capital reserves, and a one-time entry cost. The one-time entry cost includes the resources required to add a member to all marketing materials, web portal, customer call center, fare tables, clearing reports and a share of prior member investment to develop the system.
- 3) **Potential for Non-Transit Participants.** It is possible that new Connect Card applicants may include non-transit entities (e.g., parking, bike share, retail) with a different financial transaction profile than transit. The Committee will have the right to create a licensing agreement for non-transit participants that allows use of and participation in the Connect Card without representation on the Committee. Said participants will be referred to as Licensees and not as Members, and have responsibility for complying with the Regional Operating Rules.

#### **E. GENERAL PROVISIONS**

- 1) **Indemnity.** To the maximum extent permitted by law, each Member (the “Indemnitor”) agrees to hold harmless, defend and indemnify the other Members, their officers, agents and employees, from and against any and all liabilities, claims, or damages of any nature, including, without limitation, personal injury, including death, or property damage, resulting from the negligent or willful actions or inaction of the Indemnitor, its officers, agents, or employees, under the terms of this MOU. *This Section shall survive the transfer, assignment, or termination of this MOU.*
- 2) **No Third Party Beneficiary.** It is expressly understood and agreed that the enforcement of these terms and conditions will be reserved to the Members of this MOU. Nothing contained in this MOU will give or allow any claim or right of action whatsoever by any third party. It is the express intent of the Members to this MOU that any such person or entity, other than the Members, receiving benefits or services under this MOU will be deemed as an incidental beneficiary.
- 3) **Limitation of Authority.** Notwithstanding any provision in this MOU to the contrary, nothing herein is intended to require any action or inaction by any Member that is in conflict with the Member's local ordinances, regulations, and/or other governing documents. Furthermore, this MOU will not require or permit any Voting Representative

or Non-Voting Representative to take any action or exercise any authority that has not been properly delegated to him or her by the Member's governing body; any such action taken by a Voting Representative or Non-Voting Representative will not be binding on the Member.

- 4) **Withdrawal.** Upon ninety (90) days advance written notice to the Committee, RSC and SACOG's CEO, any Member may withdraw from the Connect Card and this MOU. The withdrawing Member will relinquish any and all rights to utilize the Connect Card brand and trademarks to the RSC. The withdrawing Member must pay all costs reasonably related to the removal of the withdrawing Member from the Connect Card System, including the customer call center, on line self-service portal, third party vendor network, marketing materials, fare tables, and financial reports. These costs will be documented by the RSC and provided to the withdrawing Member in the form of an invoice. The withdrawing Member must also complete all final financial settlement transactions as required by the Regional Operating Rules. If reimbursement is required as a result of grants used to purchase equipment, software and services, the withdrawing Member will be responsible for those costs. The withdrawing Member's contributions to the capital reserve remain with the Connect Card system, reflecting the cost of capital consumed during their participation in Connect Card. The withdrawing Member must also allow the RSC access (electronic and/or physical as may be required) to remove the security key and proprietary software from all Connect Card devices. If the withdrawing Member's Connect Card equipment has remaining useful life, the Member will explore options for transferring, selling or leasing the equipment to another Member to support the regional fare collection system. Following the date of withdrawal and satisfaction of responsibilities listed herein, the withdrawing Member will incur no additional financial liability for the Connect Card, except for any liabilities accruing under Section E.1 prior to the date of withdrawal.
- 5) **Term and Termination.** This MOU will be effective as of the date first above written and will remain in effect until terminated by a supermajority vote of the Committee pursuant to Section A.3; provided, however, that this MOU may not be terminated until all outstanding obligations and liabilities of the Connect Card System have been paid in full or provision has been made for payment in full.
- 6) **Amendments.** Any Member may propose amendments to this MOU by taking the proposal to the Committee for consideration. Except for amendments that are specifically authorized herein to be approved by the Committee, this MOU may only be amended by a written amendment approved by the governing bodies of all of the then-current Members. Members shall have one hundred eighty (180) days after recommendation by the Committee to approve or disapprove a proposed amendment. If a Member fails to approve or disapprove an amendment within this period, the Member shall be deemed to have disapproved the amendment.
- 7) **Notices.** Communications under this MOU may be provided in writing by regular mail, e-mail, or fax, except that any notices or demand on other parties including, but not limited to, a Member's notice of its intent to withdraw from this MOU, will be in writing

and will be deemed to have been given if delivered in person or deposited in any United States Postal Service mail box, sent by registered or certified mail, return receipt requested, and first class postage prepaid, addressed to the Member for whom it is intended as follows:

RSC Manager Connect Card System	Copy to: General Counsel
Chief Executive Officer Sacramento Area Council of Governments 1415 L Street, Suite 300 Sacramento, CA 95814	Copy to: General Counsel Sacramento Area Council of Governments 1415 L Street, Suite 300 Sacramento, CA 95814
General Manager/CEO Sacramento Regional Transit P.O. Box 2110 Sacramento, CA 9512-2110	Copy to: Chief Legal Counsel Sacramento Regional Transit P.O. Box 2110 Sacramento, CA 9512-2110
City Manager City of Elk Grove 8401 Laguna Palms Way Elk Grove, CA 95758	Copy to: City Attorney City of Elk Grove 8380 Laguna Palms Way Elk Grove, CA 95758
City Manager City of Folsom 50 Natoma Street Folsom, CA 95630	Copy to: City Attorney City of Folsom 50 Natoma Street Folsom, CA 95630
City Manager City of Roseville 311 Vernon St Roseville, CA 95678	Copy to: City Attorney City of Roseville 311 Vernon St Roseville, CA 95678
Transit General Manager County of Placer 175 Fulweiler Avenue Auburn CA 95603	Copy to: County Counsel County of Placer 175 Fulweiler Avenue Auburn CA 95603
Director of Transportation Sacramento County 827 7 <sup>th</sup> Street, Suite 304 Sacramento, CA 95814	Copy to: County Counsel County of Sacramento 700 H Street, Suite 2650 Sacramento, CA 95814
Executive Director	Copy to: County Attorney

El Dorado County Transit Authority  
6565 Commerce Way  
Diamond Springs, CA 95619

County of El Dorado  
515 Main Street  
Placerville, CA 95667

Executive Director  
Yolo County Transportation District  
350 Industrial Way  
Woodland, CA 95776

Copy to: District Counsel  
Yolo County Counsel  
625 Court Street, Room 201  
Woodland, CA 95692

Transit Manager  
Yuba-Sutter Transit Authority  
2100 B Street  
Marysville, CA 95901

Copy to: General Counsel  
Yuba-Sutter Transit Authority  
2100 B Street  
Marysville, CA 95901

