

Clipper® Executive Board

May 20, 2024

Agenda Item 3b

Clipper® Two Year Budget and Work Plan

Subject:

The Clipper budget and work plan for Fiscal Years (FYs) 2024-25 and 2025-26 for the Executive Board's review and approval.

Background:

Under the Memorandum of Understanding, the Executive Board reviews and adopts a biennial Clipper budget. The budget is intended to provide an understanding of the scope and size of major expense categories, proposed funding plan, and overall summary of Clipper program work elements. The budget is updated annually and includes both current Clipper system and next-generation Clipper system costs, as well as costs to operate, maintain, and implement the overall Clipper program, including staffing, customer education and marketing, and estimated costs from other next-generation Clipper procurements.

Attached for your approval are the Clipper Operating Budget (Attachment A) and the Clipper Capital Budget (Attachment B) with FYs 2024-25 and 2025-26 bordered in red, along with estimated projections of both the Operating and Capital Budget five years from the current FY to FY 2028-29. Staff discussed details of the Draft Clipper Two-Year Operating and Capital Budget at the Board's March 2024 meeting and at the Board's request, staff will discuss both the two-year budget requested for approval and the FY22-23 and FY23-24 approved operating budgets compared to actual (FY22-23) and projected (FY23-24) operating costs incurred by the program. MTC has presented and shared the Clipper budget with transit agency staff, who have indicated support for the item.

Highlights of the Clipper Draft Two Year **Operating** Budget include:

1. An assumption that full parallel operations of the C1 card-based system and the C2 account-based system must be supported during the entire Fiscal Year 24-25 (July 2024 to June 2025) with a cessation of C1 operations in June 2025, and the termination of the C1 contract thereafter;
2. Assumptions of major account-based milestones are conservative based on recent Cubic project schedule submissions;

3. The inclusion of \$6.5M in Low Carbon Transit Operation Program (LCTOP) funding from the State's Cap and Trade program to support the account-based system as the primary platform to delivering benefits and discounts to transit riders, including Clipper START, reduced and no-cost inter-operator transfers, fare-capping and accumulators, and other public-facing benefits;
4. The inclusion of \$2.4M in Senate Bill 1 State of Good Repair funds to support start-up operational costs; and
5. The inclusion of \$2.7M in Inactive Card Funds as an unrestricted program fund source to ensure that expected operating costs can be accounted for. Clipper staff will also be requesting approval for the use of these funds as an operating fund source at the Board's May 2024 meeting.

Highlights of the Clipper Draft Two Year **Capital** Budget include:

1. A continuation of the capital work required to design, test, and ultimately rollout the account-based program, with cost of the system staying consistent but with payment milestones noted in the fiscal years that the Contractor is expected to achieve these milestones based on its last schedule submittal;
2. Capital expenses associated with the other C2 contractors, including Customer Service Center, Fare Media, and Payment Services contracts, as well as estimates of technical consultant support;
3. The full inclusion of Regional Measure 3 (RM3) funds, which completed the final funding gaps for the System Integrator contract;
4. An assumption that Senate Bill 1 State of Good Repair capital funds will not be available to the Clipper program in the long-term; and
5. General estimates of capital expenses, change orders, amendments, and other currently unknown costs after the System Completion milestone has been achieved.

Overall, Clipper staff, in coordination with MTC's Funding, Program, and Policy section, have been maintaining both the Clipper Operating and Capital budget, as the capital and development work continued and the Clipper system remained active during the pandemic, and unexpected costs have been limited. The program outlook is stable over the next several fiscal years. As

mentioned in the highlights of the Operating budget above, our operating costs are conservatively estimated based on previously approved project schedules. Any delays in project delivery later than the above assumptions will result in lower actual operating costs for both MTC and transit operators in FY2024-25. In Agenda Item 4a of this packet, Clipper staff is prepared to update the Board on the latest developments with the account-based project delivery schedule.

MTC and transit operator staff will continue to work together to update the Operating and Capital budgets and will also plan to update the Board six months after the approval of the Clipper Budgets on how expected costs align with actual costs in the current fiscal year.

Issues:

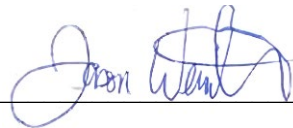
None identified.

Recommendations:

Clipper staff recommend that the Clipper Executive Board approve the Clipper Two Year Operating and Capital Budgets for FY 2024-25 and FY 2025-26.

Attachments:

- Attachment A: Clipper Operating Budget – May 6, 2024
- Attachment B: Clipper Capital Budget – May 6, 2024



Jason Weinstein