



ITEM ID: 2025-249-0

TRANSMITTAL DATE: June 20, 2025

MEETING DATE: June 27, 2025

TO: Board of Directors

FROM: Lisa Bahr, Chief Customer Experience Officer
Kevin Gray, Chief Technology Officer

SUBJECT: Open Loop Demonstration Pilot Grant - MOU with the Southern California Association of Governments (SCAG)

Issue

A Memorandum of Understanding (MOU) between the Authority and the Southern California Association of Governments (SCAG) is required to provide grant funding for an open payment demonstration. Once the MOU has been executed and funding has been authorized, vendor contracts can be awarded through the California Integrated Travel Project (Cal-ITP) Master Services Agreements.

It is important to note that all subsequent vendor agreements under the MSA, including those related to device connectivity and installation, will require negotiation prior to execution. These negotiations will ensure alignment with project objectives, funding parameters, and operational requirements.

This Open Loop Project is a New Capital Project and requires an Amendment to the FY26 Capital Budget.

Recommendation

It is recommended that the Board authorize the Chief Executive Officer to:

1. Negotiate and execute a Memorandum of Understanding (MOU) with the Southern California Association of Governments (SCAG) in an amount not to exceed \$2,800,000, to secure grant funding for an open loop fare payment demonstration; and
2. Negotiate and execute vendor contracts, as necessary, under the California Integrated Travel Project (Cal-ITP) Master Services Agreement (MSA), within the same not-to-exceed grant amount, to implement the demonstration project. Note subsequent vendor

- agreements under the MSA, including those related to device connectivity and installation, will also require negotiation prior to execution; and
3. Amend the FY26 Capital Budget to include the Open Loop Project as a New Capital Project in the amount of \$2,800,000.

Strategic Commitment

This report aligns with the Strategic Business Plan commitments of:

- **Connecting and Leveraging Partnerships:** We will forge new and enhanced relationships, especially with Cal-ITP and SCAG, to provide a new means to simplify fare payment on the Metrolink system and provide seamless connections to other transit services (rail and bus) throughout Southern California.
- **Customers Are Our Business:** We will streamline the rider experience by eliminating the need to calculate exact fares and removing extra steps required to purchase tickets at our ticket machines and mobile application. This additional payment option will make travel more accessible, seamless, and modern while ensuring a consistent experience across the region.

Background

Metrolink, in partnership with the California Integrated Travel Project (Cal-ITP) and the Southern California Association of Governments (SCAG), is launching an open loop contactless fare payment demonstration on the San Bernardino and Arrow Lines. This effort supports the Metrolink Reimagined vision by making paying for travel easier for riders and eliminating barriers to entry as we attract new riders to the new schedule and system.

Open loop contactless fare payment (open payment) systems significantly benefit public transit riders and operators. In an open payment system, passengers can use their credit or debit card or a smart device to pay for their travel by tapping it directly to a payment terminal, much like paying for coffee and other everyday items.

Transport for London (TfL) was the first public transit agency to implement open payments for customers to tap their credit or debit card to pay for travel on their system in 2012. Today, more than half of all trips on all TfL modes are made using open payment.

In California, cities such as San Diego and Sacramento have deployed open payments on multiple modes of public transit, including rail. Ventura County and Orange County are launching open payments this year, and LA Metro intends to go live with open payments on their system before the World Cup in 2026.

In November 2024, Metrolink signed a Letter of Intent with Cal-ITP and SCAG establishing a framework for technical, operational, and policy collaboration. The demonstration will leverage pre-qualified vendors through Cal-ITP's Master Service Agreements to expedite procurement and ensure compliance with federal requirements.

Discussion

Metrolink is seeking approval for the CEO to negotiate and execute a Memorandum of Understanding (MOU No. M-030- 25) with the Southern California Association of Governments (SCAG) to implement an Open Loop Payment Pilot Program. This \$2.8 million cost-reimbursement agreement supports the deployment of a contactless payment system on the San Bernardino and Arrow Lines, aligning with state and regional goals to reduce transportation emissions.

Metrolink is advancing this open loop demonstration in collaboration with Cal-ITP and is seeking approval for the CEO to negotiate and execute contracts with pre-approved vendors on Cal-ITP's Master Services Agreements for open loop payment systems. Vendors will be selected from three categories: Category A (Payment Devices), Category B (Transit Processor), and Acquirer. Metrolink is currently in the evaluation process for vendor selection.

The six-month demonstration will be conducted on the San Bernardino Line (SBL) and the Arrow Line. These lines were selected for the demonstration for several reasons:

- Lack of overlapping sections with other Metrolink lines
- Relatively high ridership and population of various demographic categories
- High frequencies of service (more attractive to spontaneous travelers)
- High rates of one-way and round-trip ticket purchases
- Ability to test across major connection points at San Bernardino – Downtown (between the base Metrolink system and Arrow) and at Union Station (primarily between Metrolink and Metro and other bus operators).

Alongside Metrolink staff, Cal-ITP and SCAG developed a detailed cost estimate for the demonstration that spanned a range between \$1.5 and \$ 2.8 million, depending on the different pricing options offered by vendors on the state bench contracts, along with a range of costs for installation and connectivity of the platform validator devices.

The open payment demonstration is structured in three phases:

- **Phase 1** – Scoping, which was completed in December 2024, focusing on reviewing MSAs and vendor offerings and drafting the Scope of Work.
- **Phase 2** - Vendor Engagement and Project Set-Up, running from January through June 2025, includes soliciting bids from the MSA vendors, executing agreements, and securing funding authorization.
- **Phase 3** - Implementation, scheduled from July 2025 to July 2026, will involve the installation, testing, training, and launching the new payment system. The demonstration will be evaluated after six months of operations (in Summer 2026) to assess the potential for systemwide deployment.

Budget Impact

A \$2.8 million amendment to the FY26 capital budget will be required. Since the project is 100% grant-funded, all costs for the open loop payment demonstration will be absorbed through the SCAG grant. Following the successful demonstration of the open loop payment system, staff will assess the program's impact and provide recommendations to guide the establishment of funding for a systemwide expansion.

Next Steps

The Chief Executive Officer will negotiate and execute the MOU for a Demonstration of Open Loop Payment between SCAG and Southern California Regional Rail Authority (Authority). Staff will continue to evaluate open loop vendors on the Cal-ITP MSA and will prepare a recommendation for the CEO to negotiate and execute vendor contracts. Staff will update the Board on the status and progress of the open loop payment demonstration.

Prepared by: Gabriela Saravia, Manager
 Lisa Bahr, Chief Customer Experience Officer

Approved by: Lisa Bahr, Chief Customer Experience Officer
 Kevin Gray, Chief Technology Officer
 Tom Schamber, Interim Chief Financial Officer

Attachment(s)

[Attachment A - Metrolink/Cal-ITP/SCAG Letter of Intent - Open Loop Demonstration Presentation - Open Loop Payment Demonstration](#)