- 8) **Cures and Remedies.** If a Member repeatedly fails to perform an obligation under this MOU, the RSC will issue a cure notice to said Member, and share the notice with the Committee. The notice will require a plan and schedule for correction from the non-compliant party, and the plan will be submitted to the RSC and the Committee within ten business days of the cure notice. Members will have the right to bring an action for specific performance, damages, and any other remedies available under this MOU, at law or in equity. The Committee also has the power to terminate the non-compliant Member's participation from the Connect Card system with a supermajority vote pursuant to Section A.3.
- 9) **Non-Discrimination.** The Members will comply with the non-discrimination requirements under federal and state laws, regulations, and grants applicable to the Connect Card system. Nondiscrimination requirements will apply to, but are not limited to, contractors, consultants and employers engaged on the Connect Card.
- 10) **Compliance with Law.** The Members will comply with applicable federal, state and local law, as well as with applicable rules, regulations and grant requirements in the ongoing operations of Connect Card.
- 11) **Governing Law.** This MOU will be interpreted and constructed according to and enforced under the laws of the State of California. The Members agree that the Superior Court of the County of Sacramento, California will have exclusive jurisdiction and venue over any legal action arising under this MOU.
- 12) **Waiver.** No term or provision of this MOU will be deemed waived and no breach excused unless such waiver or consent is in writing and signed by the Member or Members claimed to have waived or consented. Waiver of any breach or default of this MOU will not be deemed a waiver of any subsequent breach or default. Waiver of any such breach or default will not be construed to be a modification of the terms of this MOU, unless stated to be such through written approval of all Members.



- 13) **Transfer or Assignment.** No Member will transfer or assign a portion or all of its responsibilities under this MOU, except with the prior authorization of the Committee.
- 14) **Entire Agreement.** The Members agree that this MOU is a complete expression of the terms herein and any oral or written representations or understandings not incorporated herein are excluded.
- 15) **Severability.** If any term or provision of this MOU or the application thereof to any person or circumstance will, to any extent, be invalid or unenforceable, the remainder of this MOU, or the application of such term or provision to persons or circumstances other than those to which it is invalid or unenforceable, will not be affected thereby, and each term and provision of this MOU will be valid and will be enforced to the fullest extent permitted by law, unless the exclusion of such term or provision, or the application of such term or provision, would result in such a material change so as to cause completion of the obligations contemplated herein to be unreasonable.
- 16) **Headings.** The headings used in this MOU are for convenience only and have no effect on the content, construction, or interpretation of the MOU.
- 17) **Counterparts.** This MOU may be executed in any number of counterparts, and by different parties in separate counterparts, each of which, when executed and delivered, will be deemed to be an original and all of which counterparts taken together will constitute but one and the same instrument.

**IN WITNESS WHEREOF**, SACOG, Sacramento Regional Transit District, City of Elk Grove, City of Folsom, City of Roseville, Yolo County Transportation District, Yuba-Sutter Transit Authority, County of Placer, County of Sacramento and El Dorado County Transit Authority have each caused their duly authorized officers to execute this MOU effective as of the date first written above.



VERSION 1.0

# CONNECT CARD REGIONAL OPERATING RULES



December 21, 2016

| December 21, 2016

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## Glossary of Terms

Term	Definition
Autoload	A program where stored value, a transit pass and/or a stored-ride ticket is automatically reloaded to a customer's fare card. Registered Connect Card customers nominate the value of stored value, and/or type or transit pass and stored-ride ticket to be loaded to their fare card either on a periodic or as-needed basis. Subscribers preauthorize an electronic fund transfer from their bank account or credit card charge to fund the Autoload. Autoloads can be pushed out to a particular fare card ("Directed") or set-up to occur automatically based on upon pre-set parameters ("Threshold").
Balance Protection	A program of registering fare cards that provides for transfer of value from a fare card that has been reported lost, stolen or damaged to a replacement fare card, at the same value as of the time the original fare card was reported lost, stolen or damaged.
Business Days	Are defined as Monday through Friday, excluding holidays.
Card Initialization	The process of taking a generic card and enabling its use in the Connect Card system.
Chargeback	A chargeback occurs when a credit card company disputes a credit card charge accepted by the Connect Card Regional Service Center and seeks to retrieve the value of the charge.
College/Vocational (C/V) Program	A reduced fare program in the region, allowing for reduced fare passes on fare cards.
Committee	The group authorized by the Connect Card MOU consisting of at least one representative of each Member agency, having Connect Card equipment (or software) operational within their fare collection system. This group is responsible for operational and governance decisions as defined in the MOU and Regional Operating Rules.
Commuter Benefits	Transit fare benefits provided to employees or clients of an organization, to include commercial enterprises and social services providers. A

Term	Definition
	significant component of commuter benefits is the Federal Government-supported, employer-sponsored tax benefit program through which employers can give employees tax-free benefits to be used for public transportation.
Concession Fare Category	Any fare category in a Participant system that receives a discount off of the Regular fare for a given rider group.
Connect Card Application Issuer	The entity that owns and distributes any specific application that resides solely or jointly with other applications, on the Connect Card fare card. Currently this is RT.
Connect Transit Card Issuer	Any entity, approved by the RSC to issue fare cards with the Transit Application allowing use in Connect Card.
Connect Card Participant (Participant)	Transit Agencies or other organizations that have agreed to adopt and abide by the Connect Card Regional Operating Rules and who have either purchased and installed Connect Card equipment (and/or software), or are in process of purchasing Connect Card compatible equipment.
Days	Are defined as calendar days.
Fare Card	A smart card, which is a credit card sized card that has a microprocessor, memory, and an input/output interface (antenna and/or contact plate) and works within the Connect Card system.
Fare Card Value	Fare card value includes stored value, transit passes and stored-ride tickets in accordance with Participant fare policy.
Financial Date	The Financial Date is the recording date of record for Connect Card transactions and data. It is not updated over time, and is used to produce the monthly Positions Summary and Settlement Report. Changes reported on transactions (e.g., lost or stolen cards, delayed reporting, credit card challenges) become part of the Financial Date record on the date reported, and do not adjust prior entries.

Term	Definition
Government/Organization (GO) Programs	Current or planned programs to provide transit benefits and/or transit privileges to employees, students, clients of social service organizations, government agencies, not-for-profit organizations, schools, and Participants' employees.
Hard Lock	The process for blocking the entire fare card from use in the Connect Card system, including the Transit Application and any other applications on a multi-application fare card.
Hotlist	The list of cards that are blocked from further use in Connect Card, typically as a result of a registered card being reported lost or stolen.
Interactive Voice Response (IVR)	Telecommunications infrastructure provided by the Regional Service Center Provider to automatically answer with a pre-selected menu of information request options or transaction processes and to automatically route calls to customer service representatives at any point in the call.
Member	Refers to entities that are party to the MOU regarding oversight of Connect Card on-going operations.
Multi-function Point of Sale (MPOS)	This device is located at the Regional Service Center and Member agencies as these devices have the capability to create and initialize fare cards, set the rider-class, and load regional products on to fare cards.
Participant Customer Service Outlet	Any existing Customer Service Locations run by Connect Card Participant that provide Participant system-specific and Connect Card program information.
Personalization	The process of incorporating a photograph or other physical identifier on the fare card.
Positions Summary and Settlement Report	The monthly financial report detailing revenues collected, revenues earned, operating cost, capital reserve contribution, and financial adjustments by operator and for Connect Card regionally. The summary shall also report the amount to be transferred to or from each Participant and the RSC.
Ratifying Vote	Voting requirements to approve or ratify a decision reserved for the Committee are detailed in the MOU (e.g., RT plus three additional voting Members for a



Term	Definition
	simple majority, 75% of Members present including RT for a supermajority).
Reconciliation	The process of verifying daily transactions against corresponding dollar amounts from all Connect Card systems and devices.
Regional CDCS (Central Data Collection System)	The central computer system which provides Participant “Headquarter” systems and the regional Connect Card database and systems.
Regional Operating Rules	The rules by which the Participants will manage and operate the Connect Card program.
Regional Service Center Provider	The entity that operates the Regional Service Center including the web portal, customer service center, financial reporting and settlement, and the third-party vendor network. Sacramento Regional Transit District (RT) is the RSC provider.
Registration	The back-end process of linking a fare card to cardholder specific data (e.g. name, address, phone number).
Retail Sales Device	These are counter-top sales devices with an attached smart-card read/write component that loads regional products on to fare cards. Each device has a configuration file which allows it to sell any set of regional fare products available on Connect Card.
Rider Category	The type of rider – Regular, Senior (by age classification), Disabled, Student, or College/Vocational.
Rider Class	The fare card will be initialized with one rider class. The rider class can determine what (if any) discounted fares a cardholder is eligible to receive on each Participant’s services (including different discounts by age of the cardholder).
Settlement	The system calculation of what money is owed to/from the Participants and the RSC based on Connect Card transactions or Connect Card related services provided.
Settlement Bank	Designated financial institution that processes the settlement financial transactions submitted by the Regional Service Center and posts the transactions to the Participants’ bank accounts as a result of Connect Card Settlement.

Term	Definition
Stored value	Electronic dollars stored on a fare card used to pay for transit rides and potentially other services.
Transaction Date	Reports run on the Transaction Date are subject to update over time as additional data is received by the Connect Card system (e.g., lost or stolen card, credit card challenges, delayed reporting).
Transit Application	The software and data stored on the fare cards or devices that will be used for all transit fare collection purposes (including the loading of stored value or passes, the collection of fares, and the validation of the fare products issued on behalf of the Participants).
TBD – To Be Determined	The sections of the document with this classification are awaiting either policy or operational direction on the contents for this section. As these sections are developed they will be incorporated and the revision of this document updated, after approval as provided for in the MOU.
Third-Party Vendor	A party (e.g., third-party vendor, Participant, government agency) who sells or otherwise provides fare cards and value loading (e.g., stored value, transit passes, stored-ride tickets) for Connect Card.

## **PURPOSE OF THIS DOCUMENT**

These Regional Operating Rules establish parameters and procedures for the ongoing operation and maintenance of the Connect Transit Card System (Connect Card). This document identifies transit operators' responsibilities related to implementation, operation, and maintenance of the system, the Regional Service Center's (RSC's) responsibilities related to implementation, operation and maintenance of the system, and system policies and standard operating procedures (SOPs). The rules and policies contained in this document are not intended to describe procedures for every scenario that will arise related to the implementation, operation and maintenance of the Connect Card system. If any element of this document, to include the appendices and attachments, conflicts with the MOU, the MOU supersedes and all other elements of the Regional Operating Rules remain in effect.

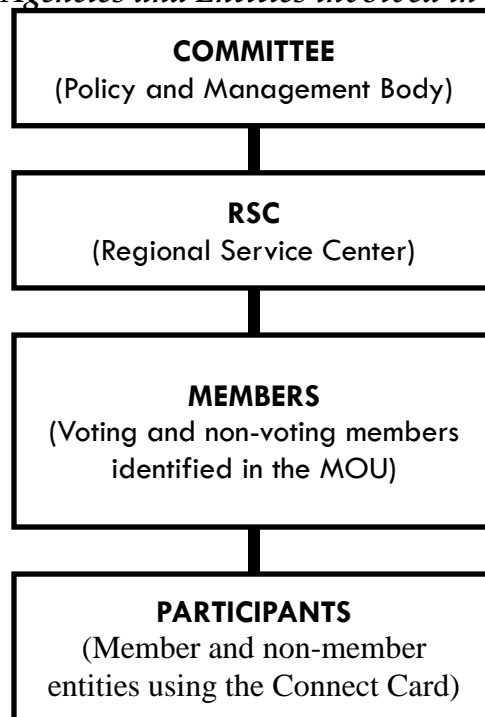
This document is comprised of a number of smaller files representing individual SOPs and associated policies, a marketing brand style guide, a settlement diagram and privacy policy to facilitate easy update. It is a living document, and all participants are expected to maintain compliance with current rules and policies. The latest version of the Regional Operating Rules and all associated files can be found at <ftp://ftp.sacrt.com/connectcard>.

## 1. INTRODUCTION

The Connect Transit Card System (Connect Card) is a regional smart card program providing for electronic payment of inter- and intra-participant fares across the participating transit agencies in the six-county Sacramento area. The administrative and centralized customer service operations of the Connect Card will be managed by the Regional Service Center (RSC). This document defines the operating rules governing the Connect Card Participants and the RSC, and is intended to implement the terms and intent of the Connect Card Memorandum of Understanding for Operations (MOU) on behalf of the Connect Card Members (all of whom are party to the MOU). In the event of any conflicts between the MOU and these Regional Operating Rules (to include appendices and attachments), the MOU supersedes, and all other elements of the Regional Operating Rules remain in effect.

The roles for agencies and entities involved in Connect Card are identified in the MOU and include: the policy and management Committee, the RSC, Members (as defined in the MOU), and non-transit participants (if any). Where the Committee acts as the policy and management body for Connect Card, RSC serves as the program administrator providing regional customer and business services, Members are the transit operators and the Sacramento Area Council of Governments who signed the MOU, and Participants refer to all parties that use Connect Card including Members and non-members.

*Figure 1.1 - Agencies and Entities involved in Connect Card*



A list of roles and responsibilities for each group mentioned above can be found in the MOU as well as this document. The Committee is a non-fiduciary governing body, with specific rights and responsibilities described in the MOU. All decisions and authorities not explicitly reserved for the Committee remain with the Member agencies and their governing boards.

These Regional Operating Rules are comprised of multiple smaller documents to facilitate ease of use and update. The document includes: text providing context and specifics of the Regional Operating Rules, standard operating procedures (SOPs) providing details of specific Connect Card business processes, the regional Connect Card Brand Style Guide for all marketing materials referencing Connect Card, a flow of revenues document, a sample monthly Positions Summary and Settlement Report, and the Connect Card Privacy Policy. The Regional Operating Rules comprise a living document, and as such the current, authoritative version is maintained on a website available to all Participants at <ftp://ftp.sacrt.com/connectcard> and will be updated regularly by the RSC. It is every Participant's responsibility to maintain compliance with the latest version of the Regional Operating Rules located at that site.

## **2. PARTICIPANT CERTIFICATION PROCESS**

Any transit agency or other entity seeking to join the Connect Card system must be approved by the Connect Card policy and management body (Committee), or its selected agents. The certification steps are:

- a) Applicant must submit a request to participate to the RSC or any Committee Member.
- b) The RSC will prepare and provide the applicant with a cost estimate for participation to include their share of regional operating costs, regional capital reserve, and cost to add a participant (e.g., to self-service website, customer service center, third party vendor network, fare tables, positions and settlement reporting). RSC will also provide the applicant appropriate documents which may include the MOU or licensing agreement, the Regional Operating Rules, and other information.
- c) Applicant's Board must approve the application, MOU or licensing agreement, and cost responsibility prior to becoming a participant.
- d) The RSC will forward the materials to the Committee for consideration. Approval will be provided through a ratifying vote (as defined in the MOU) either at a scheduled meeting, conference call, or electronic poll.
- e) Applicant must sign the MOU or licensing agreement, obtain locally required Connect Card equipment, and adopt and comply with these Regional Operating Rules to finalize participation. The RSC will inspect the applicant's Connect

Card equipment and system to verify the ability to participate in the regional fare collection system.

- f) When all requirements for participation have been met, the RSC will activate the new participant account(s) and add them to fare tables, the third-party network sales, customer service call center, on-line web portal and marketing materials.

### **3. REGIONAL SERVICE CENTER**

Management of regional customer service and card operations are the responsibility of the Regional Service Center (RSC), and include the following functions:

- a) Card Base Management - issue and fulfil smart card requests, maintain and manage customer accounts, including updates to autoloading preferences and the Hotlist.
- b) Fare Instruments Management - make Participant fare instruments available for sale/reload through the on-line portal, customer service call center and the third-party vendor network.
- c) Customer Service - provide support to the participating agencies, cardholders, the third-party vendors and corporate account holders.
- d) Distribution Management - procure and manage inventory of smart cards and the subsequent distribution of new and replacement cards to customers, the Participants and third-party vendors.
- e) Third-Party Vendor Management - enroll and manage accounts of existing and new third-party vendors for Connect Card.
- f) Regional Connect Card systems operation and monitoring - manage and maintain the central computer systems including but not limited to system back-up and recovery, fare table updates, and system alarm response.
- g) Financial Management - provide general accounting, budgeting (regional operating and capital costs), financial reporting services, annual financial audit, monthly positions and settlement reporting, and funds movement/clearing services for Connect Card.
- h) Regional Operating Rules - update, maintain, and make available these Regional Operating Rules and associated documents on a web portal available to all Participants.
- i) RSC Provider - The Sacramento Regional Transit District (RT) will serve as the RSC provider, accounting for costs of the RSC in an auditable manner (e.g., similar to grant accounting).

#### 4. FUNDING OF THE REGIONAL SERVICE CENTER

The RSC will provide Participants with an estimated annual operating and capital reserve budget, as well as cost shares for each Participant, not later than the 25<sup>th</sup> of January for the coming fiscal year. If the 25<sup>th</sup> falls on a weekend or holiday, the budgets are due no later than the first business day following the 25<sup>th</sup>. Activities in support of Connect Card operations where SACOG is requesting reimbursement from transit operators must be detailed with corresponding costs and submitted to the RSC not later than the (10<sup>th</sup>) tenth day of January to be included in the RSC operating budget. All Participants must submit their verified cost share data (e.g., passenger boardings and fare revenue for modes participating in Connect Card for the most recent completed fiscal year) to the RSC no later than the (10<sup>th</sup>) tenth day of January. It is the intent that participating transit agencies would use the RSC budget information in their annual budgeting process. The Members will be provided sufficient detail and information to support discussion and consideration of the RSC budgets, to include capital investment planned in the current fiscal year, through a ratifying vote of Members. The RSC budget and shares approved by the Committee will be reported and recommended to their respective governing bodies as part of each Participant's annual operating and capital budgeting process. RT will include the entire Committee-approved RSC budget, as well as RT's operating and capital cost shares, to its Board of Directors as part of the annual budget consideration process. The RSC will provide Participants the final budgets, including Participant shares, within (5) five business days of adoption by its governing Board (i.e., Sacramento Regional Transit District Board of Directors). The RSC will manage costs to the approved budget, and report and charge cumulative budget variances up to (5) five percent of the annual budget total to the Members. If an annual budget variance of more than (5) five percent is anticipated, the RSC must seek approval of a budget amendment via a ratifying vote of the Members before invoicing Participants for the excess budget variance.

Participants will pay a share of the Regional Service Center operating costs and capital reserve monthly (e.g., 1/12 or other monthly allocation as determined by the RSC), as part of the settlement process. Regional cost shares will be determined based on each Participant's share of regional annual unlinked passenger boardings and fare revenue collected (weighted equally) for those services (e.g., modes) participating in Connect Card applied to the total annual operating cost and capital reserve of the RSC. The National Transit Database (NTD), or other audited database (e.g., Triennial Performance Audits), will be the source for annual passenger boardings and fare revenue by transit agency and mode, using the most recent verified numbers available to determine current year cost share by Participant.

The capital reserve will be established for regional capital replacement, upgrade and enhancement of RSC managed hardware and software supporting the Connect Card

system. The capital reserve is intended to smooth out costs charged to Participants over time, increase the predictability of costs, reflect the cost of capital consumed, and allow planned and approved investment to occur in a timely manner. As part of the capital reserve budget, the RSC will provide an inventory of regional capital assets by type, their purchase price, useful life, estimated annual escalation rate for these capital items, and local funding share (assuming some proportion of capital costs would be paid from state and federal funding). Participant capital reserve cost shares will mirror the operating cost shares in terms of percentage allocation by Participant.

Revisions to this cost model will be considered as necessary in future years when Members have fully deployed Connect Card capabilities and achieved sufficient market penetration (e.g., 18 to 24 months after launch). Potential changes to the formulae may include using Connect Card activity data directly instead of the NTD, and/or changing the factors for determining cost share. Further, the Committee may decide to establish a minimum threshold for annual payment reflecting the nature and magnitude of fixed costs to maintain or add a participant (e.g., reporting, fare tables, web site, call center, third party vendor network, marketing materials). Any such change requires a ratifying vote of the Committee as defined in the Memorandum of Understanding (MOU), and an update to these Regional Operating Rules.

## **5. POSITIONS AND SETTLEMENT APPROACH**

The monthly Positions Summary and Settlement Report must recognize:

- The revenue earned by each Connect Card Participant
- The Connect Card revenue collected by each Participant
- Each Connect Card participant's share of operating costs and capital reserves
- Adjustments as required (e.g., delayed data reported from prior month, claim resolution, uncollectible values, refunds, chargebacks, testing, sweeps of abandoned fare card revenue)
- The net amount due to or from the RSC for Connect Card by Participant.

All payments will be between the Connect Card Participants and the RSC; not between the Connect Card Participants themselves. Any revenue collected by a Connect Card Participant for the sale of another Participant's fare product(s) will be payable to the RSC and the RSC will recognize that revenue as part of the total revenue owed to each Connect Card Participant. Payments to/from the RSC each month will be net of all revenues earned, cash received, Participant's share of operating costs and capital reserves, and adjustments, such that a single amount due will be determined by the RSC to each Connect Card Participant or from each Connect Card Participant to the



RSC. The Participants all agree that, to the extent feasible, the amount due will be made in a single payment. However, the Participants further recognize that due to delays in billing and receipts, a subsequent second payment may be required when cash becomes available.

- a) Positions Reporting Period: The *Financial Date* record as recorded in the Connect Card system is used for calculating the regional Positions Summary and Settlement Report. Reports run based on Transaction Date are subject to update over time as additional data is received into the Connect Card database (e.g., lost cards with balance protection, reporting delay). However, reports run based on the Financial Date are not subject to update over time. As such, the regional Positions Summary and Settlement Report uses the Financial Date of record so that prior month's reports are not subject to continual update. Any transactions not captured in prior months due to reporting delays will automatically be included in the month the data is received by the Connect Card system. It is intended that the Positions Summary and Settlement Report will be provided the participants by the 5<sup>th</sup> day of each month covering the period ending the final day of the preceding month. In the event the 5<sup>th</sup> day falls upon a weekend or holiday, the report will be provided not later than the next business day.

Data elements provided by the RSC including web sales, corporate sales, and adjustments will be based on the financial date. Connect Card systems and data will be the official record for the Positions Summary and Settlement Report.

- b) Electronic Funds Transfer Date: Settlement payments between the RSC and the Connect Card Participants will occur on the 15<sup>th</sup> day of each month. If the 15<sup>th</sup> falls on a weekend or holiday, settlement shall occur on the next business day. Additionally, all payments must be made by an electronic fund transfer (EFT). EFT is the standard method of payment; any other payment arrangements require the approval of the Committee and the RSC.

Each Connect Card Participant is responsible to establish an EFT-capable account with the regional Connect Card bank account owned by RT, and must ensure that if funds are owed "to regional Connect Card," that there will be sufficient funds to cover the EFT on (or about) the 15<sup>th</sup> day of each month. Authorization of an electronic fund transfer can only be made by the owner of any bank account.

Corporate accounts and third-party vendor payments are made in arrears to the RSC. That is, fare instruments and/or cash are loaded onto customer

fare cards throughout the month, with payments due after the close of the month. As a result, Participants may earn revenue that is not yet available as cash to the RSC at the time of the Electronic Funds Transfer Date. In this case, the RSC will make Participant payments within available cash resources (less the stored value liability, cash flow funds needed to pay banking fees, operating costs for the current month, and capital reserves) on the EFT Date, and follow up with a second payment when funds are available.

The second payment, if necessary, is not accompanied by a new Positions Summary and Settlement Report; it is simply a second, timely payment in the amount due to a Participant from the monthly Positions Summary and Settlement Report. The RSC must report regional Connect Card account cash balance, funds distributed and funds owed to provide transparency into cash flow. When any owed balances remain at month's end, they will be added to the next month's Position Summary and Settlement Report as an adjustment, and paid accordingly.

- c) Positions Summary and Settlement Report: The data to be included in the regional Positions Summary and Settlement Report is to be organized by Revenue Earned, Cash Received, Adjustments, Operating Cost Share, Capital Reserve Share and balance due to or by each Connect Card Participant. An example of the monthly report is provided as Appendix C. Each reporting category must be thoroughly documented and supported.

*Revenues Earned* must include all revenues earned regionally and by Participant, to include fare instruments sold by type and by which entity, as well as cash transactions.

*Cash Received* must include all sales of fare instruments and cash loads through all elements of the Connect System (e.g., Participant, Third-Party Vendor, web portal, autoloading, Corporate Accounts and other).

The regional *Operating Costs* of the RSC will be documented using the Financial Date and compared to the approved budget for the current month and fiscal year to date, along with Participant shares. Budget variance, positive and negative will be noted, and cost increases of greater than 5 percent of the annual operating budget must be approved by the Committee prior to passing those costs on to Participants.

The *Capital Reserve Share* by Participant will be shown, along with a detailed report of regional capital reserves balance, obligated capital expenditures,

and approved capital expenditures within the Capital Plan for the current fiscal year. *Capital Reserve Share* may include restricted funds and must not be used to cover monthly operating costs or settlement transactions.

*Adjustments* are to be detailed as to type, date and amount. Adjustments may include test transactions, balance protection transactions, card balance reinstatement, uncollectible funds, sweep of abandoned fare card balance, credit card charge challenges, delayed data reporting, unpaid amounts owed, and other adjustments to monthly Connect Card revenue or expense.

- d) Regional Stored Value Liability – The Stored Value accumulated over time will be maintained in the regional Connect Card bank account with net increases or decreases to the account balance determined by the Stored Value position from the monthly positions and settlement process. This is a liability to Connect Card until such time as the value is consumed by a cardholder or is otherwise classified. The accounting of the change to this regional fund and the total regional liability will be shown on the monthly Regional Positions Summary and Settlement Report.
- e) Connect Card Fees – Fare card fees collected from the RSC, third-party vendor locations and Connect Card Participants will be considered as regional Connect Card receipts and tracked as a separate line item within cash received. Fare card fees may be used to offset monthly operating costs, provide regional cash flow for settlement purposes, or other uses where approved by the Committee. Fare card fees are not to be included in revenues earned by any Participant.
- f) Zero Cost Value Products – Revenues, if any, associated with zero value products are to be collected by the Connect Card Participant. The RSC will facilitate product loading to fare cards, when requested by the Participant, but will not collect sales revenues. Sales/loads of these products will not be included in the monthly Positions Summary and Settlement Report and process. Note that cost responsibility calculations use all boardings, including free fares, to determine Participant shares.

## 6. CLAIMS

Any Connect Card Participant may file a claim with the RSC. RSC shall be responsible for all investigation and assessment though the Participant may provide their own supporting documentation and may be asked to support the investigative process. Valid claims shall be reported as part of the next month's Position Summary and

Settlement Report (under adjustments) and paid through the monthly financial settlement process.

Claims may be submitted for missing transactions due to:

1. A total loss of transaction data due to failure or damage to front-end devices (e.g., non-recoverable bus Connect Card reader failure), or
2. Other system failure resulting in data loss and/or error.

Grievances must be filed with the RSC no later than the quarter following the event in question. Grievances filed in an untimely manner will not be considered. Manual adjustments to correct the settlement position of the Connect Card Participant, if necessary, will take place within thirty (30) days of resolution. Affected Participants will be notified in advance of any adjustment.

Claims should not be submitted for transactions that have taken place on Connect Card Participant devices but have not yet been received into the regional RSC database (due to delays in probing fareboxes, for example). Such data will be recognized in the settlement calculations during the next Positions cycle, when it is entered into the regional RSC database.

Should the Participant wish to escalate a rejected claim, they may do so by petitioning the Committee for further review. The petition shall explicitly state the case for overturning the RSC claims review decision and provide such supporting documentation as may be needed. A ratifying vote (as defined in the MOU) by the Committee is required to overturn the rejected claim.

## **7. ADDITIONAL KEY PROGRAM POLICIES**

The following additional program policies apply to all Participants of the Connect Card:

- a) All Participants will be responsible for setting and managing their own local fare policies, structures and tariffs. Participants may also collaborate to develop joint fare instruments and rules. Fare structure and pricing flexibility is designed into the Connect Card system, but there are limitations to that flexibility. It is prudent that Participants consider system capabilities when evaluating fare policy options if such fare instruments are to be offered on Connect Card fare media. Participants must notify the RSC and Committee of planned or proposed fare changes at least 60 days before implementation to allow for system update.
- b) The RSC provider will administer the back-office operations of Connect Card and direct the Regional Service Center in executing the rules contained in this document and the MOU. The Sacramento Regional Transit District (RT) is the

- RSC provider, reporting to the Committee, and responsible for the daily operation of the RSC.
- c) As with any stored value transit card system, some cards with a cash balance will become and remain inactive. The Standard Operating Procedures (contained in Appendix A) provide details on how and when inactive cards will have balances swept, how said balances are to be shared among Members, and the rules for adding swept funds back on customer request, if applicable. Unclaimed revenues will be reported as fare revenue in RSC reports along with specific shares for each Member.
  - d) The Regional Service Center is required to participate in an annual GAAP (Generally Accepted Accounting Principles) compliant financial audit, which can be part of the single audit of the RSC provider. In addition, the Participants will have the right to audit the performance of the Regional Service Center and any equipment, systems, databases and operations at any time, using either Participants' internal audit staff or a third-party auditor or consultant retained and paid for by the Participant. Upon reasonable notice, during normal working hours, the RSC service provider must provide access to, and facilities for, copying or electronic transfer of the financial records of the Connect Card.
  - e) Every Participant will follow the latest version of the Connect Transit Card Brand Style Guide in all local marketing materials and references related to Connect Card. Said Guide is incorporated into these Regional Operating Rules and included as Appendix D to this document.
  - f) The Committee and the RSC have collaborated on a series of Standard Operating Procedures (SOPs), which are incorporated into these rules and attached as Appendix A. The SOPs are not intended to cover every process and decision required in Connect Card operations. SOPs are intended to provide consistency of operations and decisions across Participants and the RSC.
  - g) The RSC and all Participants must maintain confidentiality and privacy of all cardholder personal information consistent with the current Cardholder Confidentiality Policy attached and incorporated into the Regional Operating Rules as Appendix E.

## **8. DEVELOPMENT OF REGIONAL OPERATING RULES**

This document was developed and reviewed under the direction of representatives of the Participant agencies through the Committee established by MOU to oversee ongoing operations of Connect Card.

## **9. UPDATE OF REGIONAL OPERATING RULES**

It is the responsibility of the RSC to maintain and update these Regional Operating Rules, and make them available to all Participants on the shared web portal

(ftp://ftp.sacrt.com/connectcard). Any Member may propose an update or modification to the Regional Operating Rules. Adoption of the Connect Card Regional Operating Rules is by ratifying vote of the Committee, as defined in the MOU. Significant updates and/or changes thereto with a reasonable expectation of adverse impact to one or more Members also require Committee approval prior to implementation. Minor updates and procedural changes that do not have a reasonable expectation of adverse impact to any Member do not require approval, but must be communicated to all Participants. All changes, large and small, must be posted on the shared web portal for 30 days prior to implementation.

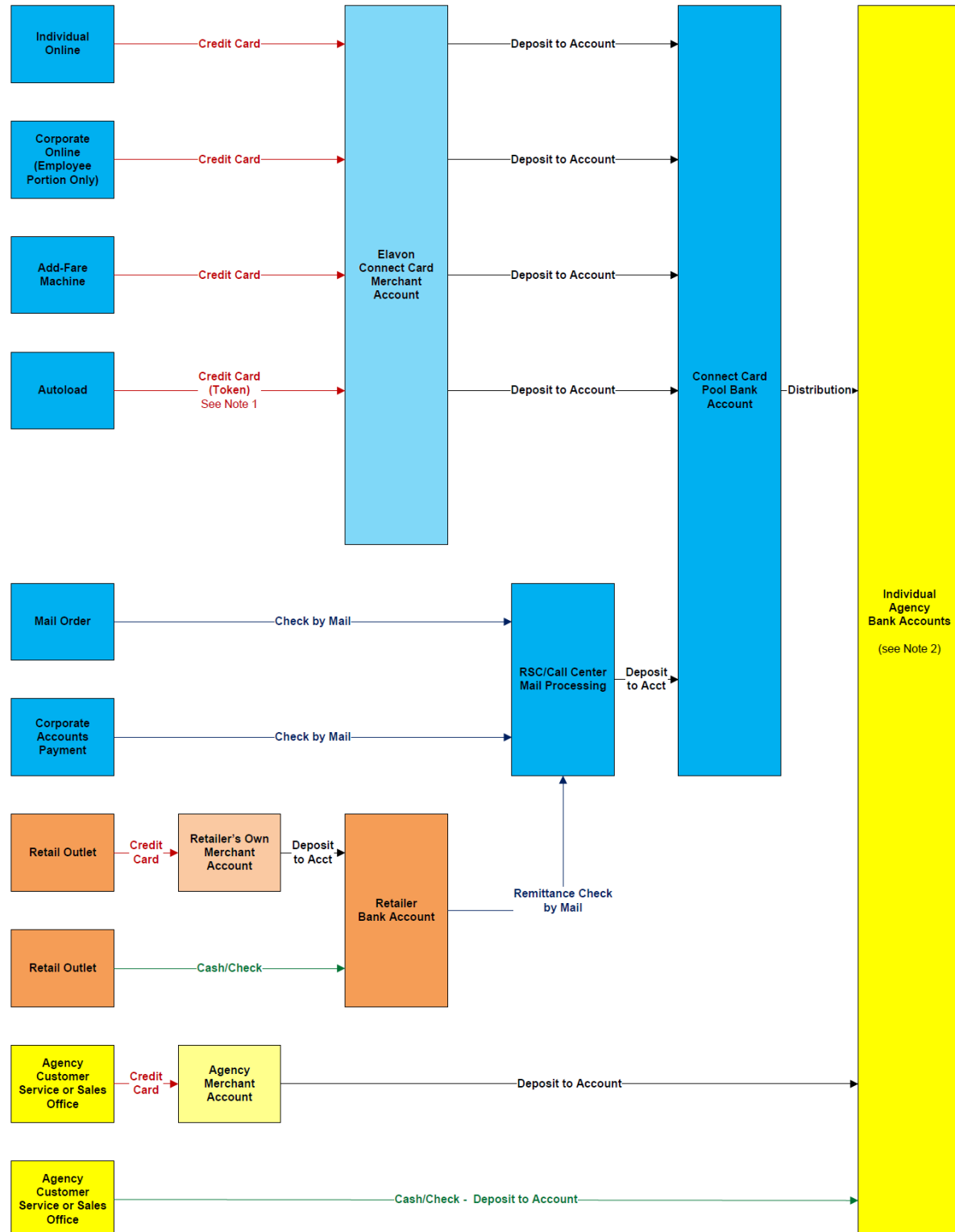
**APPENDIX A:**  
**STANDARD OPERATING PROCEDURES**

Up to date Standard Operating Procedures (SOPs) are available on the shared website: <ftp://ftp.sacrt.com/connectcard/SOPs/>



**APPENDIX B:**  
**FLOW OF REVENUE DIAGRAM**

## Connect Transit Card System Financial Settlement Flow of Revenue Receipts



### NOTES:

- General:** All transactions are recorded by the central system at the Regional Service Center
- Note 1:** Autoloads: Credit Card personal information is securely held by Elavon; RSC instructs Elavon to process a credit card transaction for autoload using a token ID in place of the actual credit card information.
- Note 2:** Funds in Pool Account are distributed to the Agency accounts based on Consortium Agreement, with adjustment to account for receipts held by each Agency from Customer Service and Sales Office transactions.

**APPENDIX C:**  
**SAMPLE MONTHLY POSITIONS SUMMARY AND SETTLEMENT**  
**REPORT**

The current form and format of the Monthly Positions and Settlement Report is available on the shared website: <ftp://ftp.sacrt.com/connectcard/SOPs/>

**APPENDIX D:**  
**CONNECT TRANSIT CARD BRAND STYLE GUIDE**

The latest marketing and brand style guide is available on the shared website:  
<ftp://ftp.sacrt.com/connectcard/SOPs/>

**APPENDIX E:**  
**CONNECT TRANSIT CARD PRIVACY POLICY**

The Connect Card Privacy Policy is available on the shared website:  
<ftp://ftp.sacrt.com/connectcard/SOPs/>



## Connect Card RSC FY2018 Draft Budget 1/6/2017

Charge Category	Dept	General Support	Customer Service	Retail Network	Card Fulfillment	Corporate Accounts	Financial Settlement	Misc	Rate	%FTE	Annual Cost
Direct Charges (Labor)											
Customer Advocacy Supervisor	CAD		15%						77.87	15%	\$ 24,295
Senior Customer Advocate	CAD		33%						61.48	33%	42,199
Customer Advocate I	CAD		33%						47.54	33%	32,633
Customer Service Manager	CUS		10%						78.24	10%	16,274
Customer Service Supervisor	CUS		10%						65.60	10%	13,645
Electronic Fare Collection Systems Administrator	FI	40%	10%	10%	0%	20%	10%		74.48	90%	139,428
Electronic Fare Collection Technician	FI	40%	33%	10%		17%			60.01	100%	124,824
FPP Clerk	FI				15%	15%			36.92	30%	23,040
Treasury Clerk	FI				10%	15%			36.92	25%	19,200
Senior Accountant	FI						5%		76.18	5%	7,922
Accountant II	FI						10%		57.69	10%	12,000
Senior IT Business Systems Analyst	IT	100%							76.27	100%	158,640
Network Operations Technician	IT	25%		25%					52.55	50%	54,655
Marketing & Communications Specialist	MAR							5%	67.03	5%	6,971
Graphic Designer	MAR							5%	60.33	5%	6,274
SACOG support: technical, financial, business coordinati	SACOG	50%						50%	75.00	100%	156,000
SACOG marketing & communication support	SACOG							25%	65.00	25%	33,800
Total Direct Charges (Labor)											\$ 871,800
Other Miscellaneous Costs/Fees											
Annual Banking Fee							5,000	5,000		\$	5,000
Credit Card Fee (variable @ 2%)							192,000	192,000			192,000
Retail Commission Rate (variable @ 3%)							40,000	40,000			40,000
Marketing (Printing/other)								75,000			75,000
Supplies					20,000			20,000			20,000
Postage					15,000			15,000			15,000
Software Maintenance								37,500	37,500		37,500
Data Center Lease								13,200	13,200		13,200
Oracle Support Agreement								19,000	19,000		19,000
Legal Costs								5,000	5,000		5,000
Total Other Miscellaneous Costs/Fees											\$ 421,700
Indirect Cost Rate (33% of Direct Labor Charges)	RT/SACOG									33%	\$ 287,694
Outside Consulting Services	SACOG							207.00		30%	129,168
Total RSC Costs											\$ 1,710,363

## **Connect Card RSC FY2018 Operating Budget Detail (Proposed)**

**Summary:** The RSC Labor Plan is designed to determine which employees should charge time directly to RSC related activities.

**RSC Direct Charges:** A new statistical WBS will need to be set up prior to 1/23/2016 (date of SL-2). SAXXXX.CONNECT.RSC is recommended. Only the following positions, and potentially those who backfill for the following positions, will be able to charge directly to this WBS:

- **Customer Advocacy Supervisor** – The CAD supervisor is responsible for managing RT’s CAD staff. This position will also assist in complex Customer Service issues and requests associated with the RSC. The CAD supervisor will be responsible for handling RSC refunds and will report on a monthly.
- **Senior Customer Advocate** – The Senior Customer Advocate is responsible for assisting customers with routine requests. These include items such as card balance questions and explanation of basic system functionality.
- **Customer Advocate I** - The Customer Advocate I is responsible for assisting customers with routine requests. These include items such as card balance questions and explanation of basic system functionality.
- **Customer Service Manager** - Only time spent supporting CAD Department type activities should be billed to the RSC. Straight time spent supporting CUS staff (balancing cash drawers, general support, etc.) should not be billed to the RSC.
- **Customer Service Supervisor** - Only time spent supporting CAD Department type activities should be billed to the RSC. Straight time spent supporting CUS staff (balancing cash drawers, general support, etc.) should not be billed to the RSC.
- **Electronic Fare Collection (EFC) Systems Administrator** – The Electronic Fare Collection Systems Administrator is responsible for business administration and management of the RSC. This position will also be responsible for preparing and distributing the RSC Monthly Financial Settlement Reconciliation. The EFC Systems Administrator will setup and maintain the Connect Card corporate accounts and retail network. The EFC Systems Administrator will prepare the monthly Consortium Meeting Packet and keep all meeting notes.
- **Electronic Fare Collection (EFC) Systems Technician** – The EFC systems technician will report directly to the EFC Systems Administrator and will assist with all functions of the Connect Card RSC. Primary responsibilities will include assisting CAD with complex system issues and providing training and assisting to RSC and operator staff members with the use of INIT applications.
- **FPP Clerk** – The FPP Clerk will be the primary employee responsible for card fulfillment. This includes web orders, corporate accounts, retailers and transit agencies.
- **Treasury Clerk** - RSC related treasury clerk time may be spent on card fulfillment activities and Corporate Account support and billing. The Treasury Clerk may also assist with web order fulfillment as necessary.

- **Senior Accountant** – The Senior Account will be responsible for managing accounting transactions (SAP) and funds distribution for the RSC.
- **Accountant II** – The Account II will be responsible for posting daily cash entries for the RSC and assisting the Senior Accountant with the month end close procedures.
- **Senior IT Business Systems Analyst** –
- **Network Operations Technician (multiple)** - Initially only time spent dedicated to RSC networking activities should be billed to the RSC. Time spent supporting the RSC retail network may also be charged once setup.
- **RSC Indirect Charges - A** 33% indirect cost rate will be applied to the labor expense related to the direct charge positions listed above. This amount will be used to cover the cost of items such as facilities usage and other labor costs associated with the RSC. The current statistical WBS (SAXXX.CONNECT.ADMIN) will be used to track labor costs associated with this group. While the employees who charge time to this WBS will not be directly billed to the consortium, RT will track this time to make future adjustments to the indirect cost rate if necessary. The indirect cost rate is used as a method of ensuring minimal budget fluctuation during the infancy period of the project. Examples of positions who may charge to the indirect pool are listed below (again only RSC related activities should be charged to this account):
  - Sample positions who may be included in the indirect cost pool:
    - VP level staff
    - Finance Director
    - IT Director
    - IT Enterprise Systems Administrator
    - Network Operations Systems Administrator
    - Accounting Manager
    - Revenue Manager
    - Senior Financial Analyst
    - Senior Grants Analyst

#### Marketing

- **Senior Marketing & Communications Specialist** – Assists with the preparation of marketing materials, press releases, social media postings, website development, printed materials, etc.
- **Graphic Designer** – Assists with the preparation of graphics and artwork needed for print materials and website.

#### SACOG

- **Technical, Financial, & Business Coordination** - It is anticipated that SACOG staff will continue to support RSC activities beyond the date of full system launch. This includes continuing to coordinate the project budget, monthly meetings, and project closeout with the vendor. SACOG staffing costs will be approved by the consortium and reimbursed to SACOG.
- **Marketing & Communications Support** – It is anticipated that SACOG's Marketing & Communications Team will continue to assist with at least the first year of operations in

promoting Connect Card for the entire region. Hosting public events, doing outreach to various transit stakeholders, etc.

#### Outside Consulting Services

- Provide funding to engage consultants (LTK and Doug Carter and/or others) as needed on continued system roll-out, support roll-out, assist with providing industry best practices.

#### Other Miscellaneous Expenses

- **Annual Banking Fee** - Costs for US Bank Account
- **Credit Card Fee** - Percentage of all credit card transactions and per transaction fees (Approximately 2%)
- **Marketing (Printing/Other)** - Cost to print marketing materials to support the regional outreach and promote Connect Card
- **Supplies** - Consumable supplies such as envelopes, paper, printer ink, etc.
- **Postage** - Mailing cost for orders from the website
- **Software Maintenance** - Mandatory annual cost paid to INIT for software support and maintenance.
- **Data Center Lease** - Connect Card servers are hosted at QTS which is a fully redundant data center. This minimizes any downtime to Connect Card systems from internet or power outages.
- **Oracle Support Agreement** - The Connect Card database runs on Oracle. This is the annual cost required to support the Oracle Database.
- **Legal Costs** – Cost to review any agreements or contracts on behalf of the Consortium

**OPERATING AND CAPITAL COST RESERVE SHARES**

7-Feb-17

<b>Transit Operator</b>	<b>% Fare Revenue</b>	<b>% Boardings</b>	<b>50% Pax/ 50% Rev</b>	<b>Operating Cost Share</b>	<b>Regional Capital Reserve</b>	<b>TOTAL</b>
Sacramento RT	75.5%	82.1%	78.8%	\$ 1,347,355	\$122,569	\$ 1,469,924
Yuba Sutter Transit Authority	3.8%	4.0%	3.9%	\$ 66,777	\$6,075	\$72,852
Yolo County Transportation District	6.3%	4.9%	5.6%	\$ 96,570	\$8,785	\$105,355
Elk Grove Transit	4.0%	3.1%	3.5%	\$ 60,359	\$5,491	\$65,850
City of Folsom Transit	1.5%	2.4%	2.0%	\$ 33,455	\$3,043	\$36,498
South County Transit	0.6%	0.3%	0.4%	\$ 7,601	\$691	\$8,292
<b>El Dorado Transit Authority</b>	<b>4.3%</b>	<b>1.1%</b>	<b>2.7%</b>	<b>\$ 46,249</b>	<b>\$4,207</b>	<b>\$50,456</b>
Roseville Transit	2.3%	1.2%	1.7%	\$ 29,370	\$2,672	\$32,042
Placer County	1.7%	0.9%	1.3%	\$ 22,625	\$2,058	\$24,683
<b>Participant Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$ 1,710,363</b>	<b>\$155,591</b>	<b>\$1,865,954</b>

*Uses FY 2015 Ridership and Revenue*

**ESTIMATED OPERATING AND CAPITAL COST SHARES**

27-Jan-17

<b>Transit Operator</b>	<b>Equal Shares</b>	<b>Operating Cost Share</b>	<b>Capital Reserve</b>	<b>TOTAL</b>
Sacramento RT	78.8%	\$ 1,340,270	\$ 122,569	\$ 1,462,839
Yuba Sutter Transit Authority	3.9%	\$ 66,426	\$ 6,075	\$ 72,501
Yolo County Transportation District	5.6%	\$ 96,063	\$ 8,785	\$ 104,848
Elk Grove Transit	3.5%	\$ 60,042	\$ 5,491	\$ 65,533
City of Folsom Transit	2.0%	\$ 33,279	\$ 3,043	\$ 36,323
South County Transit	0.4%	\$ 7,561	\$ 691	\$ 8,253
<b>El Dorado Transit Authority</b>	<b>2.7%</b>	<b>\$ 46,006</b>	<b>\$ 4,207</b>	<b>\$ 50,213</b>
Roseville Transit	1.7%	\$ 29,216	\$ 2,672	\$ 31,887
Placer County	1.3%	\$ 22,507	\$ 2,058	\$ 24,565
<b>Participant Total</b>	<b>100.0%</b>	<b>\$ 1,701,369</b>	<b>\$ 155,591</b>	<b>\$ 1,856,961</b>
<b>Estimated Cost (1-27-2017)</b>		<b>\$ 1,701,369</b>	<b>\$ 155,591</b>	

*Uses FY 2015 Ridership and Revenue*